



NOTICES OF SPECIAL MEETINGS

OF

SHAREHOLDERS OF CLEANTEK INDUSTRIES INC.

AND

SHAREHOLDERS OF RAISE PRODUCTION INC.

to be held on October 27, 2021

and

JOINT MANAGEMENT INFORMATION CIRCULAR

in connection with a proposed

ARRANGEMENT

involving

CLEANTEK INDUSTRIES INC.

and

RAISE PRODUCTION INC.

September 30, 2021

This joint management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by and on behalf of the management of Raise Production Inc. (“**Raise**”) for use at the special meeting of Raise shareholders and by and on behalf of the management of Cleantek Industries Inc. (“**Cleantek**”) for use at the special meeting of Cleantek shareholders to be held at the times and places and for the purposes set out in the accompanying notices of meetings.

Neither the TSX Venture Exchange nor any securities regulatory authority has in any way passed upon the merits of the Arrangement described in this information circular.



September 30, 2021

Dear Cleantek Shareholders:

On behalf of the board of directors and management of Cleantek Industries Inc. ("**Cleantek**"), we would like to invite you to attend a special meeting (the "**Cleantek Meeting**") of holders ("**Cleantek Shareholders**") of class A common shares of Cleantek ("**Cleantek Shares**") to be held at 10:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication via EST ViSA meeting at 1-877-407-3088.

On July 12, 2021, we announced that Cleantek and Raise Production Inc. ("**Raise**") had entered into an arrangement agreement dated as of July 12, 2021 (the "**Arrangement Agreement**") which contemplates the acquisition by Raise of all of the Cleantek Shares. The transaction will take place pursuant to a statutory arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) ("**ABCA**"). The Arrangement provides for the exchange of Cleantek Shares for common shares in the capital of Raise ("**Raise Shares**") based on an exchange ratio of 58.3 Raise Shares for each Cleantek Share (the "**Exchange Ratio**"). Each option to acquire Cleantek Shares (each, a "**Cleantek Option**") not exercised prior to the effective time of the Arrangement will be exchanged for options to acquire that number of Raise Shares equal to the number of Cleantek Shares subject to such Cleantek Options multiplied by the Exchange Ratio. Each warrant exercisable into Cleantek Shares (each, a "**Cleantek Warrant**") not exercised prior to the effective time of the Arrangement will be exchanged for warrants to acquire that number of Raise Shares equal to the number of Cleantek Shares subject to such Cleantek Warrant multiplied by the Exchange Ratio.

Under the Arrangement, each Cleantek Shareholder (other than a Cleantek Shareholder who has validly exercised its dissent rights) will ultimately receive, upon compliance with the terms and conditions set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Appendix E to the accompanying joint information circular (the "**Circular**") and subject to adjustment as set forth therein, in consideration for each of such Cleantek Shareholder's Cleantek Shares (including any Cleantek Shares issued in connection with the exchange of Cleantek options) 58.3 Raise Shares.

Upon completion of the Arrangement, Raise will remain listed on the TSX Venture Exchange and will carry on the business of Cleantek under the name "Cleantek Industries Inc." (the "**Resulting Issuer**"). Former holders of Cleantek Shares will collectively own approximately 85% of the common shares of the Resulting Issuer (the "**Resulting Issuer Shares**") and existing holders of Raise Shares ("**Raise Shareholders**") will collectively own approximately 15% of the Resulting Issuer Shares, prior to giving effect to the Cleantek Financing (as defined below).

The resolution to approve the Arrangement to be considered at the Cleantek Meeting (the "**Cleantek Arrangement Resolution**") must be approved by 66 2/3% of the votes cast by the Cleantek Shareholders who vote by proxy at the Cleantek Meeting.

The Arrangement was subject to the completion of a financing by Cleantek for minimum gross proceeds of not less than \$10 million (the "**Cleantek Financing**"), which was completed on September 3, 2021, and remains subject to certain approvals of Raise Shareholders at a special meeting of Raise Shareholders to be held on the day of the Cleantek Meeting, the approval of the Court of Queen's Bench of Alberta and the satisfaction of certain closing conditions which are customary in transactions of this nature, all as more fully described in the accompanying Circular.

If the Arrangement is approved by the Cleantek Shareholders and the Raise Shareholders and all other conditions to the implementation of the Arrangement are satisfied or waived, Cleantek and Raise anticipate that the Arrangement will become effective on or about October 28, 2021.

The management and directors of Cleantek and Raise believe that the Arrangement will provide a number of strategic benefits and growth opportunities for shareholders, including:

- minimizing the time and costs usually associated with an initial public offering;
- a greater flexibility in terms of financing alternatives, and providing investors with greater liquidity;
- the Resulting Issuer Board and management team will continue to provide a greater level of support to the Resulting Issuer on a go forward basis;
- allowing Cleantek to raise the equity required to roll out the ZeroE technology to the open market;
- reducing the overall cost of capital as Cleantek progresses its strategic growth plans; and
- providing the public market visibility on Cleantek and our innovative ESG focused technology.

Eight Capital and Whitehorn Merchant Capital Inc. have provided the board of directors of Cleantek (the “**Cleantek Board**”) with their opinions that the consideration received under the Arrangement by the Cleantek Shareholders is fair, from a financial point of view, to the Cleantek Shareholders. **The Cleantek Board, based upon its own investigations, including its consideration of the fairness opinions of Eight Capital and Whitehorn Merchant Capital Inc., has unanimously concluded that the Arrangement is fair to the Cleantek Shareholders from a financial point of view and is in the best interests of Cleantek and the Cleantek Shareholders and recommends that the Cleantek Shareholders vote in favour of the Cleantek Arrangement Resolution.**

All of the directors and executive officers of Cleantek and certain shareholders of Cleantek, collectively holding approximately 70% of the Cleantek Shares, have entered into voting support agreements, which provide that, among other things, such directors, officers and shareholders will vote all of their Cleantek Shares (including any Cleantek Shares obtained upon exercise of outstanding Cleantek Options and Cleantek Warrants) in favour of the Cleantek Arrangement Resolution.

The accompanying Circular contains a detailed description of the Arrangement and the Cleantek Meeting, as well as detailed information regarding Cleantek and Raise, and certain pro forma information regarding the Resulting Issuer after giving effect to the Arrangement. Please read this information carefully, and if you require assistance, consult your own legal, tax, financial or other professional advisor.

Vote Your Shares Today FOR the Cleantek Arrangement Resolution.

Your participation in the affairs of Cleantek is important to us. Please take this opportunity to exercise your vote by completing and returning your proxy form.

We look forward to seeing you at the Cleantek Meeting.

Sincerely,

(Signed) “*Jesse Curlett*”

Chief Executive Officer and Director



September 30, 2021

Dear Raise Shareholder:

On behalf of the board of directors and management of Raise Production Inc. ("**Raise**"), we would like to invite you to attend a special meeting (the "**Raise Meeting**") of holders ("**Raise Shareholders**") of common shares of Raise ("**Raise Shares**") to be held at 9:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication by Microsoft Teams at <https://tinyurl.com/RaiseSM2021>.

On July 12, 2021, we announced that Raise and Cleantek Industries Inc. ("**Cleantek**") had entered into an arrangement agreement dated as of July 12, 2021 (the "**Arrangement Agreement**") which contemplates the acquisition by Raise of all of the class A common shares of Cleantek ("**Cleantek Shares**"). The transaction will take place pursuant to a statutory arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) ("**ABCA**"). The Arrangement provides for the exchange of Cleantek Shares for common shares in the capital of Raise ("**Raise Shares**") based on an exchange ratio of 58.3 Raise Shares for each Cleantek Share (the "**Exchange Ratio**"). Each option to acquire Cleantek Shares (each, a "**Cleantek Option**") not exercised prior to the effective time of the Arrangement will be exchanged for options to acquire that number of Raise Shares equal to the number of Cleantek Shares subject to such Cleantek Options multiplied by the Exchange Ratio. Each warrant exercisable into Cleantek Shares (each, a "**Cleantek Warrant**") not exercised prior to the effective time of the Arrangement will be exchanged for warrants to acquire that number of Raise Shares equal to the number of Cleantek Shares subject to such Cleantek Warrant multiplied by the Exchange Ratio. Further details on the Arrangement are included in the accompanying joint information circular (the "**Circular**").

Upon completion of the Arrangement, Raise will remain listed on the TSX Venture Exchange and will carry on the business of Cleantek under the name "Cleantek Industries Inc." (the "**Resulting Issuer**"). Existing Raise Shareholders will collectively own approximately 15% of the common shares of the Resulting Issuer (the "**Resulting Issuer Shares**") and former holders of Cleantek Shares ("**Cleantek Shareholders**") will collectively own approximately 85% of the Resulting Issuer Shares, prior to giving effect to the Cleantek Financing (as defined below).

At the Raise Meeting, Raise Shareholders will, among other things, be asked to consider and, if deemed advisable, to pass: (i) an ordinary resolution approving the issuance of such number of Raise Shares as may be required to be issued to holders of Cleantek Shares pursuant to the Arrangement and the Arrangement (the "**Raise Arrangement Resolution**"); (ii) an ordinary resolution approving the election of Jesse Curlett, Paul Colucci, Phillip Knoll, Chris Lewis and Reg Greenslade to the board of directors of Raise effective upon the effective time of the Arrangement (the "**Raise Appointment Resolution**", and together with Raise Arrangement Resolution, the "**Raise Ordinary Resolutions**"); and (iii) a special resolution to approve the consolidation of the Raise Shares on a one Resulting Issuer Share for every 58.3 Raise Shares basis (the "**Raise Consolidation Resolution**" and collectively with the Raise Arrangement Resolution and the Raise Appointment Resolution, the "**Raise Transaction Resolutions**").

Board Recommendation

THE RAISE BOARD OF DIRECTORS, AFTER CONSULTATION WITH ITS OUTSIDE LEGAL COUNSEL, UNANIMOUSLY RECOMMENDS THAT RAISE SHAREHOLDERS VOTE IN FAVOUR OF THE RAISE TRANSACTION RESOLUTIONS.

Voting Agreements

All of the directors and executive officers of Raise and certain shareholders of Raise, collectively holding approximately 44% of the Raise Shares, have entered into voting support agreements, which provide that, among other things, such directors, officers and shareholders will vote all of their Raise Shares (including any Raise Shares obtained upon exercise of outstanding options and warrants) in favour of the Raise Transaction Resolutions.

Shareholder Vote

In order to become effective, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting.

The Arrangement was subject to the completion of a financing by Cleantek for minimum gross proceeds of not less than \$10 million (the “**Cleantek Financing**”), which was completed on September 3, 2021, and remains subject to certain approvals of the holders of Cleantek Shares (“**Cleantek Shareholders**”), at a special meeting of Cleantek Shareholders to be held on the day of the Raise Meeting, the approval of the Court of Queen’s Bench of Alberta and the satisfaction of certain closing conditions which are customary in transactions of this nature, all as more fully described in the accompanying Circular.

Assuming that all of the conditions to the Arrangement are satisfied or waived, Raise expects the Arrangement to become effective on or about October 28, 2021.

As a Raise Shareholder, you are requested to complete and return the enclosed form of proxy to ensure that your Raise Shares will be represented at the Raise Meeting, whether or not you are personally able to attend.

The accompanying Circular contains a detailed description of the Arrangement and the Raise Meeting, as well as detailed information regarding Cleantek and Raise, and certain pro forma information regarding the Resulting Issuer after giving effect to the Arrangement. Please read this information carefully, and if you require assistance, consult your own legal, tax, financial or other professional advisor.

Vote Your Shares Today FOR the Raise Transaction Resolutions.

Your participation in the affairs of Raise is important to us. Please take this opportunity to exercise your vote by completing and returning your proxy form.

We look forward to seeing you at the Raise Meeting.

Sincerely,

(Signed) “*Eric Laing*”

President, Chief Executive Officer & Director

CLEANTEK INDUSTRIES INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF CLEANTEK INDUSTRIES INC.

NOTICE IS HEREBY GIVEN that, pursuant to an order (the “**Interim Order**”) of the Court of Queen’s Bench of Alberta (the “**Court**”) dated September 27, 2021, a special meeting (the “**Cleantek Meeting**”) of holders (the “**Cleantek Shareholders**”) of class A common shares (“**Cleantek Shares**”) of Cleantek Industries Inc. (“**Cleantek**”) will be held at 10:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication via EST ViSA meeting at 1-877-407-3088, for the following purposes:

- to consider and, if deemed advisable, to approve, with or without variation, a special resolution (the “**Cleantek Arrangement Resolution**”), the full text of which is attached as Appendix A to the accompanying joint management information circular (the “**Circular**”) of Cleantek and Raise Production Inc. (“**Raise**”), approving the arrangement involving Cleantek and Raise (the “**Arrangement**”) pursuant to the arrangement agreement dated as of July 12, 2021 between Cleantek and Raise under Section 193 of the *Business Corporations Act* (Alberta) (the “**ABCA**”), all as more particularly set forth in the accompanying Circular; and
- to transact such other business as may properly come before the Cleantek Meeting or any adjournment or postponement thereof.

This Notice of Special Meeting is accompanied by the Circular, which provides additional information relating to the matters to be dealt with at the Cleantek Meeting and forms part of this Notice of Special Meeting.

Completion of the proposed Arrangement is conditional upon certain other matters described in the Circular, including completion by Cleantek of a financing for minimum gross proceeds of \$10 million, the approval of the Raise Transaction Resolutions by Raise shareholders at the Raise meeting, the approval of the Court and receipt of required regulatory and stock exchange approvals.

Cleantek Shareholders who are unable to attend the Cleantek Meeting are requested to complete, date, sign and return the enclosed form of Cleantek proxy so that as large a representation as possible may be had at the Cleantek Meeting.

The Cleantek Board has passed a resolution to fix 5:00 p.m. (Calgary Time) on September 27, 2021 as the record date for the determination of the registered holders of Cleantek Shares who will be entitled to receive notice of the Cleantek Meeting, or any adjournment or postponement thereof, and who will be entitled to vote at the Cleantek Meeting. Proxies to be used or acted upon at the Cleantek Meeting must be deposited with Cleantek’s transfer agent, Olympia Trust Company, by 10:00 a.m. (Calgary Time) on October 25, 2021 (or a day other than a Saturday, Sunday or holiday which is at least 48 hours before any adjournment or postponement of the Cleantek Meeting). The time limit for deposit of proxies may be waived or extended by the chair of the Cleantek Meeting at his discretion, without notice.

Pursuant to and in accordance with the Plan of Arrangement, the Interim Order and the provisions of Section 191 of the ABCA (as modified or supplemented by the Interim Order, the Plan of Arrangement and any other order of the Court), Cleantek Shareholders have a right to demand the repurchase of their Cleantek Shares in connection with the Arrangement and, if the Cleantek Arrangement Resolution is passed and the Arrangement becomes effective, to be paid the fair value of their Cleantek Shares (the “**Dissent Rights**”); provided such Cleantek Shareholders exercise all of their available voting rights against the adoption and approval of the Cleantek Arrangement Resolution. Dissent Rights are more particularly described in the accompanying Circular. The repurchase procedures require that a Cleantek Shareholder who wishes to exercise Dissent Rights must send Cleantek a written notice to inform Cleantek of the Cleantek Shareholder’s intention to exercise Dissent Rights (the “**Dissent Notice**”), which notice must be received by Cleantek by 5:00 p.m. (Calgary time) on October 25, 2021 (or 5:00 p.m. (Calgary time) on the day that is two business days immediately preceding the date that any adjourned or postponed Meeting is reconvened or held, as the case may be).

The statutory provisions covering the Dissent Rights are technical and complex. Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, the Plan of Arrangement and any other order of the Court, may result in the loss of Dissent Rights.

DATED at Calgary, Alberta, this 30th day of September, 2021.

By Order of the Board of Directors of Cleantek Industries
Inc.

(Signed) "*Jesse Curlett*"

Chief Executive Officer and Director

RAISE PRODUCTION INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF RAISE PRODUCTION INC.

NOTICE IS HEREBY GIVEN that a special meeting (“**Raise Meeting**”) of shareholders of Raise Production Inc. (“**Raise**”) will be held at 9:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication by Microsoft Teams at <https://tinyurl.com/RaiseSM2021>, for the following purposes:

- to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution (the “**Raise Arrangement Resolution**”), the full text of which is attached as Appendix B to the accompanying joint management information circular (the “**Circular**”) of Raise and Cleantek Industries Inc. (“**Cleantek**”) authorizing Raise to issue such number of common shares of Raise (“**Raise Shares**”) as may be required to be issued to holders of class A common shares of Cleantek (“**Cleantek Shares**”) to allow Raise to acquire all of the outstanding Cleantek Shares on the basis of 58.3 Raise Shares for each outstanding Cleantek Share in accordance with an arrangement agreement between Raise and Cleantek dated July 12, 2021 (the “**Arrangement Agreement**”), as more particularly described in the Circular (the “**Arrangement**”) and approving the terms of the Arrangement; and
- to consider and, if deemed advisable, to approve an ordinary resolution electing Jesse Curlett, Paul Colucci, Phillip Knoll, Chris Lewis and Reg Greenslade to the board of directors of Raise upon the effective time of the Arrangement (the “**Raise Appointment Resolution**”, and together with Raise Arrangement Resolution, the “**Raise Ordinary Resolutions**”);
- to consider and, if deemed advisable, to approve, with or without variation, a special resolution, the full text of which is attached as Appendix B to the Circular, authorizing and approving a consolidation (the “**Consolidation**”) of the common shares in the capital of Raise on the basis of a consolidation of one (1) Resulting Issuer Share (as defined below) for fifty-eight and one third (58.3) Raise Shares (the “**Raise Consolidation Resolution**” and collectively with the Raise Arrangement Resolution and the Raise Appointment Resolution, the “**Raise Transaction Resolutions**”); and
- to transact such other business as may properly come before the Raise Meeting or any adjournment or postponement thereof.

This Notice of Special Meeting is accompanied by the Circular, which provides additional information relating to the matters to be dealt with at the Raise Meeting and forms part of this Notice of Special Meeting.

Holders of Raise Shares who are unable to attend the Raise Meeting are requested to complete, date, sign and return the enclosed form of Raise proxy so that as large a representation as possible may be had at the Raise Meeting.

In light of the guidelines related to COVID-19, Raise will be hosting the Raise Meeting solely by means of remote communication. **All Raise Shareholders are strongly encouraged to vote prior to the Raise Meeting by any means described below, as in-person voting at the time of the Raise Meeting will not be possible.**

The board of directors of Raise has fixed 5:00 p.m. (Calgary Time) on September 27, 2021 as the record date for the determination of the registered holders of Raise Shares who will be entitled to receive notice of the Raise Meeting, or any adjournment or postponement thereof, and who will be entitled to vote at the Raise Meeting. Proxies to be used or acted upon at the Raise Meeting must be deposited with Raise’s transfer agent, Odyssey Trust Company, by 9:00 a.m. (Calgary time) on October 25, 2021 (or a day other than a Saturday, Sunday or holiday which is at least 48 hours before any adjournment or postponement of the Raise Meeting). Alternatively, a registered Raise Shareholder may vote online as provided for in the instructions set forth in the enclosed form of proxy. The time limit for deposit of proxies may be waived or extended by the chair of the Raise Meeting at his discretion, without notice.

DATED at Calgary, Alberta this 30th day of September, 2021.

By Order of the Board of Directors of Raise Production
Inc.

(Signed) “*Eric Laing*”

President, Chief Executive Officer and Director

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CLEANTEK SHAREHOLDERS - QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT AND THE CLEANTEK MEETING

The information contained below is of a summary nature and therefore is not complete and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, including the appendices hereto, the form of proxy and the Letter of Transmittal, all of which are important and should be reviewed carefully. Capitalized terms used in these questions and answers but not otherwise defined herein have the meanings set forth in “*Glossary of Terms*” of this Circular.

Q: Why is the Cleantek Meeting being held?

A: The Cleantek Meeting is being held because Cleantek and Raise have entered into a definitive arrangement agreement whereby Raise will acquire all of the outstanding Cleantek Shares by way of the Arrangement.

Q: What are Cleantek Shareholders being asked to vote on?

A: Cleantek Shareholders will be asked to vote on the Cleantek Arrangement Resolution authorizing and approving the arrangement between Cleantek and Raise under Section 193 of the ABCA pursuant to which Raise will acquire all of the outstanding Cleantek Shares. In addition, all of the outstanding Cleantek Options and Cleantek Warrants, to the extent they have not been exercised or settled, as applicable, prior to the Effective Time of the Arrangement, as applicable, will be exchanged for Raise Replacement Options and Raise Replacement Warrants, respectively. Upon completion of the Arrangement, and assuming all Cleantek Options are exchanged for Raise Replacement Options and all Cleantek Warrants are exchanged for Raise Replacement Warrants, existing Raise Shareholders will continue to collectively own approximately 15% of the Raise Shares, and former holders of Cleantek Shares will collectively own approximately 85% of the Raise Shares, prior to giving effect to the Cleantek Financing (as defined herein).

Q: What consideration will I receive for my Cleantek Shares?

A: The Arrangement provides for, among other things, the exchange of Cleantek Shares for Raise Shares on the basis of 58.3 Raise Shares for each Cleantek Share outstanding.

Q: When and where is the Cleantek Meeting being held?

A: The Cleantek Meeting will be held at 10:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication via EST ViSA meeting at 1-877-407-3088.

Q: Who is entitled to vote at the Cleantek Meeting?

A: Only Cleantek Shareholders of record at 5:00 p.m. (Calgary Time) on September 27, 2021 will be entitled to receive notice of and vote at the Cleantek Meeting, or any adjournment or postponement thereof.

Q: When do I have to vote my Cleantek Shares by?

A: Proxies must be received no later than 10:00 a.m. (Calgary Time) on October 25, 2021, or, in the event that the Cleantek Meeting is postponed, on a business day that is least 48 hours before the date to which the meeting is adjourned or postponed.

Q: How do I vote my Cleantek Shares?

A: All Cleantek Shareholders are strongly encouraged to vote prior to the Cleantek Meeting by any means described below, as in-person voting at the time of the Cleantek Meeting will not be possible. Cleantek Shareholders can vote in one of the following ways:

INTERNET	Go to https://css.olympiustrust.com/pxlogin and enter the 12-digit control number shown on reverse.
EMAIL	proxy@olympiustrust.com
FACSIMILE	(403) 668-8307
MAIL	Olympia Trust Company PO Box 128, STN M Calgary, AB T2P 2H6 Attn: Proxy Dept.

Q: What are the benefits of the Arrangement to Cleantek Shareholders?

A: Cleantek Shareholders are expected to benefit from the Arrangement as a result of:

- minimizing the time and costs usually associated with an initial public offering;
- a greater flexibility in terms of financing alternatives, and providing investors with greater liquidity;
- the Resulting Issuer Board and management team will continue to provide a greater level of support to the Resulting Issuer on a go forward basis;
- allowing Cleantek to raise the equity required to roll out the ZeroE technology to the open market;
- reducing the overall cost of capital as Cleantek progresses its strategic growth plans; and providing the public market visibility on Cleantek and its innovative ESG focused technology.

See “*The Arrangement – Reasons for the Recommendation of the Cleantek Board*” for more information.

Q: What approvals are required by Cleantek Shareholders at the Cleantek Meeting?

A: In order for the Arrangement to be completed, the Cleantek Arrangement Resolution will require the affirmative vote of at least 66⅔% of the votes cast by Cleantek Shareholders, voting as a single class, who vote by proxy at the Cleantek Meeting.

See “*The Arrangement – Approvals*” for more information.

Q: What other approvals are required for the Arrangement to be completed?

A: In order to become effective, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting. In addition, the Arrangement must be approved by the Court. The Court will be asked to make an order approving the Arrangement and to determine that the Arrangement is fair and reasonable to the Cleantek Shareholders. Cleantek will apply to the Court for this order if the Cleantek Shareholders approve the Cleantek Arrangement Resolution at the Cleantek Meeting and the Raise Shareholders approve the Raise Transaction Resolutions at the Raise Meeting.

The Arrangement and the transactions contemplated thereby are subject to other regulatory approvals including the approval of the TSXV.

See “*The Arrangement – Approvals*” for more information.

Q: Does the Cleantek Board support the Arrangement?

A: Yes. The Cleantek Board has unanimously determined, following consultation with its legal and financial advisors and the receipt of the recommendation of the Cleantek Special Committee and the Cleantek Fairness Opinions, that the Arrangement is in the best interests of Cleantek.

THE CLEANTEK BOARD UNANIMOUSLY RECOMMENDS THAT CLEANTEK SHAREHOLDERS VOTE IN FAVOUR OF THE CLEANTEK ARRANGEMENT RESOLUTION.

Q: Are there support agreements in place with any Cleantek Shareholders or Raise Shareholders?

A: Yes. The directors, officers and certain shareholders of each of Cleantek and Raise, holding securities representing approximately 70% and 44% of the Cleantek Shares and Raise Shares, on a fully diluted basis as of July 12, 2021, respectively, have each entered into support agreements pursuant to which they agreed, among other things, to VOTE IN FAVOUR of the Cleantek Arrangement Resolution and the Raise Transaction Resolutions, respectively.

Q: Are there fairness opinions regarding the consideration to be received by Cleantek Shareholders?

A: Yes. The Cleantek Board has received fairness opinions from each of Eight Capital and Whitehorn Merchant Capital Inc. as to the fairness of the Arrangement, from a financial point of view, to the Cleantek Shareholders.

See “*The Arrangement – Cleantek Fairness Opinions*”.

Q: When will the Arrangement become effective?

A: It is anticipated that the Arrangement will become effective at 12:01 a.m. (Calgary Time) on the date the Articles of Arrangement are filed with the Registrar, which is expected to occur on or about October 28, 2021, subject to the satisfaction or waiver of all the conditions precedent to the Arrangement, including that the Final Order has been granted by the Court.

See “*The Arrangement – Description of the Arrangement – Summary of Key Procedural Steps for the Arrangement to Become Effective*”.

Q: What are the Canadian federal income tax consequences of the Arrangement to Cleantek Shareholders?

A: Subject to the qualifications set forth in this Circular, the exchange of Cleantek Shares for Raise Shares pursuant to the Arrangement generally should not give rise to any capital gain or capital loss to Cleantek Shareholders under Canadian federal income tax laws.

See “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders*”.

Tax matters are complicated and the tax consequences of the Arrangement to you will depend on the facts of your particular circumstances. Because individual circumstances may differ, you should consult with your tax advisor as to the specific tax consequences of the Arrangement to you.

Q: What will happen to Cleantek if the Arrangement is completed?

A: If the Arrangement is completed, Raise will acquire all of the outstanding Cleantek Shares and Cleantek will thereafter be amalgamated with Raise. Raise will remain listed on the TSXV and will carry on the business of Cleantek under the name “Cleantek Industries Inc.”

Q: Are the Raise Shares listed on a stock exchange?

A: Yes. The Raise Shares currently trade under the symbol “RPC” on the TSXV. It is a condition of closing that the Raise Shares issuable under the Arrangement shall have been conditionally approved for listing on the TSXV, subject to the satisfaction of customary conditions required by such exchange.

Q: Are Cleantek Shareholders entitled to Dissent Rights?

A: Yes. Under the Interim Order, registered holders of Cleantek Shares are entitled to Dissent Rights, but only if they follow the procedures specified in the ABCA, as modified by Article 4 of the Plan of Arrangement, the Interim Order and the Final Order. If you wish to exercise Dissent Rights, you should review the requirements summarized in this Circular carefully and consult with your legal advisor.

See “*The Arrangement – Dissent Rights for Cleantek Shareholders*”.

Q: What will happen if the Cleantek Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A: If the Cleantek Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated by one or both of the parties. In certain circumstances, if the Cleantek Arrangement Resolution is not approved and the Arrangement Agreement is terminated, Cleantek will be required to pay Raise a termination fee of C\$2,500,000.

See “*Summary of Material Agreements – The Arrangement Agreement – Termination*”.

Q: Should I send my Cleantek share certificates in now?

A: You are not required to send in your certificates representing Cleantek Shares to validly cast your vote in respect of the Arrangement. We encourage Cleantek Shareholders to complete, sign, date and return the Letter of Transmittal, together with their Cleantek Share certificate(s), at least two business days prior to the Effective Date which will assist in arranging for the prompt exchange of your Cleantek Shares for Raise Shares once the Arrangement is completed.

Q: When can I expect to receive the consideration for my Cleantek Shares?

A: You will receive the consideration for your Cleantek Shares as soon as practicable after the Arrangement becomes effective and your properly completed Letter of Transmittal and share certificates representing Cleantek Shares are received by the Depositary.

Q: What happens if I send in my Cleantek Share certificate(s) and the Cleantek Arrangement Resolution is not approved or the Arrangement is not completed?

A: If the Cleantek Arrangement Resolution is not approved or if the Arrangement is not otherwise completed, your certificate(s) representing Cleantek Shares will be returned promptly to you by the Depositary.

Q: Who should I contact if I have questions?

A: Jesse Curlett, Chief Executive Officer of Cleantek, at jdcurlett@cleantekinc.com.

RAISE SHAREHOLDERS - QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT AND THE RAISE MEETING

The information contained below is of a summary nature and therefore is not complete and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, including the appendices hereto and the form of proxy for use at the Raise Meeting, and the Letter of Transmittal, all of which are important and should be reviewed carefully. Capitalized terms used in these questions and answers but not otherwise defined herein have the meanings set forth under “*Glossary of Terms*” in this Circular.

Q: Why is the Raise Meeting being held?

A.: The Raise Meeting is being held because Cleantek and Raise have entered into a definitive agreement whereby Raise will acquire all of the outstanding Cleantek Shares by way of the Arrangement.

Q: What are Raise Shareholders being asked to vote on?

A: Raise Shareholders will be asked to vote on the Raise Transaction Resolutions authorizing and approving: (i) the issuance of the Raise Consideration Shares pursuant to the Arrangement; the election of Jesse Curlett, Paul Colucci, Phillip Knoll, Chris Lewis and Reg Greenslade to the Raise Board; and (iii) the Share Consolidation.

Q: When and where is the Raise Meeting being held?

A: The Raise Meeting will be held at 9:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication by Microsoft Teams at <https://tinyurl.com/RaiseSM2021>.

Q: Who is entitled to vote at the Raise Meeting?

A: Only Raise Shareholders of record at 5:00 p.m. (Calgary Time) on September 27, 2021 will be entitled to receive notice of and vote at the Raise Meeting, or any adjournment or postponement thereof.

Q: When do I have to vote my Raise Shares by?

A: Proxies must be received no later than 9:00 a.m. (Calgary Time) on October 25, 2021, or, in the event that the Raise Meeting is postponed, on a business day at least 48 hours before the date and time to which the meeting is adjourned or postponed.

Q: How do I vote my Raise Shares?

A: All Raise Shareholders are strongly encouraged to vote prior to the Raise Meeting by any means described below, as in-person voting at the time of the Raise Meeting will not be possible. Registered Raise Shareholders can vote in one of the following ways:

Mail	Enter voting instructions, sign the form of proxy or voting instruction form and send your completed form of proxy or voting instruction form to: Odyssey Trust Company Attention: Proxy Tabulation Department 1230, 300 – 5 th Avenue S.W., Calgary, Alberta T2P 3C4
Internet	Go to https://login.odysseytrust.com/pxlogin and follow the online voting instructions given to you.

If you are a non-registered (beneficial) Raise Shareholder – holding your Raise Shares through a bank, broker, trust company, or custodian - you are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, beneficial Raise Shareholders can call the toll-free telephone number printed on your voting instruction form or go to www.proxyvote.com and enter your 16 digit control number to deliver your voting instructions.

Q: What are the benefits of the Arrangement to Raise Shareholders?

A: The following are some, but not all, of the benefits of the Arrangement to Raise Shareholders:

- the Raise Board concluded that the value offered to Raise Shareholders under the Arrangement is equal to or greater than the value that might have been realized from executing Raise's business plan given the challenges, risks and capital that would be required to implement the plan;
- the Arrangement is anticipated to enhance value for Raise Shareholders through ownership in an ESG focused clean technology company with growth potential;
- the Arrangement allows Cleantek to raise the equity required to roll out its new technology which is a benefit to the Resulting Issuer shareholders;
- the Arrangement allows the Resulting Issuer to realize value on Raise's patented HART technology under more favourable market conditions.

See "*The Arrangement – Recommendation of the Raise Board – Reasons for the Recommendation of the Raise Board*" for more information.

Q: What approvals are required by Raise Shareholders at the Raise Meeting?

A: In order for the Arrangement to be completed, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting.

See “*The Arrangement – Approvals*” for more information.

Q: What other approvals are required for the Arrangement to be completed?

A: The Cleantek Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by Cleantek Shareholders, voting as a single class, who vote by proxy at the Cleantek Meeting. In addition, the Arrangement must be approved by the Court. The Court will be asked to make an order approving the Arrangement and to determine that the Arrangement is fair and reasonable to the Cleantek Shareholders. Cleantek will apply to the Court for this order if the Cleantek Shareholders approve the Cleantek Arrangement Resolution at the Cleantek Meeting and the Raise Shareholders approve the Raise Transaction Resolutions at the Raise Meeting.

The Arrangement and the transactions contemplated thereby are subject to other regulatory approvals, including approval of the TSXV.

See “*The Arrangement – Approvals*” for more information.

Q: Does the Raise Board support the Arrangement?

A: Yes. The Raise Board has unanimously determined, following consultation with its legal and financial advisors that the Arrangement is in the best interests of Raise.

THE RAISE BOARD UNANIMOUSLY RECOMMENDS THAT RAISE SHAREHOLDERS VOTE IN FAVOUR OF THE RAISE TRANSACTION RESOLUTIONS.

Q: Are there support agreements in place with any Cleantek Shareholders or Raise Shareholders?

A: Yes. The directors, officers and certain shareholders of each of Cleantek and Raise, holding securities representing approximately 70% and 44% of the Cleantek Shares and Raise Shares, on a fully diluted basis as of July 12, 2021, respectively, have each entered into support agreements pursuant to which they agreed, among other things, to VOTE IN FAVOUR of the Cleantek Arrangement Resolution and the Raise Transaction Resolutions, respectively.

Q: When will the Arrangement become effective?

A: It is anticipated that the Arrangement will become effective at 12:01 a.m. (Calgary Time) on the date the Articles of Arrangement are filed with the Registrar, which is expected to occur on or about October 28, 2021, subject to the satisfaction or waiver of all the conditions precedent to the Arrangement, including that the Final Order has been granted by the Court.

See “*The Arrangement – Description of the Arrangement – Summary of Key Procedural Steps for the Arrangement to Become Effective*”.

Q: What will happen to Raise if the Arrangement is completed?

A: If the Arrangement is completed, Raise will acquire all of the outstanding Cleantek Shares and Cleantek will thereafter amalgamate with Raise. Raise will remain listed on the TSXV and will carry on the business of Cleantek under the name “Cleantek Industries Inc.”

Q: Are Raise Shareholders entitled to Dissent Rights?

A: No. Raise Shareholders are not entitled to Dissent Rights.

Q: Should I send my Raise Share certificates in now?

A: You are not required to send in your certificates representing Raise Shares to validly cast your vote in respect of the Raise Transaction Resolutions. We encourage Raise Shareholders to complete, sign, date and return the Letter of Transmittal, together with their Raise Share certificate(s), at least two business days prior to the Effective Date which will assist in arranging for the prompt exchange of your Raise Shares for Resulting Issuer Shares once the Consolidation and the Arrangement are completed.

Q: When can I expect to receive the Resulting Issuer Shares?

A: You will receive the Resulting Issuer Shares as soon as practicable after the Consolidation and the Arrangement becomes effective and your properly completed Letter of Transmittal and share certificates representing Raise Shares are received by the Depositary.

Q: What will happen if the Raise Transaction Resolutions is not approved or the Arrangement is not completed for any reason?

A: If the Raise Transaction Resolutions is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated by one or both of the parties. If you submitted a Letter of Transmittal, your certificate(s) representing Raise Shares will be returned promptly to you by the Depositary.

See “*Summary of Material Agreements – The Arrangement Agreement – Termination*”.

Q: Who should I contact if I have questions?

Eric Laing, President and Chief Executive Officer of Raise, at elaing@raiseproduction.com.

SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, contained elsewhere in this Circular and the attached appendices and in the documents incorporated herein by reference, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings ascribed to them in the Glossary of Terms appearing elsewhere in this Circular.

The Meetings

The Cleantek Meeting will be held at 10:00 a.m. (Calgary Time) on October 27, 2021 solely by means of remote communication via EST ViSA meeting at 1-877-407-3088.

The Raise Meeting will be held at 9:00 a.m. (Calgary Time) on October 27, 2021 at solely by means of remote communication by Microsoft Teams at <https://tinyurl.com/RaiseSM2021>.

Record Dates

Only Cleantek Shareholders of record at 5:00 p.m. (Calgary Time) on September 27, 2021 will be entitled to receive notice of and vote at the Cleantek Meeting, or any adjournment or postponement thereof.

Only Raise Shareholders of record at 5:00 p.m. (Calgary Time) on September 27, 2021 will be entitled to receive notice of and vote at the Raise Meeting, or any adjournment or postponement thereof.

Purpose of the Meetings

At the Cleantek Meeting, Cleantek Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Cleantek Arrangement Resolution approving the Arrangement. The full text of the Cleantek Arrangement Resolution is set out in Appendix A to this Circular. In order to become effective, the Cleantek Arrangement Resolution will require the affirmative vote of at least 66⅔% of the votes cast by Cleantek Shareholders, voting as a single class, who vote by proxy at the Cleantek Meeting. See “*The Arrangement – Approvals – Cleantek Shareholder Approval*”.

At the Raise Meeting, Raise Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Raise Transaction Resolutions approving: (i) the issuance of the Raise Consideration Shares pursuant to the Arrangement; the election of Jesse Curlett, Paul Colucci, Phillip Knoll, Chris Lewis and Reg Greenslade to the Raise Board; and (iii) the Share Consolidation. The full text of the Raise Transaction Resolutions is set out in Appendix B to this Circular. In order for the Arrangement to be completed, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting.

The Arrangement

Pursuant to the Arrangement, Cleantek Shareholders (other than those who validly exercise their Dissent Rights) will receive, upon compliance with the terms and conditions set forth in the Plan of Arrangement, 58.3 Raise Shares in consideration for each such Cleantek Shareholder's Cleantek Shares. In addition, (i) each Cleantek Option outstanding at the Effective Date will be exchanged for a number of Raise Replacement Options equal to 58.3 multiplied by the number of Cleantek Shares subject to such Cleantek Option; and (ii) each Cleantek Warrant outstanding at the Effective Date will be exchanged for a number of Raise Replacement Warrants equal to 58.3 multiplied by the number of Cleantek Shares subject to such Cleantek Warrant. As a result of the Arrangement, Raise will acquire all of the outstanding Cleantek Shares and Cleantek will thereafter amalgamate with Raise. Raise will remain listed on the TSXV and will carry on the business of Cleantek under the name “Cleantek Industries Inc.”. Former holders of Cleantek Shares will collectively own approximately 85% of the Resulting Issuer Shares and existing holders of Raise Shares will collectively own approximately 15% of the Resulting Issuer Shares, prior to giving effect to the Cleantek Financing.

Opinions of the Financial Advisors

Fairness Opinions of Eight Capital and Whitehorn Merchant Capital Inc.

In determining to approve the Arrangement, the Cleantek Board considered, among other things, the fairness opinions of its financial advisors, Eight Capital and Whitehorn Merchant Capital Inc. The Cleantek Fairness Opinions each concluded that, subject to the scope of review, assumptions and limitations contained therein, the consideration to be received by Cleantek Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Cleantek Shareholders. The Eight Capital Fairness Opinion is attached as Appendix F to this Circular and the Whitehorn Capital Fairness Opinion is attached as Appendix G to this Circular. Cleantek encourages you to read these opinions in their entirety. See “*The Arrangement – Cleantek Fairness Opinions*”.

Each of Eight Capital and Whitehorn Merchant Capital Inc. provided its respective Cleantek Fairness Opinion for the information and assistance of the Cleantek Board in connection with its consideration of the Arrangement. Neither of the Cleantek Fairness Opinions is a recommendation as to how any Cleantek Shareholder should vote with respect to the Arrangement or any other matter.

RECOMMENDATIONS TO SHAREHOLDERS OF CLEANTEK AND SHAREHOLDERS OF RAISE

The Cleantek Board UNANIMOUSLY RECOMMENDS that Cleantek Shareholders VOTE IN FAVOUR of the Cleantek Arrangement Resolution.

The Raise Board UNANIMOUSLY RECOMMENDS that Raise Shareholders VOTE IN FAVOUR of the Raise Transaction Resolutions.

Recommendation of the Cleantek Board

After careful consideration, including consultation with its legal and financial advisors, the unanimous recommendation of the Cleantek Special Committee, the receipt of the Cleantek Fairness Opinions and the other factors set out below under the heading “*The Arrangement – Recommendation of the Cleantek Board – Reasons for the Recommendation of the Cleantek Board*”, the Cleantek Board determined that the Arrangement is in the best interests of Cleantek and is fair to the Cleantek Shareholders, and unanimously passed a resolution approving the Arrangement, authorizing the entering into of the Arrangement Agreement and recommending that Cleantek Shareholders **VOTE IN FAVOUR** of the Cleantek Arrangement Resolution.

Reasons for the Recommendations of the Cleantek Board

In the course of its evaluation of the Arrangement, the Cleantek Board considered a number of factors, including those listed below, with the benefit of input from the Cleantek Special Committee and advice from Cleantek’s senior management, Eight Capital and Whitehorn Merchant Capital Inc., and Cleantek’s legal counsel. The following is a summary of the principal reasons for the unanimous recommendation of the Cleantek Board that Cleantek Shareholders **VOTE IN FAVOUR** of the Cleantek Arrangement Resolution:

- minimizing the time and costs usually associated with an initial public offering;
- a greater flexibility in terms of financing alternatives, and providing investors with greater liquidity;
- the Resulting Issuer Board and management team will continue to provide a greater level of support to the Resulting Issuer on a go forward basis;
- allowing Cleantek to raise the equity required to roll out the ZeroE technology to the open market;
- reducing the overall cost of capital as Cleantek progresses its strategic growth plans; and
- providing the public market visibility on Cleantek and its innovative ESG focused technology.

The Cleantek Board also considered the risks relating to the Arrangement, including those matters described under the heading “*Risk Factors*”. The Cleantek Board believes that, overall, the anticipated benefits of the Arrangement to Cleantek outweigh these risks.

See “*The Arrangement – Recommendation of the Cleantek Board – Reasons for the Recommendation of the Cleantek Board*”.

Recommendation of the Raise Board

After careful consideration, including consultation with its legal and financial advisors, and the other factors set out below under the heading “*The Arrangement – Recommendation of the Cleantek Board – Reasons for the Recommendation of the Raise Board*”, the Raise Board determined that the Arrangement is in the best interests of Raise, and unanimously passed a resolution approving the Arrangement, authorizing the entering into of the Arrangement Agreement and recommending that Raise Shareholders **VOTE IN FAVOUR** of the Raise Transaction Resolutions.

Reasons for the Recommendations of the Raise Board

In the course of its evaluation of the Arrangement, the Raise Board considered a number of factors, including those listed below, with the benefit of advice from Raise’s legal counsel. The following is a summary of the principal reasons for the unanimous recommendation of the Raise Board that Raise Shareholders **VOTE IN FAVOUR** of the Raise Transaction Resolutions:

- industry, economic and market conditions and trends, notably, the negative effects on Raise of the COVID-19 pandemic since March 2020;
- difficulties in raising funds to execute Raise’s commercialization strategy for its products;
- financial, operational and other factors, including the financial metrics of the proposed transaction, the long-term prospects of Cleantek on a stand-alone basis and the prospects for the combined assets and operations of the Resulting Issuer;
- the Raise Board concluded that the value offered to Raise Shareholders under the Arrangement is equal to or greater than the value that might have been realized from executing Raise’s business plan given the challenges, risks and capital that would be required to implement the plan;
- the Arrangement is anticipated to enhance value for Raise Shareholders through ownership in an ESG focused clean technology company with growth potential;
- the Arrangement allows Cleantek to raise the equity required to roll out its new technology which is a benefit to the Resulting Issuer shareholders;
- the Arrangement allows the Resulting Issuer to realize value on Raise’s patented HART technology under more favourable market conditions.

In addition, the Raise Board considered the risks relating to the Arrangement, including those matters described under the heading “*Risk Factors*”. The Raise Board believes that, overall, the anticipated benefits of the Arrangement to Raise outweigh these risks.

See “*The Arrangement – Recommendation of the Raise Board – Reasons for the Recommendation of the Raise Board*”.

Lock-Up Agreements

The Cleantek Locked-Up Shareholders have each entered into the Cleantek Lock-Up Agreements with Cleantek and Raise pursuant to which they have agreed, among other things, to support the Arrangement and vote their Cleantek securities in favour of the Cleantek Arrangement Resolution. As of July 12, 2021, the Cleantek Locked-Up Shareholders, together with their associates and affiliates, owned or exercised control or direction over an aggregate 12,043,632 Cleantek Shares, 112,500 Cleantek Options, 283,333 Cleantek Warrants representing approximately 70% of the Cleantek Shares (on a fully diluted basis) on such date. The Cleantek Lock-Up Agreements may be terminated by the Cleantek Locked-Up Shareholders

in certain limited circumstances, including in the event that the Arrangement Agreement is terminated in accordance with its terms. See “*Summary of Material Agreements – Lock-Up Agreements*”.

The Raise Locked-Up Shareholders have each entered into the Raise Lock-Up Agreements with Cleantek and Raise pursuant to which they have agreed, among other things, to support the Arrangement and vote their Raise Securities in favour of the Raise Transaction Resolutions. As of July 12, 2021, the Raise Locked-Up Shareholders, together with their associates and affiliates, owned or exercised control or direction over an aggregate 76,143,394 Raise Shares and 6,850,000 Raise Options representing approximately 44% of the Raise Shares (on a fully diluted basis) on such date. The Raise Lock-Up Agreements may be terminated by the Raise Locked-Up Shareholders in certain limited circumstances, including in the event that the Arrangement Agreement is terminated in accordance with its terms. See “*Summary of Material Agreements – Lock-Up Agreements*”.

Procedure for the Arrangement to Become Effective

Summary of Key Procedural Steps

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Cleantek Arrangement Resolution must be approved by the Cleantek Shareholders in the manner set forth in the Interim Order;
- (b) the Raise Transaction Resolutions must be approved by the Raise Shareholders in the manner required by the TSXV;
- (c) the Court must grant the Final Order approving the Arrangement;
- (d) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (e) the Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar.

Court Approval

Implementation of the Arrangement requires the approval of the Court. An application for the Final Order approving the Arrangement is expected to be made on October 27, 2021 at 4:00 p.m. (Calgary Time) at the Court, located at 601 5 St SW, Calgary, Alberta T2P 5P7. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. See “*The Arrangement – Approvals – Court Approval*”.

Conditions Precedent

The implementation of the Arrangement is subject to a number of conditions being satisfied or waived by one or both of Cleantek and Raise at or prior to the Effective Time. See “*Summary of Material Agreements – The Arrangement Agreement – Conditions*”.

Effective Date

The Arrangement will become effective at 12:01 a.m. (Calgary Time) on the date the Articles of Arrangement are filed with the Registrar, which is expected to occur on or about October 28, 2021, subject to the satisfaction or waiver of all the conditions precedent to the Arrangement, including that the Final Order has been granted by the Court.

Arm’s Length Transaction

Cleantek and Raise are at an arm’s length from one another and, accordingly, this is an arm’s length transaction.

Available Funds

The table below provides the total funds expected to be available to the Resulting Issuer upon completion of the Arrangement.

<u>Type of Funds</u>	<u>Amount</u>
Estimated Consolidated Working Capital ⁽¹⁾	(\$14,050,000) ⁽²⁾
Net Proceeds from Cleantek Financing ⁽³⁾	\$10,066,000
Other available funds	\$10,000,000
Costs of the Arrangement	(\$1,250,000)
Total	\$4,766,000

Notes:

- (1) Working Capital means current assets (including but not limited to cash, restricted cash, accounts receivable, inventory, prepaids and deposits) less all current liabilities (including but not limited to accounts payable and accrued liabilities, redemption obligations).
- (2) As at September 30, 2021, less the estimated costs associated with the Arrangement that are anticipated to be incurred from October 1, 2021 until completion of the Arrangement.
- (3) Based on aggregate gross proceeds from the Cleantek Financing of \$10,753,000, less payment to the Agents of \$567,000, representing 6% of the aggregate gross proceeds of the Cleantek Financing and the Agents' estimated expenses of \$120,000.

Principal Purposes

The funds available to the Resulting Issuer are estimated at \$4,766,000. The principal purposes of the use of funds available to the Resulting Issuer and the estimated budgeted amounts for each purpose is provided in the table below:

<u>Principal Purpose</u>	<u>Amount</u>
Expansion Capital Expenditures	\$4,000,000
General & Corporate Purposes	\$766,000
Total	\$4,766,000

The Resulting Issuer will spend the funds available to it after completion of the Arrangement to carry out its business objectives. There may be circumstances where, for sound business reasons or to react to unexpected circumstances, a reallocation of funds may be necessary.

Selected Resulting Issuer Unaudited *Pro Forma* Consolidated Financial Information

The selected unaudited *pro forma* consolidated financial information set forth below should be read in conjunction with the Resulting Issuer's unaudited *pro forma* consolidated financial statements and the accompanying notes thereto attached as Appendix J to this Circular. The *pro forma* consolidated statement of net loss and comprehensive loss for the year ended December 31, 2020 and the *pro forma* consolidated interim statement of net loss and comprehensive loss for the six-month period ended June 30, 2021 have been prepared for illustrative purposes only. The *pro forma* consolidated statement of financial position as at June 30, 2021 has been prepared for illustrative purposes only.

The *pro forma* consolidated statement of financial position has been prepared from the unaudited consolidated statement of financial position of Cleantek and the unaudited consolidated statement of financial position of Raise as at June 30, 2021 and gives *pro forma* effect to the completion of the Arrangement as if it had occurred on June 30, 2021. The *pro forma* consolidated statement of net loss and comprehensive loss for the year ended December 31, 2020 and the *pro forma* consolidated statement of net loss and comprehensive loss for the six-month period ended June 30, 2021 have been prepared, respectively, from the audited consolidated statement of comprehensive income of Cleantek and the audited consolidated statement of comprehensive loss of Raise for the year ended December 31, 2020, and from the unaudited consolidated statements of comprehensive income of each of Cleantek and Raise for the six-month period ended June 30, 2021 and gives *pro forma* effect to the completion of the Arrangement as if the transaction had occurred on January 1, 2021.

The table below also includes certain historical results for each of Cleantek and Raise and on a *pro forma* basis. Please read in connection with the accompanying notes provided in Appendix J to this Circular.

	Six months ended June 30, 2021			Year ended December 31, 2020		
	Raise	Cleantek	<i>Pro forma</i> ⁽¹⁾	Raise	Cleantek	<i>Pro forma</i> ⁽²⁾
(in thousands of dollars)						
Statement of Operations data:						
Revenue	383	4,402	4,785	606	7,607	8,213
Net earnings (loss)	(257)	(811)	(1,068)	(1,675)	(22,376)	(24,051)
Per Share data:						
Basic and diluted loss per share	\$ (0.01)	\$ (0.05)	\$ (0.06)	\$ (0.00)	\$ (0.91)	\$ (0.91)
Basic and diluted loss per share, after share exchange	\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.81)	\$ (0.87)

	As at June 30, 2021		
	Raise	Cleantek	<i>Pro forma</i> ⁽³⁾
(in thousands)			
Balance Sheet data:			
Cash and cash equivalents	144	1,169	1,313
Total assets	182	12,997	13,179
Total debt, including current portion	-	14,440	14,440
Total liabilities	540	20,300	20,840
Shareholders' equity	(358)	12,997	12,639

Notes:

- (1) The pro forma column represents the pro forma financial information after giving effect to the Arrangement assuming it occurred on January 1, 2021.
- (2) The *pro forma* column represents the *pro forma* financial information after giving effect to the Arrangement assuming it occurred on January 1, 2020.
- (3) The pro forma column represents the pro forma financial information after giving effect to the Arrangement assuming it occurred on June 30, 2021.

Dividends

The Resulting Issuer Board will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. Any decision to pay dividends on the Resulting Issuer Shares will be made by the Resulting Issuer Board on the basis of the Resulting Issuer's earnings, financial requirements and other factors existing at such future time, including commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. The Resulting Issuer has no intention to pay dividends on the Resulting Issuer Shares.

The Companies

Cleantek

Cleantek is a clean energy technology company focused on hydro-sustainability with operations across North America. Cleantek has developed and commercialized its patented wastewater dehydration technology, the ZeroE, which it rents to its customers for use at gas processing facilities and on drilling rigs. Cleantek's ZeroE technology separates wastewater into (i) clean water which is evaporated and returned to the natural hydrological cycle and (ii) concentrated brine which is disposed of using traditional means. The ZeroE technology is powered by the waste heat generated from the engine exhaust of gas plants and drilling rigs. The key benefits of Cleantek's ZeroE technology include:

- 90% reduction in wastewater disposal volumes thereby substantially reducing wastewater disposal costs for its clients;
- Each ZeroE unit recycles approximately 10 million litres of water per year to the natural hydrological cycle;
- Material reduction in carbon emissions for its clients; and

- Each ZeroE unit eliminates approximately 350 trucks per year from the local roadways thereby improving safety on site and in the local community.

In addition, Cleantek has a suite of patented solar hybrid and HALO lighting technology systems that service the energy, industrial, construction, and agricultural markets.

See Appendix H - *“Information Concerning Cleantek Industries Inc.”*

Raise

Raise is a TSXV listed company existing under the laws of the Province of Alberta and is based in Calgary, Canada. Raise is an innovative oilfield service company that focused on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional oil and gas wells. Its suite of patented pumping solutions, including HARP™, REAL™ and HART™, are effective at up to 90 degrees in order to maximize drawdown, pump efficiency and pump life.

See Appendix I - *“Information Concerning Raise Production Inc.”*

Procedures for Exchange of Cleantek Shares and Raise Shares

Enclosed with this Circular is the Letter of Transmittal which, when properly completed and duly executed and returned to the Depositary together with the certificate or certificates representing Cleantek Shares or Raise Shares, as applicable, and all other required documents, will enable: (a) each Cleantek Shareholder to obtain the Raise Consideration Shares to which such Cleantek Shareholder is ultimately entitled under the Arrangement; and (b) each Raise Shareholder to obtain the Resulting Issuer Shares following the completion of the Consolidation and the Arrangement. See *“The Arrangement – Procedure for Exchange of Cleantek Shares and Raise Shares”*.

Fractional Shares

No fractional Resulting Issuer Shares shall be issued to any Person pursuant to the Plan of Arrangement or the Consolidation. In the event that a holder would otherwise be entitled to a fractional Resulting Issuer Share hereunder, the number of Resulting Issuer Shares issued to such holder shall be rounded up to the next greater whole number of Resulting Issuer Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Resulting Issuer Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Cleantek Shares or Raise Shares, as applicable, registered in the name of or beneficially held by such Cleantek Shareholder or Raise Shareholder, as applicable, or its nominee shall be aggregated. See *“The Arrangement – Fractional Shares”*.

Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Cleantek Shares that were transferred pursuant to the Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will pay and deliver, in exchange for such lost, stolen or destroyed certificate, the Raise Consideration Shares to which the holder thereof is entitled under the Arrangement, net of any amounts required to be withheld (see *“The Arrangement – Withholding Rights”*), in accordance with such holder’s Letter of Transmittal. When authorizing such payment and delivery in exchange for any lost, stolen or destroyed certificate, the Person to whom the payment is made shall, as a condition precedent to the delivery thereof, give a bond satisfactory to Cleantek, Raise and the Depositary in such sum as Raise may direct or otherwise indemnify Raise in a manner satisfactory to Raise against any claim that may be made against Raise with respect to the certificate alleged to have been lost, stolen or destroyed. See *“The Arrangement – Lost Certificates”*.

Dissent Rights for Cleantek Shareholders

Pursuant to the Interim Order, Cleantek Shareholders are entitled to dissent in respect of the Arrangement and, if the Arrangement becomes effective, to be paid the fair value of their Cleantek Shares in accordance with the provisions of the ABCA, as modified by the Interim Order and the Arrangement. Failure to comply strictly with the dissent procedures described in the Circular may result in the loss or unavailability of any right of dissent.

See “*The Arrangement – Dissent Rights for Cleantek Shareholders*”.

Stock Exchange Listings for Raise Consideration Shares

The Raise Shares are listed on the TSXV trading under the symbol “RPC”. Raise has applied to the TSXV to list the Raise Shares issuable under the Arrangement. It is a condition of closing that the TSXV have conditionally approved the listing of the Raise Consideration Shares, subject to official notice of issuance and the satisfaction of customary conditions required by the TSXV.

Market Price

Cleantek and Raise announced the Arrangement by way of a press release on July 12, 2021. The last trading price of the Raise Shares on the TSXV prior to such public announcement was \$0.03. Trading in Raise Shares was halted on July 12, 2021 in accordance with the policies of the TSXV and resumed trading on July 14, 2021. The closing trading price of the Raise Shares on the TSXV on September 29, 2021, the last trading date before the date of this Circular, was \$0.03.

Cleantek is not currently listed on a stock exchange and there is no market for the Cleantek Shares.

Certain Canadian Federal Income Tax Considerations of the Arrangement for Cleantek Shareholders

Generally, a Resident Holder will not recognize a capital gain or a capital loss in respect of the exchange of Cleantek Shares for Raise Shares unless the Cleantek Shareholder chooses to recognize any portion of the capital gain or capital loss otherwise arising by reporting the capital gain or capital loss in the Resident Holder’s tax return under the Tax Act for the Resident Holder’s taxation year in which the exchange occurs.

A Non-Resident Holder will generally not be taxable in Canada with respect to any capital gains generated on the disposition of Cleantek Shares pursuant to the Arrangement as long as such Cleantek Shares do not constitute “taxable Canadian property” of the Non-Resident Holder as defined in the Tax Act.

The foregoing summary is qualified in its entirety by the more detailed summary set forth in this Circular under the heading “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders*”. Cleantek Shareholders are strongly urged to consult their own tax advisors about the possible Canadian federal income tax consequences of the Arrangement.

Risk Factors

There are risks associated with the completion of the Arrangement. Some of these risks include that the Arrangement Agreement may be terminated in certain circumstances, in which case the market price for Raise Shares may be adversely affected. In addition, the completion of the Arrangement is subject to a number of conditions precedent, some of which are outside the control of Cleantek and Raise and there are a number of risks related specifically to the Arrangement, including:

- the Arrangement may divert the attention of Cleantek and Raise’s Management;
- Cleantek Shareholder’s have Dissent Rights;
- the market value of the Resulting Issuer Shares that Cleantek Shareholders retain following the Arrangement may be less than the value of the Raise Shares as of the date of the Arrangement Agreement or the dates of the shareholder meetings;
- the dilutive effect of the issuance of Raise Shares;
- the unaudited pro forma consolidated financial statements are presented for illustrative purposes only and may not be an indication of the Resulting Issuer’s post-Arrangement financial condition or results of operations following the Arrangement; and
- Cleantek may become liable to pay the Raise Termination Payment;

In addition, upon completion of the Arrangement, the Resulting Issuer will carry on the business of Cleantek and face several risks with respect to its business and affairs, including:

- the ongoing impacts of the COVID-19 pandemic may adversely affect the Resulting Issuer's business, operations and financial results;
- the Resulting Issuer's access to capital may become restricted or repayment could be required;
- Business Development Risks;
- any difficulty in retaining, replacing or adding personnel could adversely affect the Resulting Issuer's business;
- the Resulting Issuer's industry is intensely competitive;
- the loss of key customers could cause the Resulting Issuer's revenue to decline substantially;
- the Resulting Issuer's operations are subject to hazards inherent in the oil and natural gas industry;
- the Resulting Issuer is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities;
- failure to maintain the Resulting Issuer's safety standards and record could lead to a decline in the demand for services;
- the Resulting Issuer may be subject to certain reputational risks as a result of increased online scrutiny;
- failure to continuously improve operating equipment could negatively affect the Resulting Issuer's results of operations;
- there can be no assurance that the steps the Resulting Issuer takes to protect its intellectual property rights will prevent misappropriation or infringement;
- improper access to confidential information could adversely affect the Resulting Issuer's business;
- the Resulting Issuer's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment;
- the direct and indirect costs of various greenhouse gas regulations, existing and proposed, may adversely affect the Resulting Issuer's business, operations and financial results;
- merger and acquisition activity among the Resulting Issuer's clients may constrain demand for the Resulting Issuer's services;
- the loss of one or more of the Resulting Issuer's key employees could have a material adverse effect on the Resulting Issuer's business;
- risks relating to labour unions;
- a successful reassessment by tax authorities of the Resulting Issuer's income (loss) calculations could have a material adverse effect on the Resulting Issuer's financial condition and cash flows;
- the Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- risks associated with counterparties;
- risks relating to changes in accounting standards;
- risks relating to volatility of the market price for the Resulting Issuer Shares;
- risks relating to future sales of the Resulting Issuer Shares; and

- risks relating to dividends.

See “*Risk Factors*” and “*Summary of Material Agreements – The Arrangement Agreement – Conditions*”.

Canadian Securities Law Matters

The Raise Consideration Shares to be issued in exchange for Cleantek Shares pursuant to the Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities laws in each province and territory of Canada in which Raise is a reporting issuer. Subject to customary restrictions applicable to distributions of shares that constitute “control distributions”, Raise Consideration Shares issued pursuant to the Arrangement will be freely tradable and may be resold in each province and territory in Canada. See “*The Arrangement - Issuance and Resale of Raise Consideration Shares - Canada*”.

Sponsorship

Raise has sought a waiver or exemption from the TSXV in respect of the sponsorship requirements that would otherwise be applicable to the Arrangement.

Conflicts of Interest

Certain proposed directors and officers of the Resulting Issuer currently, or may in the future, act as directors or officers of other companies and, consequently, it is possible that a conflict may arise between their duties as a director or officer of the Resulting Issuer and their duties as a director or officer of any other such company. There is no guarantee that while performing their duties for the Resulting Issuer the directors or officers of the Resulting Issuer will not be in situations that could give rise to conflicts of interest. There are potential conflicts of interest that the proposed directors, officers and insiders of the Resulting Issuer will be subject. There is no guarantee that these conflicts will be resolved in favor of the Resulting Issuer, if any, will be subject to the procedures and remedies as provided under the ABCA and in accordance with corporate governance policies anticipated to be adopted by the Resulting Issuer Board after completion of the Arrangement.

Interests of Experts and Consultants

No person or company who is named as having prepared or certified a part of this Circular or prepared or certified a report or valuation described or included in this Circular has, or will have upon completion of the Arrangement, any direct or indirect interest in the Resulting Issuer. See “*Interest of Informed Persons in Material Transactions*” and “*Interest of Certain Persons in Matters to be Acted Upon*”.

JOINT MANAGEMENT INFORMATION CIRCULAR

Introduction

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under the heading “*Glossary of Terms*”. Information contained in this Circular, including information in the appendices hereto, which form part of this Circular, is given as of September 30, 2021 unless otherwise specifically stated.

This Circular is furnished in connection with the solicitation of proxies by and on behalf of management of Cleantek and management of Raise for use at the Cleantek Meeting and the Raise Meeting, respectively. Management of Cleantek and Raise will solicit proxies primarily by mail, but proxies may also be solicited by telephone, e-mail, facsimile, in writing or in person by directors, officers, employees or agents of Cleantek and Raise.

The information concerning Cleantek and its respective subsidiaries contained in this Circular, including the appendices, has been provided by Cleantek for inclusion in this Circular. Although Raise has no knowledge that any statements contained herein taken from or based on such documents, records or information provided by Cleantek are untrue or incomplete, Raise assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Cleantek to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Raise.

The information concerning Raise and its subsidiaries contained in this Circular, including the appendices, has been provided by Raise for inclusion in this Circular. Although Cleantek has no knowledge that any statements contained herein taken from or based on such documents, records or information provided by Raise are untrue or incomplete, Cleantek assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Raise to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Cleantek.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase the securities to be issued under or in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any Person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Circular nor any distribution of the securities to be issued under or in connection with the Arrangement will, under any circumstances, create any implication or be treated as a representation that there has been no change in the information set forth herein since the date of this Circular. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Cleantek Meeting or the Raise Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached to this Circular as Appendix E. Cleantek Shareholders and Raise Shareholders are urged to carefully read the full text of the Plan of Arrangement.

NOTICE TO SECURITYHOLDERS IN THE UNITED STATES

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURES IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Raise Consideration Securities to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, other than Raise Shares and Raise Replacement Warrants issued to U.S. Shareholders (as defined below) in exchange for Cleantek Shares and Cleantek Warrants that are issued upon conversion of Subscription Receipts (such Raise Consideration Securities, the “**Excluded 3(a)(10) Securities**”), will be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof, on the basis of the approval of the Court and compliance with, or in reliance on an exemption from, the registration or qualification requirements of U.S. state securities or “blue sky” laws. See “The Arrangement – Issuance and Resale of Raise Consideration Shares”. Excluded 3(a)(10) Securities will be issued under the Arrangement in reliance on a private placement exemption from the registration requirements of the U.S. Securities Act and in compliance with, or in reliance on an exemption from, the registration or qualification requirements of U.S. state securities or “blue sky” laws.

Cleantek is a corporation existing under the laws of the Province of Alberta. Raise is a corporation existing under the laws of the Province of Alberta. The solicitation of proxies and the transactions contemplated in this Circular involve securities of two Canadian issuers and are being effected in accordance with Canadian corporate and securities laws. The proxy solicitation rules under the U.S. Exchange Act are not applicable to Cleantek or to Raise or this solicitation. Cleantek Shareholders and Raise Shareholders should be aware that disclosure requirements under Canadian securities laws may be different from requirements under U.S. Securities Laws.

Information concerning Cleantek and Raise has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. Securities Laws. The financial statements included or incorporated by reference in this Circular have been prepared in accordance with IFRS, which differ from U.S. generally accepted accounting principles in certain respects. Therefore, such financial statements may not be comparable to financial statements of U.S. companies.

The enforcement by securityholders of civil liabilities under U.S. Securities Laws may be adversely affected by the fact that Cleantek is a corporation existing and governed under the laws of the Province of Alberta and by the fact that Raise is a corporation existing and governed under the laws of the Province of Alberta, and that some or all of their respective directors and officers and the experts named in this Circular are not residents of the United States and that all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon Cleantek, Raise, their respective officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such Persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (ii) would enforce, in original actions, liabilities against such Persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Circular, the *pro forma* consolidated financial statements of the Resulting Issuer and the material incorporated by reference into this Circular contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to as “**forward-looking statements**”).

Forward-looking statements are frequently characterized by words such as “will”, “plan”, “expect” or “does not expect”, “project”, “intend”, “believe”, “anticipate”, “forecast”, “schedule”, “estimate” and similar expressions, or statements that certain events, actions, results or conditions “could”, “may”, “might”, “will” or “would” occur, be taken or achieved. Forward-looking statements are not based on historical fact, but rather on current expectations and projections about future events, and are therefore subject to risks, uncertainties and other factors which could cause

actual results, performance or achievements of Raise or Cleantek to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Cleantek and Raise disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by Applicable Laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Cleantek and Raise as at the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of Cleantek and Raise contained or incorporated by reference in the Circular which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein and incorporated by reference as well as: (i) that Cleantek and Raise will complete the Arrangement in accordance with the terms and conditions of the Arrangement Agreement; (ii) the accuracy of management's assessment of the effects of the completion of the Arrangement; and (iii) the integration of Cleantek and Raise as planned.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this Circular are qualified by these cautionary statements and those made in each of Raise's with Canadian securities regulatory authorities expressly incorporated by reference into this Circular. These factors are not intended to represent a complete list of the factors that could affect Raise. Accordingly, undue reliance should not be placed on forward-looking statements. Cleantek and Raise undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information or future events or otherwise, except as may be required in connection with a material change in the information disclosed in this Circular or as otherwise required by Applicable Laws.

NON-GAAP MEASURES

"EBITDA", "adjusted EBITDA", "working capital" and "non-current debt" are non-GAAP performance measures referred to in this Circular, and may not be comparable to similar measures presented by other companies. Cleantek and Raise believe that, in addition to conventional measures prepared in accordance with IFRS, Cleantek, Raise and certain investors use this information to evaluate its performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Readers should refer to the reconciliation between the non-GAAP measures presented in this Circular, as applicable, to the most directly comparable IFRS measures in Raise's management's discussion and analysis of financial condition and results of operations as at and for the three-month and six-month period ended June 30, 2021 which is included in this Circular.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, all references to "\$" in this Circular refers to Canadian dollars. Except as otherwise indicated in this Circular, all financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Cleantek and Raise have been prepared and presented in Canadian dollars in accordance with IFRS. The unaudited *pro forma* consolidated financial statements of the Resulting Issuer have been prepared based on financial statements prepared and presented in Canadian dollars in accordance with IFRS.

THE CLEANTEK MEETING

The Cleantek Meeting will be held on October 27, 2021, subject to any adjournment or postponement thereof, at 10:00 a.m. (Calgary Time) solely by means of remote communication by conference call via EST ViSA meeting at 1-877-407-3088, for the purposes set forth in the accompanying Cleantek Notice of Special Meeting.

The directors and officers of Cleantek who own, or exercise control or direction over, Cleantek Shares or other securities convertible into, or exchangeable for, Cleantek Shares have agreed to vote their Cleantek Shares in favour of the Cleantek Arrangement Resolution pursuant to the Cleantek Lock-Up Agreements.

Appointment and Revocation of Proxies

The Cleantek named proxy holders are Matt Gowanlock and Jesse Curlett. **A Cleantek Shareholder who wishes to appoint another Person or entity (who need not be an Cleantek Shareholder) to represent the Cleantek Shareholder at the Cleantek Meeting may either insert the Person's or entity's name in the blank space provided in the form of proxy or complete another proper form of proxy.**

The proxy must be in writing and signed by the Cleantek Shareholder or by the Cleantek Shareholder's attorney, duly authorized in writing or, if the Cleantek Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney. A proxy will only be valid if it is duly completed, signed, dated and received at the office of Cleantek's transfer agent, Olympia Trust Company, PO Box 128, STN M, Calgary, AB, T2P 2H6, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the commencement of the Cleantek Meeting or any adjournment or postponement thereof.

A Cleantek Shareholder who has voted by proxy may revoke it any time prior to the Cleantek Meeting. To revoke a proxy, a Cleantek Shareholder may deliver a written notice to Cleantek's registered office at Suite 3200, 500 – 4th Ave S.W. T2P 2V6, Attention: Jesse Curlett, or at the offices of Olympia Trust Company, PO Box 128, STN M, Calgary, AB, T2P 2H6, at any time up to 10:00 a.m. (Calgary Time) on the last business day before the Cleantek Meeting or any adjournment or postponement of the Cleantek Meeting. A proxy may also be revoked on the day of the Cleantek Meeting or any adjournment or postponement of the Cleantek Meeting by a Cleantek Shareholder by delivering written notice to the chair of the Cleantek Meeting. In addition, the proxy may be revoked by any other method permitted by applicable law. The written notice of revocation may be executed by the Cleantek Shareholder or by an attorney who has the Cleantek Shareholder's written authorization. If the Cleantek Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney.

Voting of Proxies and Exercise of Discretion

The accompanying form of Cleantek proxy confers authority on the Persons named in it as proxies with respect to any amendments or variations to the matters identified in the Cleantek Notice of Special Meeting or other matters that may properly come before the Cleantek Meeting, or any adjournment or postponement thereof, and the named proxies in your properly executed proxy will be voted or withheld on such matters in accordance with the instructions of the Cleantek Shareholder. At the date of this Circular, management of Cleantek is not aware of any such amendments, variations or other matters which are to be presented for action at the Cleantek Meeting.

IN THE ABSENCE OF ANY SUCH INSTRUCTION, CLEANTEK SHARES WILL BE VOTED IN FAVOUR OF THE CLEANTEK ARRANGEMENT RESOLUTION.

Voting by Cleantek Shareholders

As a Cleantek Shareholder you can vote your Cleantek Shares in the following ways:

INTERNET	Go to https://css.olympiustrust.com/pxlogin and enter the 12-digit control number shown on reverse.
EMAIL	proxy@olympiustrust.com
FACSIMILE	(403) 668-8307

MAIL	Olympia Trust Company PO Box 128, STN M Calgary, AB T2P 2H6 Attn: Proxy Dept.

Voting Securities and Principal Holders of Voting Securities

Cleantek is authorized to issue an unlimited number of Cleantek Shares, of which 17,279,644 Cleantek Shares were issued and outstanding as of September 27, 2021. Cleantek Shareholders are entitled to receive notice of, and to attend and vote at, all meetings of the Cleantek Shareholders, and each Cleantek Share confers the right to one vote in person or by proxy at all meetings of the Cleantek Shareholders.

Cleantek Shareholders at 5:00 p.m. (Calgary Time) on the Record Date are entitled to vote or to have their Cleantek Shares voted at the Cleantek Meeting.

As at September 27, 2021, to the knowledge of the directors and executive officers of Cleantek, other than as described below, there is no person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of Cleantek carrying 10% or more of the voting rights attached to any class of voting securities of Cleantek:

Name	Number of Cleantek Shares	% of Cleantek Shares⁽¹⁾
Pillarfour Capital Fund I LP and Pillarfour Capital Parallel Fund I LP ⁽²⁾	7,041,578	42.3%
Lyle Wood Contracting Ltd.	3,069,964	18.4%
Rogers Financial Management Corp.	1,932,093	11.6%

Notes:

(1) Based on the number of issued and outstanding Cleantek Shares as of September 27, 2021.

(2) Pillarfour Capital Fund I LP controls 5,874,241 (35.3%) Cleantek Shares and Pillarfour Capital Parallel Fund I LP controls 1,167,337 (7.0%) Cleantek Shares.

Business of the Cleantek Meeting

As set out in the Cleantek Notice of Special Meeting, at the Cleantek Meeting, Cleantek Shareholders will be asked to consider and vote on the Cleantek Arrangement Resolution.

In order for the Arrangement to be completed, Cleantek Shareholders must approve the Cleantek Arrangement Resolution.

Based on the Cleantek and Raise securities outstanding on September 27, 2021, following completion of the Arrangement and assuming all Cleantek Options are exchanged for Raise Replacement Options and all Cleantek Warrants are exchanged for Raise Replacement Warrants, on a *pro forma* basis, former Cleantek Shareholders immediately prior to the Effective Time will hold approximately 85% of the Resulting Issuer Shares issued and outstanding immediately after the Effective Time, while existing Raise Shareholders immediately prior to the Effective Time will hold approximately 15% of the Resulting Issuer Shares issued and outstanding immediately after the Effective Time, prior to giving effect to the Cleantek Financing.

The Arrangement Agreement is the result of arm's length negotiations between representatives of Raise and Cleantek and their respective legal and financial advisors. The directors and officers of Cleantek (being insiders of Cleantek) are participating in the Arrangement. See "*Interest of Certain Persons in Matters to be Acted Upon*".

In order to become effective the Arrangement will require, among other things, the approval of the Cleantek Arrangement Resolution. The Cleantek Arrangement Resolution will require the affirmative vote of at least 66⅔% of the votes cast by Cleantek Shareholders, voting as a single class, who vote by proxy at the Cleantek Meeting.

Record Date

The Cleantek Board has passed a resolution to fix 5:00 p.m. (Calgary Time) on September 27, 2021 as the Record Date for the determination of the Cleantek Shareholders that will be entitled to notice of the Cleantek Meeting, and

any adjournment or postponement of the Cleantek Meeting, and that will be entitled to vote at the Cleantek Meeting. The Record Date will not change in respect of any adjournment or postponement of the Cleantek Meeting.

Quorum

Under Cleantek's by-laws, the quorum at any shareholders meeting is two shareholders present in person who hold or represent by proxy not less than 5% of the outstanding Cleantek Shares and who are entitled to vote at the Cleantek Meeting.

THE RAISE MEETING

The Raise Meeting will be held on October 27, 2021, subject to any adjournment or postponement thereof, at 9:00 a.m. (Calgary Time) solely by means of remote communication by Microsoft Teams at <https://tinyurl.com/RaiseSM2021> for the purposes set forth in the accompanying Raise Notice of Special Meeting.

The directors and officers of Raise who own, or exercise control or direction over, Raise Shares or securities convertible into, or exchangeable for, Raise Shares have agreed to vote their Raise Shares in favour of the Raise Transaction Resolutions pursuant to the Raise Lock-Up Agreements.

Appointment and Revocation of Proxies

The Raise named proxy holders are Eric Laing, Chief Executive Officer and Dell Chapman, a director of Raise. **A Raise Shareholder who wishes to appoint another Person or entity (who need not be a Raise Shareholder) to represent the Raise Shareholder at the Raise Meeting may either insert the Person's or entity's name in the blank space provided in the form of proxy or complete another proper form of proxy.**

The proxy must be in writing and signed by the Raise Shareholder or by the Raise Shareholder's attorney, duly authorized in writing or, if the Raise Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney. A proxy will only be valid if it is duly completed, signed, dated and received at the office of the transfer agent, Odyssey Trust Company, Proxy Tabulation Department, 1230, 300 – 5th Avenue S.W., Calgary, Alberta, T2P 3C4 or completed online as provided for in the instructions set forth in the proxy, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the commencement of the Raise Meeting or any adjournment or postponement thereof.

A Raise Shareholder who has voted by proxy may revoke it any time prior to the Raise Meeting. To revoke a proxy, a Registered Raise Shareholder may deliver a written notice to the offices of Raise's legal counsel and agent, Stikeman Elliott LLP, at 888 3rd Street SW, Calgary, AB T2P 5C5 Attention: Sebastian Maturana, at any time up to 9:00 a.m. (Calgary Time) on the last business day before the Raise Meeting or any adjournment or postponement of the Raise Meeting. A proxy may also be revoked on the day of the Raise Meeting or any adjournment or postponement of the Raise Meeting by a registered Raise Shareholder by delivering written notice to the chair of the Raise Meeting. In addition, the proxy may be revoked by any other method permitted by applicable law. The written notice of revocation may be executed by the Raise Shareholder or by an attorney who has the Raise Shareholder's written authorization. If the Raise Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney. Only Registered Raise Shareholders have the right to directly revoke a proxy. **Beneficial Raise Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf in accordance with any requirements of the intermediaries.**

Voting of Proxies and Exercise of Discretion

The accompanying form of Raise proxy confers authority on the Persons named in it as proxies with respect to any amendments or variations to the matters identified in the Raise Notice of Special Meeting or other matters that may properly come before the Raise Meeting, or any adjournment or postponement thereof, and the named proxies in your properly executed proxy will be voted or withheld on such matters in accordance with the instructions of the Raise Shareholder. At the date of this Circular, management of Raise is not aware of any such amendments, variations or other matters which are to be presented for action at the Raise Meeting.

IN THE ABSENCE OF ANY SUCH INSTRUCTION, RAISE SHARES WILL BE VOTED IN FAVOUR OF THE RAISE TRANSACTION RESOLUTIONS.

Voting by Registered Raise Shareholders

All Raise Shareholders are strongly encouraged to vote prior to the Raise Meeting by any means described below, as in-person voting at the time of the Raise Meeting will not be possible. As a Registered Raise Shareholder you can vote your shares in the following ways:

Mail	Enter voting instructions, sign the form of proxy or voting instruction form and send your completed form of proxy or voting instruction form to:

	Odyssey Trust Company Attention: Proxy Tabulation Department 1230, 300 – 5 th Avenue S.W., Calgary, Alberta T2P 3C4
Internet	Go to https://login.odysseytrust.com/pxlogin and follow the online voting instructions given to you.

Notice to Non-Registered (Beneficial) Raise Shareholders

The information set forth in this section is of significant importance to many Raise Shareholders, as a substantial number of Raise Shareholders do not hold Raise Shares in their own name. Beneficial Raise Shareholders should note that only proxies deposited by Raise Shareholders whose names appear on the records of Raise as Registered Raise Shareholders can be recognized and acted upon at the Raise Meeting or any adjournment or postponement thereof. If Raise Shares are listed in an account statement provided to a Raise Shareholder by a broker or other intermediary, then in almost all cases, those Raise Shares will not be registered in the Raise Shareholder's name on the records of Raise.

Those Raise Shares will more likely be registered under the name of the Raise Shareholder's intermediary or an agent of that intermediary. In Canada, the vast majority of those Raise Shares are registered under the name of "CDS & Co." (the registration name of CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Raise Shares held by intermediaries can only be voted (for or against resolutions) upon the instructions of the beneficial Raise Shareholders. Without specific instructions, the intermediaries are prohibited from voting Raise Shares for their clients. Raise does not know for whose benefit the Raise Shares registered in the name of CDS & Co., or another intermediary, are held.

Applicable regulatory policy requires intermediaries to seek voting instructions from beneficial shareholders in advance of shareholder meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by beneficial Raise Shareholders in order to ensure that their Raise Shares are voted at the Raise Meeting or any adjournment or postponement thereof. Often, the form of proxy supplied to a beneficial Raise Shareholder by its intermediary is identical to the form of proxy provided to Registered Raise Shareholders; however, its purpose is limited to instructing the Registered Raise Shareholder on how to vote on behalf of the beneficial Raise Shareholder. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. **If you are a beneficial Raise Shareholder – holding your Raise Shares through a bank, broker, trust company, or custodian - you are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively beneficial Raise Shareholders can call the toll-free telephone number printed on your voting instruction form or go to www.proxyvote.com and enter your 16 digit control number to deliver your voting instructions.** Broadridge tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Raise Shares to be represented at the Raise Meeting or any adjournment or postponement thereof.

A beneficial Raise Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Raise Shares directly at the Raise Meeting or any adjournment or postponement thereof. Although a beneficial Raise Shareholder may not be recognized directly at the Raise Meeting for the purposes of voting Raise Shares registered in the name of an intermediary, a beneficial Raise Shareholder may obtain a legal proxy from such intermediary, or Broadridge as the agent for that intermediary, to attend the Raise Meeting as a proxyholder for the Registered Raise Shareholder and vote their Raise Shares in that capacity. To do this, a beneficial Raise Shareholder must enter their own name in the blank space on the voting instruction form (or in the case of a U.S.-based holder, check the box) indicating that they or their appointee are going to attend and vote at the Raise Meeting and return the voting instruction form to their intermediary or Broadridge in accordance with the instructions provided well in advance of the Raise Meeting. Beneficial Raise Shareholders will need to bring the legal proxy to the Raise Meeting in order to vote their Raise Shares.

Voting Securities and Principal Holders of Voting Securities

Raise is authorized to issue an unlimited number of Raise Shares, of which 173,707,863 Raise Shares were issued and outstanding as of September 27, 2021. Raise Shareholders are entitled to receive notice of, and to attend and vote at,

all meetings of the Raise Shareholders, and each Raise Share confers the right to one vote at all meetings of the Raise Shareholders.

Raise Shareholders at 5:00 p.m. (Calgary Time) on the Record Date are entitled to vote or to have their Raise Shares voted at the Raise Meeting.

As at September 27, 2021, to the knowledge of the directors and executive officers of Raise, other than as described below, there is no Person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of Raise carrying 10% or more of the voting rights attached to any class of voting securities of Raise:

Name	Number of Raise Shares ⁽¹⁾	% of Raise Shares ⁽²⁾
Richard McHardy	22,912,183	13.19%
Albert Stark	18,362,183	10.57%

Notes:

(1) Based on publicly available information.

(2) Based on the number of outstanding Raise Shares as of September 27, 2021.

Business of the Raise Meeting

As set out in the Raise Notice of Special Meeting, at the Raise Meeting, Raise Shareholders will be asked to consider and vote on the Raise Transaction Resolutions.

Raise Shareholder approval is required in connection with the Arrangement by the rules and regulations of the TSXV. In connection with the Arrangement, Raise is obligated to issue, or reserve for issuance, approximately 1,900,933,927 Raise Shares to Cleantek Shareholders (including Cleantek Shares issuable on conversion of the Subscription Receipts), consisting of 1,607,907,587 Raise Shares to be issued 87,450,000 Raise Shares to be reserved for issuance in respect of Raise Replacement Options and 205,576,335 Raise Shares to be reserved for issuance in respect of Raise Replacement Warrants (based on the number of Cleantek Shares outstanding on September 27, 2021), assuming all Cleantek Options are exchanged for Raise Replacement Options and all Cleantek Warrants are exchanged for Raise Replacement Warrants, which is equal to approximately 90% of the fully non-diluted Raise Shares (based on the number of Raise Shares outstanding on September 27, 2021).

Based on the Cleantek and Raise securities outstanding on September 27, 2021, following completion of the Arrangement and assuming all Cleantek Options are exchanged for Raise Replacement Options and all Cleantek Warrants are exchanged for Raise Replacement Warrants, on a *pro forma* basis, former Cleantek Shareholders immediately prior to the Effective Time will hold approximately 85% of the Resulting Issuer Shares issued and outstanding immediately following the Effective Time, while existing Raise Shareholders immediately prior to the Effective Time will hold approximately 15% of the Resulting Issuer Shares issued and outstanding immediately following the Effective Time, prior to giving effect to the Cleantek Financing.

The Arrangement Agreement is the result of arm's length negotiations between representatives of Raise and Cleantek and their respective legal and financial advisors. The directors and officers of Cleantek (being insiders of Cleantek) are participating in the Arrangement. See "*Interest of Certain Persons in Matters to be Acted Upon*".

In order for the Arrangement to be completed, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting.

Record Date

The Raise Board has passed a resolution to fix 5:00 p.m. (Calgary Time) on September 27, 2021 as the Record Date for the determination of the Registered Raise Shareholders that will be entitled to notice of the Raise Meeting, and any adjournment or postponement thereof, and that will be entitled to vote at the Raise Meeting. The Record Date will not change in respect of any adjournment or postponement of the Raise Meeting.

Quorum

A quorum at the Raise Meeting consists of two Persons who are, or who represent by proxy, Raise Shareholders, who in the aggregate, hold at least 5% of the outstanding Raise Shares entitled to be voted at the Raise Meeting.

THE ARRANGEMENT

Background to the Arrangement

The Arrangement Agreement is the result of arm's length negotiations among representatives of Cleantek and Raise and their respective legal and financial advisors. The following is a summary of the material meetings, negotiations, discussions, events and actions involving the parties leading up to the announcement of the Arrangement.

On March 17, 2021, representatives of Raise and Cleantek met for the first time to review the business of Cleantek and to explore any potential opportunities for the two companies to work together. On April 1, 2021, the companies met again, during which representatives of Cleantek presented the business of Cleantek to Raise and representatives of Raise presented the business of Raise to Cleantek.

On April 19, 2021, the board of directors of Cleantek formed a special committee (the "Special Committee") to consider any one, some or all of the following: (a) soliciting interests, proposals and offers from potential partners or purchasers with the view to the sale of all or all substantially all or any portion of the assets of the Corporation, or the takeover, merger, amalgamation, business combination or other form of a strategic alliance or combination of assets or business; (b) a recapitalization or reorganization; (c) seeking creditor protection; and (d) such other strategic alternatives for the Corporation, any or any combination of which is referred to as a "Potential Transaction". The special committee was comprised of Dale Tremblay, Matt Colucci and James Kidd.

On June 17, 2021, representatives of Cleantek and Raise met to negotiate the Arrangement Agreement, with a goal of completing the Arrangement. On the same day, a Cleantek board meeting was held to approve the signing of a letter of intent between Raise and Cleantek. The board of directors of Cleantek considered other Potential Transactions at this time and it was concluded that the transaction contemplated with Raise was the best available alternative for the shareholders of Cleantek. On June 18, 2021, a letter of intent was executed between Cleantek and Raise.

On June 18, 2021, Cleantek engaged Eight Capital to act as lead agent in the raising of approximately \$10 million in equity financing and to provide advisory services including providing a fairness opinion for the transaction contemplated between Raise and Cleantek. On July 11, 2021, Eight Capital provided the verbal Eight Capital Fairness Opinion to the Special Committee which concluded the transaction was fair from a financial point of view.

On July 2, 2021, Cleantek engaged Whitehorn Merchant Capital Inc. to act as an independent financial advisor to the Special Committee of Cleantek to support the Special Committee's review of strategic alternatives and to provide a fairness opinion for the transaction contemplated between Raise and Cleantek. On July 9, 2021, Whitehorn Merchant Capital Inc. provided the verbal Whitehorn Capital Fairness Opinion to the Special Committee which concluded the transaction was fair from a financial point of view.

On July 11, 2021, the Cleantek board met to approve the signing of the Arrangement Agreement. Cleantek and Raise signed the Arrangement Agreement on July 12, 2021.

Recommendation of the Cleantek Special Committee

After careful consideration of the terms of the Arrangement and following consultation with its legal and financial advisors and receipt of the Cleantek Fairness Opinions, the Cleantek Special Committee unanimously determined that the Arrangement is in the best interests of Cleantek and is fair to the Cleantek Shareholders, and recommended that the Cleantek Board (i) approve the Arrangement and (ii) recommend that Cleantek Shareholders **VOTE IN FAVOUR** of the Cleantek Arrangement Resolution.

Recommendation of the Cleantek Board

After careful consideration, including consultation with its legal and financial advisors, the unanimous recommendation of the Cleantek Special Committee, the receipt of the Cleantek Fairness Opinions and the other factors set out below under the heading "*The Arrangement – Recommendation of the Cleantek Board – Reasons for the Recommendation of the Cleantek Board*", the Cleantek Board determined that the Arrangement is in the best interests of Cleantek and is fair to the Cleantek Shareholders, and unanimously passed a resolution approving the Arrangement, authorizing the entering into of the Arrangement Agreement and recommending that Cleantek Shareholders **VOTE IN FAVOUR** of the Cleantek Arrangement Resolution.

Reasons for the Recommendation of the Cleantek Board

In the course of its evaluation of the Arrangement, the Cleantek Board considered a number of factors, including those listed below, with the benefit of input from the Cleantek Special Committee and advice from Cleantek's senior management, Eight Capital and Whitehorn Merchant Capital Inc., and Cleantek's legal counsel. The following is a summary of the principal reasons for the unanimous recommendation of the Cleantek Board that Cleantek Shareholders **VOTE IN FAVOUR** of the Cleantek Arrangement Resolution:

- minimizing the time and costs usually associated with an initial public offering;
- a greater flexibility in terms of financing alternatives, and providing investors with greater liquidity;
- the Resulting Issuer Board and management team will continue to provide a greater level of support to the Resulting Issuer on a go forward basis;
- allowing Cleantek to raise the equity required to roll out the ZeroE technology to the open market;
- reducing the overall cost of capital as Cleantek progresses its strategic growth plans; and
- providing the public market visibility on Cleantek and its innovative ESG focused technology.

The Cleantek Board also considered the risks relating to the Arrangement, including those matters described under the heading "*Risk Factors*". The Cleantek Board believes that, overall, the anticipated benefits of the Arrangement to Cleantek outweigh these risks.

The foregoing summary of the information and factors considered by the Cleantek Board is not intended to be exhaustive, but includes the material information and factors considered by the Cleantek Board in its consideration of the Arrangement. In view of the variety of factors and the amount of information considered in connection with the Cleantek Board's evaluation of the Arrangement, the Cleantek Board did not find it practicable to and did not quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. In addition, individual members of the Cleantek Board may have assigned different weights to different factors in reaching their own conclusion as to the fairness of the Arrangement.

Cleantek Fairness Opinions

Cleantek entered into separate engagement letters with each of Eight Capital and Whitehorn Merchant Capital Inc. pursuant to which, among other things, each of them agreed to provide Cleantek with an opinion as to the fairness of the consideration to be received under the Arrangement, from a financial point of view, to Cleantek Shareholders. At a meeting of the Cleantek Special Committee held on July 9, 2021, Whitehorn Merchant Capital Inc. provided the Cleantek Special Committee with an oral opinion, subsequently confirmed in writing to the Cleantek Board, to the effect that the consideration to be received under the Arrangement is fair from a financial point of view to the Cleantek Shareholders. At meetings of the Cleantek Special Committee and the Cleantek Board held on July 11, 2021, Eight Capital provided both the Cleantek Special Committee and the Cleantek Board with an oral opinion, subsequently confirmed in writing to the Cleantek Board, to the effect that the consideration to be received under the Arrangement is fair from a financial point of view to the Cleantek Shareholders. The full text of the Cleantek Fairness Opinions, which set forth, among other things, the credentials and independence of Eight Capital and Whitehorn Merchant Capital Inc., as applicable, the assumptions made, information reviewed and matters considered, and the limitations and qualifications on the review undertaken by Eight Capital and Whitehorn Merchant Capital Inc. in connection with their respective opinions, are attached to this Circular as Appendix F and Appendix G. The Cleantek Fairness Opinions are not intended to be, and do not constitute, a recommendation to any Cleantek Shareholder as to how to vote or act at the Cleantek Meeting. The Cleantek Fairness Opinions are among a number of factors taken into consideration by the Cleantek Board in considering the Arrangement. This summary of the Cleantek Fairness Opinions is qualified in its entirety by reference to the full text of the Cleantek Fairness Opinions, and Cleantek Shareholders are urged to read the Cleantek Fairness Opinions in their entirety.

The Cleantek Fairness Opinions were rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the respective dates of the Cleantek Fairness Opinions and the conditions and prospects, financial and otherwise, of Cleantek and Raise, as applicable, as they were reflected in the information and documents reviewed by Eight Capital and Whitehorn Merchant Capital Inc., respectively, and as they were represented to Eight Capital and Whitehorn Merchant Capital Inc., respectively. Subsequent developments may affect the Cleantek

Fairness Opinions. Each of Eight Capital and Whitehorn Merchant Capital Inc. has disclaimed any undertaking or obligation to amend, update or reaffirm its respective Cleantek Fairness Opinion or to advise any Person of any change in any fact or matter affecting the Cleantek Fairness Opinion which may come or be brought to the attention of Eight Capital and Whitehorn Merchant Capital Inc. after the date of its Cleantek Fairness Opinion.

Eight Capital has acted as financial advisors to Cleantek and the Cleantek Board in connection with the Arrangement and is also acting as lead agent in connection with the Cleantek Financing. Under its engagement letter with Eight Capital, Cleantek has agreed to pay a fee for their respective services, including a fee for the delivery of its Cleantek Fairness Opinion, a fee upon the successful completion of the Cleantek Financing, and fees that are contingent upon the occurrence of certain other events. Each of the Cleantek Special Committee and the Cleantek Board took this fee structure into account when considering the Cleantek Fairness Opinion delivered by Eight Capital. Whitehorn Merchant Capital Inc. only received a fee for delivery of its Cleantek Fairness Opinion, which was not based on the conclusions reached therein, and is not entitled to any contingent fees related to the success of the Arrangement or Cleantek Financing. Cleantek has also agreed to indemnify each of Eight Capital and Whitehorn Merchant Capital Inc. and certain related Persons against certain liabilities in connection with their respective engagements and to reimburse Eight Capital and Whitehorn Merchant Capital Inc. for expenses incurred by them.

Recommendation of the Raise Board

After careful consideration, including consultation with its legal and financial advisors and the other factors set out below under the heading “*The Arrangement – Recommendation of the Raise Board – Reasons for the Recommendation of the Raise Board*”, the Raise Board determined that the Arrangement is in the best interests of Raise, and unanimously passed a resolution approving the Arrangement, authorizing the entering into of the Arrangement Agreement and recommending that Raise Shareholders **VOTE IN FAVOUR** of the Raise Transaction Resolutions.

Reasons for the Recommendation of the Raise Board

In the course of its evaluation of the Arrangement, the Raise Board considered a number of factors, including those listed below, with the benefit of advice from Raise’s senior management and Raise’s legal counsel. The following is a summary of the principal reasons for the unanimous recommendation of the Raise Board that Raise Shareholders **VOTE IN FAVOUR** of the Raise Transaction Resolutions:

- industry, economic and market conditions and trends, notably, the negative effects on Raise of the COVID-19 pandemic since March 2020;
- difficulties in raising funds to execute Raise’s commercialization strategy for its products;
- financial, operational and other factors, including the financial metrics of the proposed transaction, the long-term prospects of Cleantek on a stand-alone basis and the prospects for the combined assets and operations of the Resulting Issuer;
- the Raise Board concluded that the value offered to Raise Shareholders under the Arrangement is equal to or greater than the value that might have been realized from executing Raise’s business plan given the challenges, risks and capital that would be required to implement the plan;
- the Arrangement is anticipated to enhance value for Raise Shareholders through ownership in an ESG focused clean technology company with growth potential;
- the Arrangement allows Cleantek to raise the equity required to roll out its new technology which is a benefit to the Resulting Issuer shareholders;
- the Arrangement allows the Resulting Issuer to realize value on Raise’s patented HART technology under more favourable market conditions.

The foregoing summary of the information and factors considered by the Raise Board is not intended to be exhaustive, but includes the material information and factors considered by the Raise Board in its consideration of the Arrangement. In view of the variety of factors and the amount of information considered in connection with the Raise Board’s evaluation of the Arrangement, the Raise Board did not find it practicable to and did not quantify or otherwise

attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. In addition, individual members of the Raise Board may have assigned different weights to different factors in reaching their own conclusion as to the fairness of the Arrangement.

Description of the Arrangement

Pursuant to the Arrangement, Raise will acquire all of the outstanding Cleantek Shares. Based on the number of Cleantek Shares and Raise Shares outstanding on September 27, 2021, immediately following completion of the Arrangement and assuming all Cleantek Options and Cleantek Warrants are exchanged for Raise Replacement Options or Raise Replacement Warrants, as applicable, on a *pro forma* basis, former Cleantek Shareholders immediately prior to the Effective Time are anticipated to collectively own approximately 85% of the Resulting Issuer Shares issued and outstanding immediately after the Effective Time, and existing Raise Shareholders immediately prior to the Effective Time are anticipated to collectively own approximately 15% of the Resulting Issuer Shares issued and outstanding immediately after the Effective Time.

Effect of Arrangement on Holders of Cleantek Shares

Pursuant to the Arrangement, Cleantek Shareholders (other than Dissenting Cleantek Shareholders) will receive 58.3 Raise Shares for each Cleantek Share held. See “*The Arrangement – The Plan of Arrangement*” and “*Summary of Material Agreements – The Arrangement Agreement*”.

Dissenting Cleantek Shareholders will be deemed to have assigned and transferred their Cleantek Shares to Cleantek, and will cease to have any rights as Cleantek Shareholders other than the right to be paid the fair value for such Cleantek Shares in accordance with the Plan of Arrangement. See “*The Arrangement – Dissent Rights for Cleantek Shareholders*”.

Effect of Arrangement on Holders of Cleantek Options and Cleantek Warrants

Pursuant to the Arrangement, (i) each Cleantek Option which is outstanding immediately prior to the Effective Time will be exchanged for a number of Raise Replacement Options equal to the number of Cleantek Shares subject to such Cleantek Option multiplied by 58.3, (ii) each Cleantek Warrant which is outstanding immediately prior to the Effective Time will be exchanged for a number of Raise Replacement Warrants equal to the number of Cleantek Shares subject to such Cleantek Warrant multiplied by 58.3. See “*The Arrangement – The Plan of Arrangement*”.

Summary of Key Procedural Steps for the Arrangement to Become Effective

In order for the Arrangement to become effective:

- (a) the Cleantek Arrangement Resolution must be approved by the Cleantek Shareholders in the manner set forth in the Interim Order;
- (b) the Raise Transaction Resolutions must be approved by the Raise Shareholders in the manner required by the TSXV;
- (c) the Court must grant the Final Order approving the Arrangement;
- (d) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (e) the Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar.

Subject to the foregoing, the Arrangement will become effective at 12:01 a.m. (Calgary Time) on the date the Articles of Arrangement are filed with the Registrar, which is expected to occur on October 28, 2021. Upon issuance of the Final Order and on or before the third business day following satisfaction or waiver of the conditions precedent to the Arrangement set forth in the Arrangement Agreement, Cleantek will file the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to Section 193 of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality. The Arrangement will be binding

on: (i) Raise; (ii) Cleantek; (iii) all holders of Cleantek Shares; (iv) all holders of Cleantek Options, Cleantek Warrants and any security into which they may be converted or exchanged or otherwise converted pursuant to the Plan of Arrangement; and (v) the Depositary.

The Plan of Arrangement

Pursuant to the terms of the Plan of Arrangement, at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following sequential order without any further act or formality, in each case effective as at the Effective Time:

- (a) Each of the Cleantek Shares held by Dissenting Cleantek Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to Cleantek (free and clear of all Liens), and acquired and cancelled by Cleantek, and:
 - (i) such Dissenting Cleantek Shareholders shall cease to be the holders of such Cleantek Shares and to have any rights as holders of such Cleantek Shares other than the right to be paid fair value for such Cleantek Shares;
 - (ii) such Dissenting Cleantek Shareholders' names shall be removed as the holders of such Cleantek Shares from the registers of Cleantek Shares maintained by or on behalf of Cleantek; and
 - (iii) Cleantek shall be deemed to be the transferee of such Cleantek Shares free and clear of all Liens, and Cleantek shall be entered in the registers of Cleantek Shares maintained by or on behalf of Cleantek, as the holder of such Cleantek Shares as of the time of such cancellation;
- (b) each Cleantek Share held by a Cleantek Shareholder shall be transferred to Raise and such Cleantek Shareholder shall receive 58.3 Raise Shares for each Cleantek Share so transferred;
- (c) each Cleantek Warrant outstanding immediately prior to the Effective Time held by the holder thereof shall be exchanged for a Raise Replacement Warrant to acquire from Raise, the number of Raise Shares equal to the product of: (A) the number of Cleantek Shares subject to such Cleantek Warrant immediately prior to the Effective Time; multiplied by (B) 58.3, provided that, if the foregoing would result in the issuance of a fraction of a Raise Share on any particular exercise of Raise Replacement Warrant by a holder, then the number of Raise Shares otherwise issued shall be rounded down to the nearest whole number of Raise Shares, and:
 - (i) the exercise price per Raise Share subject to a Raise Replacement Warrant shall be an amount equal to the product of: (A) the exercise price per Cleantek Share subject to each such Cleantek Warrant immediately before the Effective Time; divided by (B) 58.3, rounded up to the nearest whole cent;
 - (ii) each such Raise Replacement Warrant shall be on the same terms as the Cleantek Warrant it is replacing; and
 - (iii) the holder of such Cleantek Warrant will cease to be the holder of such Cleantek Warrant, will cease to have any rights as a holder in respect of such Cleantek Warrant, will be removed from the applicable register of the Cleantek Warrants, and all agreements relating thereto will be cancelled, and none of the Cleantek or Raise shall have any further liabilities or obligations with respect thereto;
- (d) the stated capital account maintained by Cleantek for the issued and outstanding Cleantek Shares will be reduced, without repayment of capital, to \$1.00 in aggregate;
- (e) Cleantek shall amalgamate with Raise under Section 184 of the ABCA and shall continue as one corporation under the name "Cleantek Industries Inc." and pursuant thereto;

- (i) all Cleantek Shares shall be cancelled without any repayment of capital in respect of those shares;
 - (ii) the articles of the Resulting Issuer will be the same as the articles of Raise;
 - (iii) no securities shall be issued by the Resulting Issuer in connection with such amalgamation;
 - (iv) the stated capital of the Resulting Issuer shall be the same as the stated capital of Raise;
 - (v) all of the property of each of Cleantek and Raise shall continue to be the property of the Resulting Issuer;
 - (vi) the Resulting Issuer shall continue to be liable for all of the obligations of each of Cleantek and Raise;
 - (vii) any existing cause of action, claim or liability to prosecution of Cleantek or Raise shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against Cleantek or Raise may be continued to be prosecuted by or against the Resulting Issuer; and
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, Cleantek or Raise may be enforced by or against the Resulting Issuer; and
- (f) the Share Consolidation shall be completed.

Arrangement Consideration

All Raise Consideration Shares issued pursuant to the Plan of Arrangement shall be fully paid and non-assessable and Raise shall be deemed to have received the full consideration therefor and if such consideration shall not be money, any such non-cash consideration shall have a value that is not less in value than the fair equivalent of the money that Raise would have received had the applicable Raise Shares been issued for money.

Procedure for Exchange of Cleantek Shares and Raise Shares

Enclosed with this Circular is the Letter of Transmittal which, when properly completed and duly executed and returned to the Depositary together with a certificate or certificates representing Cleantek Shares or Raise Shares, as applicable, and all other required documents, will enable: (a) each Cleantek Shareholder to obtain the Raise Consideration Shares to which such Cleantek Shareholder is entitled under the Arrangement; and (b) each Raise Shareholder to obtain the Resulting Issuer Shares following the completion of the Consolidation and the Arrangement.

The Letter of Transmittal sets out the details to be followed by each Cleantek Shareholder and each Raise Shareholder for delivering the share certificate(s) held by such Cleantek Shareholder or Raise Shareholder, as applicable, to the Depositary. In order to receive DRS Advices representing Raise Shares which the Cleantek Shareholder is entitled to receive on the completion of the Arrangement, Cleantek Shareholders must deposit with the Depositary (at the address specified on the last page of the Letter of Transmittal) the applicable validly completed and duly signed Letter of Transmittal together with the share certificate(s) representing the Cleantek Shareholder's Cleantek Shares and such other documents and instruments as Raise or the Depositary may reasonably require. In order to receive DRS Advices representing Resulting Issuer Shares which the Raise Shareholder is entitled to receive on the completion of the Consolidation and the Arrangement, Raise Shareholders must deposit with the Depositary (at the address specified on the last page of the Letter of Transmittal) the applicable validly completed and duly signed Letter of Transmittal together with the share certificate(s) representing the Raise Shareholder's Raise Shares and such other documents and instruments as Raise or the Depositary may reasonably require.

Provided that a shareholder has returned a properly completed and executed Letter of Transmittal and has presented and surrendered the share certificate(s) representing such shareholders' Cleantek Shares or Raise Shares, as applicable, to the Depositary, together with such other documents and instruments as Raise or the Depositary may reasonably require as set forth in the Letter of Transmittal, the Depositary will cause: (a) the Raise Consideration Shares, less any

applicable tax withholdings for each Cleantek Share exchanged pursuant to the Arrangement, in the form of DRS Advices representing Raise Shares to be sent to such Cleantek Shareholder as soon as practicable following the Effective Date; or (b) the Resulting Issuer Shares, in the form of DRS Advices to be sent to such Raise Shareholder as soon as practicable following the Effective Date. The Raise Consideration Shares and the Resulting Issuer Shares will be either: (a) issued and mailed in accordance with the instructions provided by the shareholder in its Letter of Transmittal; (b) held for pick-up at the offices of the Depositary if directed by the shareholder in its Letter of Transmittal; or (c) if no instructions are provided by the shareholder in the Letter of Transmittal, issued in the name of the Cleantek Shareholder and mailed to the address of the shareholder as it appears in the register of shareholders.

A Cleantek Shareholder who does not deposit a properly completed and executed Letter of Transmittal with the Depositary or who does not surrender the share certificate(s) representing such Cleantek Shareholder's Cleantek Shares in accordance with the Letter of Transmittal or does not otherwise comply with the requirements of the Letter of Transmittal and the instructions therein will not be entitled to receive Raise Consideration Shares until the Cleantek Shareholder deposits with the Depositary a properly completed and executed Letter of Transmittal and the certificate(s) representing the Cleantek Shareholder's Cleantek Shares.

If the Arrangement is not completed, the Letter of Transmittal will be of no effect and the Depositary will return all deposited share certificate(s) to the Cleantek Shareholder and Raise Shareholder as soon as possible. Additional copies of the Letters of Transmittal will also be available by contacting the Depositary or using the other contact details listed in this Circular.

It is recommended that Cleantek Shareholders complete, sign and return the Letter of Transmittal with the accompanying share certificate(s) representing their Cleantek Shares to the Depositary as soon as possible.

Fractional Shares

No fractional Resulting Issuer Shares shall be issued to any Person pursuant to the Plan of Arrangement. In the event that a holder would otherwise be entitled to a fractional Resulting Issuer Share hereunder, the number of Resulting Issuer Shares issued to such holder shall be rounded up to the next greater whole number of Resulting Issuer Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Resulting Issuer Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Cleantek Shares registered in the name of or beneficially held by such Cleantek Shareholder or its nominee shall be aggregated.

Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Cleantek Shares that were transferred pursuant to the Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will pay and deliver, in exchange for such lost, stolen or destroyed certificate, the Raise Consideration Shares to which the holder thereof is entitled under the Arrangement, net of any amounts required to be withheld (see "*The Arrangement – Withholding Rights*"), in accordance with such holder's Letter of Transmittal. When authorizing such payment and delivery in exchange for any lost, stolen or destroyed certificate, the Person to whom the payment is made shall, as a condition precedent to the delivery thereof, give a bond satisfactory to Cleantek, Raise and the Depositary in such sum as Raise may direct or otherwise indemnify Raise in a manner satisfactory to Raise against any claim that may be made against Raise with respect to the certificate alleged to have been lost, stolen or destroyed.

Extinction of Rights

Until surrendered by the holder thereof, each certificate that immediately prior to the Effective Time represented outstanding Cleantek Shares shall be deemed, immediately after the completion of the Arrangement, to represent only the right to receive upon such surrender the Raise Consideration Shares in respect of such Cleantek Shares. Any such certificate formerly representing outstanding Cleantek Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former Cleantek Shareholder of any kind or nature against or in Raise or Cleantek.

Any payment made by way of cheque by the Depositary or by Cleantek pursuant to the Arrangement that has not been deposited or has been returned to the Depositary or Cleantek or that otherwise remains unclaimed, in each case, on or

before the sixth anniversary of the Effective Date, and any right or claim to such payment that remains outstanding on the sixth anniversary of the Effective Date, shall cease to represent a right or claim of any kind or nature and the right of any holder of Cleantek Shares, Cleantek Options or Cleantek Warrants to receive the consideration for any such securities pursuant to the Arrangement shall terminate and be deemed to be surrendered and forfeited to Raise (or Cleantek, as applicable) for no consideration.

Withholding Rights

Each of Cleantek, Raise and the Depositary shall be entitled to deduct or withhold from any consideration otherwise payable to any holder of Cleantek Shares, Cleantek Options or Cleantek Warrants under the Arrangement such amounts as Cleantek, Raise or the Depositary may be required to deduct or withhold with respect to such payment under the Tax Act or any provision of Applicable Laws and shall remit such amounts to the appropriate Governmental Entity. To the extent that an amount is so deducted or withheld and remitted, such amount shall be treated for all purposes as having been paid to the holder of Cleantek Shares, Cleantek Options or Cleantek Warrants as the case may be, in respect of which such deduction or withholding was made.

Each of Cleantek, Raise and the Depositary that makes a payment to any Cleantek Shareholder under the Arrangement shall be authorized to sell or otherwise dispose of such number of Raise Shares otherwise issuable to such Cleantek Shareholder (if any) as is necessary to provide sufficient funds to enable it to comply with its deducting or withholding requirements and such party shall notify the applicable Cleantek Shareholder and remit any unapplied balance of the net proceeds of such sale to such Cleantek Shareholder.

Stock Exchange Listings for Raise Consideration Shares

The Raise Shares are listed on the TSXV trading under the symbol “RPC”. Raise has applied to the TSXV to list the Raise Shares issuable under the Arrangement. It is a condition of closing that the TSXV have conditionally approved the listing of the Raise Consideration Shares, subject to official notice of issuance and the satisfaction of customary conditions required by the exchange.

Approvals

Cleantek Shareholder Approval

In order to become effective, the Cleantek Arrangement Resolution will require the affirmative vote of at least 66⅔% of the votes cast by Cleantek Shareholders, voting as a single class, who vote by proxy at the Cleantek Meeting. See “*The Cleantek Meeting – Business of the Cleantek Meeting*”.

As disclosed herein, there are certain agreements, commitments or understandings existing between Cleantek and certain of its directors and senior officers and certain shareholders pursuant to which such individuals may receive certain payments or other benefits by way of compensation for loss of office upon completion of the Arrangement. See “*Interest Of Certain Persons In Matters To Be Acted Upon*”.

Raise Shareholder Approval

In order for the Arrangement to be completed, the Raise Ordinary Resolutions require the affirmative vote of at least a simple majority of the votes cast by Raise Shareholders, voting as a single class, who vote by proxy at the Raise Meeting. In order to become effective, the Raise Consolidation Resolution must be approved by 66 2/3% of the votes cast by the Raise Shareholders who vote by proxy at the Raise Meeting. See “*The Raise Meeting – Business of the Raise Meeting*”.

Court Approval

The ABCA requires that Cleantek and Raise obtain the approval of the Court in respect of the Arrangement. On September 27, 2021, the Court granted the Interim Order which provides for the calling and holding of the Cleantek Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix C to this Circular.

The Court hearing in respect of the Final Order is expected to take place at the Court, located at 601 5 St SW, Calgary, Alberta T2P 5P7 on October 27, 2021 at 4:00 p.m. (Calgary Time), or as soon thereafter as counsel may be heard,

subject to the terms of the Arrangement Agreement, the approval of the Cleantek Arrangement Resolution at the Cleantek Meeting and the approval of the Raise Transaction Resolutions at the Raise Meeting. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every Person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. Prior to the hearing on the Final Order, the Court will be informed that the parties intend to rely on the exemption from the registration requirements under the U.S. Securities Act for the issuance of Raise Consideration Securities (other than Excluded 3(a)(10) Securities) pursuant to the Arrangement provided by Section 3(a)(10) thereof on the basis of the Final Order. Under the terms of the Interim Order, any holder of Cleantek Shares will have the right to appear at the hearing and make submissions at the application for the Final Order subject to such party filing with the Court and serving upon Cleantek by service upon counsel to Cleantek, Torys LLP, 4600 525 8th Ave SW, Calgary, Alberta T2P 1G1 phone number: (403)-776-3700 fax number: (403)-776-3800, Attention: Janan Paskaran, a notice of appearance in the form required by the Court's rules, and any additional affidavits or other materials on which a party intends to rely in connection with any submissions at such hearing, as soon as reasonably practicable, and, in any event, no less than five business days before the hearing of the application. There can be no assurance that the Court will approve the Arrangement.

Dissent Rights for Cleantek Shareholders

As contemplated in the Plan of Arrangement and the Interim Order, Cleantek Shareholders who object to the Arrangement have Dissent Rights. The Dissent Rights adopt the dissent procedures set forth in Section 191 of the ABCA, as may be modified by the Plan of Arrangement, the Interim Order and the Final Order. A copy of Section 191 of the ABCA is attached as Appendix D to this Circular.

The following is a summary of the Dissent Rights. Such summary is not a comprehensive statement of the procedures to be followed by a Cleantek Shareholder who seeks to exercise such Dissent Rights and is qualified in its entirety by reference to the full text of the Arrangement Agreement, the Interim Order, and Section 191 of the ABCA.

A Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

The Dissent Rights are technical and complex. Any Cleantek Shareholders who wish to exercise their Dissent Rights should seek independent legal advice, as failure to comply strictly with the Dissent Rights may result in the loss or unavailability of their right of dissent.

Pursuant to the Interim Order, each Cleantek Shareholder may exercise Dissent Rights under Section 191 of the ABCA, all as modified by the Plan of Arrangement as the same may be modified by the Interim Order or the Final Order in respect of the Arrangement, provided that the written notice of objection written notice of objection to the Arrangement contemplated by Section 191 of the ABCA must be sent to and received by Cleantek, at Suite 3200, 500 – 4th Ave S.W. Calgary, Alberta T2P 2V6, Attention: Jesse Curlett, Chief Executive Officer, with a copy to Cleantek's counsel, Torys LLP, Torys LLP, 4600 525 8th Ave SW, Calgary, Alberta T2P 1G1, Attention: Janan Paskaran, not later than 5:00 p.m. (Calgary time) on October 25, 2021 (or the day that is two business days immediately preceding the date that any adjourned or postponed Meeting is reconvened or held, as the case may be). Dissenting Cleantek Shareholders who:

- (a) are ultimately determined to be entitled to be paid fair value for such Cleantek Shares in respect of which Dissent Rights have been validly exercised will be deemed to have irrevocably transferred and assigned such Cleantek Shares (free and clear of any Liens) to Cleantek and will be entitled to be paid the fair value of such Cleantek Shares by Cleantek (which fair value, notwithstanding anything to the contrary in the ABCA, will be determined as of the close of business on the day before the Arrangement Resolution was adopted at the Cleantek Meeting) and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement has such holders not exercised their Dissent Rights in respect of such Cleantek Shares; or
- (b) are ultimately not entitled, for any reason, to be paid the fair value for their Cleantek Shares in respect of which Dissent Rights have been validly exercised, will be deemed to have participated in the Arrangement in respect of those Cleantek Shares on the same basis as a non-dissenting Cleantek Shareholder.

In no event will Cleantek, Raise or any other Person be required to recognize a Dissenting Cleantek Shareholder as a registered or beneficial owner of Cleantek Shares or any interest therein (other than the rights set forth above) after the completion of the steps set forth above and at such time the names of such Dissenting Cleantek Shareholders will be deleted from the central securities register of Cleantek as at and from the completion of the steps above.

In addition to any other restrictions set forth in the Interim Order, the Cleantek Shareholders who vote or instruct a proxyholder to vote in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights.

A Dissenting Cleantek Shareholder must dissent with respect to all Cleantek Shares in which the holder owns a beneficial interest.

An application may be made to the Court by Cleantek or by a Dissenting Cleantek Shareholder to fix the fair value of a Dissenting Cleantek Shareholder's Cleantek Shares. If such an application to the Court is made by a Dissenting Cleantek Shareholder, Cleantek must, unless the Court otherwise orders, send to each Dissenting Cleantek Shareholder a written offer to pay such Person an amount considered by the Cleantek Board to be the fair value of the Cleantek Shares held by such Dissenting Cleantek Shareholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Cleantek Shareholder at least ten days before the date on which the application is returnable, if Cleantek is the applicant, or within ten days after Cleantek is served with notice of the application, if a Cleantek Shareholder is the applicant. The offer will be made on the same terms to each Dissenting Cleantek Shareholder and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Cleantek Shareholder may make an agreement with Cleantek for the purchase of such holder's Cleantek Shares in the amount of Cleantek's offer (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Cleantek Shares.

A Dissenting Cleantek Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Cleantek Shares, as applicable, of all Dissenting Cleantek Shareholders who are parties to the application, giving judgment in that amount against Cleantek and in favour of each of those Dissenting Cleantek Shareholders, and fixing the time within which Cleantek must pay that amount payable to the Dissenting Cleantek Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Cleantek Shareholder calculated from the date on which the Dissenting Cleantek Shareholder ceases to have any rights as a Cleantek Shareholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between Cleantek and the Dissenting Cleantek Shareholder as to the payment to be made by Cleantek to the Dissenting Cleantek Shareholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Cleantek Shareholder will cease to have any rights as a Cleantek Shareholder, other than the right to be paid the fair value of such holder's Cleantek Shares in the amount agreed to between Cleantek and the Dissenting Cleantek Shareholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Dissenting Cleantek Shareholder may withdraw his or her dissent or, if the Arrangement has not yet become effective, Cleantek may rescind the Cleantek Arrangement Resolution and, in such event, the dissent and appraisal proceedings in respect of that Cleantek Shareholder, will be discontinued.

Cleantek shall not make a payment to a Dissenting Cleantek Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that Cleantek is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of Cleantek would thereby be less than the aggregate of its liabilities. In such event, Cleantek shall notify each Dissenting Cleantek Shareholder that it is lawfully unable to pay the Dissenting Cleantek Shareholder for their Cleantek Shares in which case the Dissenting Cleantek Shareholder may, by written notice to Cleantek within 30 days after receipt of such notice, withdraw his or her written objection, in which case such Dissenting Cleantek Shareholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Cleantek Shareholder. If the Dissenting Cleantek Shareholder does not withdraw his or her written objection he or she retains his or her status as a claimant against Cleantek to be paid as soon as Cleantek is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to Cleantek Shareholders.

All Cleantek Shares held by Dissenting Cleantek Shareholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to Cleantek in exchange for such fair value immediately prior to the Effective Time. If such Dissenting Cleantek Shareholder's ultimately are not

entitled to be paid the fair value for their Cleantek Shares, such Cleantek Shares will be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Cleantek Shareholder as at and from the Effective Time and will be treated in the same manner as such a holder on the basis set out in the Plan of Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Cleantek Shareholder who seeks payment of the fair value of their Cleantek Shares. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Dissenting Cleantek Shareholder who might desire to exercise the right to dissent and appraisal should consult their own legal advisor.**

It is a condition to the completion of the Arrangement that holders of no more than 5% of the issued and outstanding Cleantek Shares have exercised Dissent Rights in respect of the Arrangement.

Issuance and Resale of Raise Consideration Shares

Canada

The distribution of the Raise Consideration Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian securities laws and is exempt from or otherwise is not subject to the registration requirements under applicable Canadian securities laws. The Raise Consideration Shares received pursuant to the Arrangement will not be legended and may be resold in each of the provinces and territories of Canada provided that: (i) the trade is not a “control distribution” as defined in National Instrument 45-102 – *Resale of Securities*; (ii) no unusual effort is made to prepare the market or to create a demand for Raise Shares; (iii) no extraordinary commission or consideration is paid to a Person in respect of such sale; and (iv) if the selling securityholder is an insider or officer of Raise, the selling securityholder has no reasonable grounds to believe that Raise is in default of applicable Canadian securities laws.

Each Cleantek Shareholder is urged to consult his or her professional advisors to determine the Canadian conditions and restrictions applicable to trades in Raise Consideration Shares.

United States

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to Cleantek Shareholders and holders of Cleantek Options and Cleantek Warrants in the United States (collectively, “**U.S. Shareholders**”). All U.S. Shareholders are urged to consult with their own legal counsel to ensure that any subsequent resale or exercise of Raise Consideration Securities distributed to them under the Arrangement complies with applicable securities laws. Further information applicable to U.S. Shareholders is disclosed under the heading “Notice to Securityholders in the United States”.

The following discussion does not address the Canadian securities laws that will apply to the distribution of Raise Consideration Securities or the resale or exercise of Raise Consideration Securities by U.S. Shareholders within Canada. U.S. Shareholders reselling or exercising their Raise Consideration Securities in Canada must comply with Canadian securities laws, as outlined elsewhere in this Circular.

Raise Consideration Securities to be issued pursuant to the Arrangement have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction. Raise Shares to be issued in the Arrangement, other than Excluded 3(a)(10) Securities, will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act, based on the approval of the Arrangement by the Court, and in compliance with, or in reliance on an exemption from, the registration or qualification requirements of U.S. state securities or “blue sky” laws. Excluded 3(a)(10) Securities will be issued under the Arrangement in reliance on a private placement exemption from the registration requirements of the U.S. Securities Act and in compliance with, or in reliance on an exemption from, the registration or qualification requirements of U.S. state securities or “blue sky” laws.

Section 3(a)(10) of the U.S. Securities Act exempts securities issued in exchange for one or more outstanding securities from the registration requirements of the U.S. Securities Act where the terms and conditions of the issuance and exchange of the securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued

have the right to appear and to whom adequate notice of the hearing has been given. The Final Order is required for the Arrangement to become effective, and the Court will be advised that if the terms and conditions of the Arrangement are approved by the Court pursuant to the Final Order, Raise Consideration Securities (other than Excluded 3(a)(10) Securities) issuable under the Arrangement will not require registration under the U.S. Securities Act, pursuant to Section 3(a)(10) thereof. Therefore, if the Court approves the Arrangement, its approval will constitute the basis for Raise Consideration Securities (other than Excluded 3(a)(10) Securities) to be issued without registration under the U.S. Securities Act. In addition, all Raise Consideration Securities to be issued pursuant to the Arrangement will be issued in compliance with or pursuant to an exemption from the registration or qualification requirements of U.S. state securities or “blue sky” laws.

Persons acquiring Raise Consideration Securities pursuant to Section 3(a)(10) of the U.S. Securities Act who are not “affiliates” of Raise after the Arrangement is completed and have not been “affiliates” of Raise in the 90-day period prior to the completion of the Arrangement may resell Raise Consideration Securities that they receive in connection with the Arrangement in the United States without restriction under the U.S. Securities Act. As defined in Rule 144 under the U.S. Securities Act, an “affiliate” of an issuer is a Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer. Holders of Raise Consideration Securities should consult their own legal counsel regarding their status as an “affiliate” of Raise.

U.S. Shareholders acquiring Excluded 3(a)(10) Securities in reliance on a private placement exemption from the registration requirements of the U.S. Securities Act will receive “restricted securities” (within the meaning of Rule 144 under the U.S. Securities Act), and accordingly, will be subject to the applicable holding period under Rule 144 (one year for non-SEC reporting companies) for any resales of such Excluded 3(a)(10) Securities in the United States. However, resales of such Excluded 3(a)(10) Securities may be made outside the United States in an “offshore transaction” (as such term is defined in Regulation S of the U.S. Securities Act, which would include a sale through the TSXV, if applicable) under Rule 904 of Regulation S, except by an “affiliate” of Raise (other than any director or officer of Raise who is an “affiliate” of Raise solely by virtue of holding such position).

Raise Consideration Securities received by a holder who will be an “affiliate” of Raise after the Arrangement is completed, or was an “affiliate” of Raise within 90 days prior to the completion of the Arrangement, may be subject to certain restrictions on resale imposed by the U.S. Securities Act. Such Persons may not be able to sell Raise Consideration Securities that they receive in connection with the Arrangement in the absence of registration under the U.S. Securities Act or an exemption from registration, if available, such as the exemptions and safe harbours contained in Rule 144 under the U.S. Securities Act or, for a director or officer of Raise who is an “affiliate” of Raise solely by virtue of holding such position, Rule 904 of Regulation S.

Resales by Affiliates of Raise. In general, under Rule 144 under the U.S. Securities Act, Persons who are affiliates of Raise after the Arrangement is completed or were affiliates of Raise within 90 days prior to the completion of the Arrangement will be entitled to sell in the United States, during any three-month period, a portion of the Raise Consideration Securities that they receive in connection with the Arrangement, provided that the number of such Raise Consideration Securities sold, as the case may be, does not exceed the greater of (i) one percent (1%) of the then-outstanding securities of such class or (ii) the average weekly trading volume of such securities on all U.S. national securities exchanges on which the Raise Consideration Securities are then listed (if applicable) during the four-calendar week period preceding the date of transmitting to the SEC a notice of sale on Form 144 (it being understood that there is no current intention to list any of the Raise Consideration Securities on a U.S. national securities exchange); subject to specified restrictions on manner of sale, the filing of a notice of sale on Form 144, aggregation rules and the availability of current public information about Raise, as applicable. Persons who are affiliates of Raise after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of Raise.

Resales by Directors and Officers of Raise. Directors and officers of Raise are deemed “affiliates” of Raise for purposes of Rule 144 and accordingly, in respect of resales of Raise Consideration Securities in the United States, would be subject to the resale restrictions for “affiliates” as described above under “Resales by Affiliates of Raise”. In addition, under Rule 904 of Regulation S, Persons who are affiliates of Raise solely by virtue of their status as an officer or director of Raise may sell Raise Consideration Securities outside the United States in an “offshore transaction” (as such term is defined in Regulation S, which would include a sale through the TSXV, if applicable) if neither the seller nor any Person acting on its behalf engages in “directed selling efforts” (as defined below) in the

United States and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker's commission. For purposes of Regulation S of the U.S. Securities Act, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the sale transaction. However, Rule 904 is not available to any director or officer of Raise who is an "affiliate" of Raise other than solely by virtue of his or her status as an officer or director of Raise.

After completion of the Arrangement, the Raise Replacement Options and Raise Replacement Warrants may not be exercised for cash within the United States unless the Raise Shares issuable pursuant to such securities are registered under the U.S. Securities Act or an exemption from such registration requirements is available.

SUMMARY OF MATERIAL AGREEMENTS

The Arrangement Agreement

This section of the Circular describes the material provisions of the Arrangement Agreement, but does not purport to be complete and may not contain all of the information about the Arrangement Agreement that is important to a particular Cleantek Shareholder or Raise Shareholder. This summary is qualified in its entirety by reference to the Arrangement Agreement, a copy of which is available on SEDAR at www.sedar.com. Cleantek and Raise encourage their respective shareholders to read the Arrangement Agreement and the Plan of Arrangement in their entirety.

On July 12, 2021, Cleantek and Raise entered into the Arrangement Agreement. The Arrangement provides for the exchange of Cleantek Shares for Raise Shares based on an exchange ratio of 58.3 Raise Shares for each Cleantek Share. Under the Arrangement Agreement, Cleantek has agreed to, among other things, call the Cleantek Meeting to seek approval of Cleantek Shareholders for the Cleantek Arrangement Resolution and, if approved, apply to the Court for the Final Order, and Raise has agreed to, among other things, call the Raise Meeting to seek approval of the Raise Shareholders of the Raise Transaction Resolutions. The terms of the Arrangement Agreement are the result of arm's length negotiations among representatives of Raise and Cleantek and their respective legal and financial advisors.

Representations and Warranties

The Arrangement Agreement contains representations and warranties made by Cleantek to Raise and representations and warranties made by Raise to Cleantek. The representations and warranties were made solely for the purposes of the Arrangement Agreement and are subject to important qualifications and limitations agreed to by Cleantek and Raise in connection with negotiating its terms. Moreover, some of the representations and warranties contained in the Arrangement Agreement are subject to a contractual standard of materiality (including a Material Adverse Effect) that is different from that generally applicable to the public disclosure of Cleantek Shareholders or Raise Shareholders, as the case may be, or those standards used for the purpose of allocating risk between parties to an agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by Raise in favour of Cleantek relate to, among other things: (a) organization; (b) reporting issuer (c) authority; (d) defaults under any material contracts or organizational documents; (e) legal matters; (f) capitalization; (g) share issuance; (h) regulatory filings; (i) governmental authorizations; (j) subsidiaries; (k) company matters; (l) liabilities; (m) litigation; (n) judgements; (o) material contracts; (p) compliance with laws; (q) partnerships or joint ventures; (r) arms-length transactions; (s) pension plans; (t) debt; (u) insurance; (v) bankruptcy and receivership; (w) assignments; (x) public record; (y) financial statements; (z) compliance with securities laws; (aa) financial advisors; (bb) minute books; (cc) tax returns; (dd) tax payments; (ee) tax deficiencies; (ff) employee tax payments; (gg) Tax Act status; (hh) transactions with insider debtors; (ii) employees; (jj) liabilities to former directors, officers and employees; (kk) exclusivity agreements; (ll) absence of certain types of contracts; (mm) third party purchase and sale agreements; (nn) guarantees; (oo) environmental; (pp) the U.S. Exchange Act; (qq) foreign private issuer status; (rr) investment company status; (ss) principal office; (tt) Investment Canada Act (Canada) status; (uu) director approval; (vv) confidentiality agreements; (ww) shareholder rights plan; (xx) anti-corruption laws; (yy) escrow and voting trust agreements; (zz) accounts receivable; and (aaa) knowledge of information.

The representations and warranties provided by Cleantek in favour of Raise relate to, among other things: (a) organization; (b) authority; (c) defaults under any material contracts or organizational documents; (d) legal

matters; (e) capitalization; (f) subsidiaries; (g) governmental authorizations; (h) absence of changes; (i) litigation; (j) absence of certain contracts and commitments that could result in certain effects on Cleantek; (k) judgements; (l) material contracts; (m) books and records; (n) compliance with laws; (o) partnerships or joint ventures; (p) pension plans; (q) insurance; (r) bankruptcy and receivership; (s) assignments; (t) financial matters; (u) compliance with securities laws; (v) financial advisors; (w) minute books; (x) non-reporting issuer status; (y) the U.S. Exchange Act; (z) foreign private issuer status; (aa) principal office; (bb) material information; (cc) tax returns; (dd) financial statements; (ee) material tax deficiencies; (ff) employee tax payments; (gg) severance payments; (hh) exclusivity agreements; (ii) defaults under agreements; (jj) absence of certain types of contracts; (kk) environmental matters; (ll) shareholders rights plan; (mm) anti-corruption laws; (nn) escrow and voting trust agreements; (oo) confidentiality agreements; (pp) accounts receivable; (qq) board approval; and (rr) knowledge of information.

Covenants

In the Arrangement Agreement, each of Cleantek and Raise have agreed to certain covenants, including customary affirmative and negative covenants relating to conducting their respective businesses, and using commercially reasonable efforts to satisfy conditions precedent to their respective obligations under the Arrangement Agreement. Each of Cleantek and Raise have agreed to certain covenants in relation to preparation of the Circular and convening and conducting the Meetings.

Covenants of Raise

Cleantek has agreed to certain restrictions regarding the conduct of its business, subject to certain exceptions. Such restrictions include:

- i. Raise shall conduct its business only in the Ordinary Course, it shall consult with Cleantek in respect of its ongoing business and affairs and keep Cleantek apprised of all material developments relating thereto;
- ii. Raise shall not, directly or indirectly, do or permit to occur any of the following: (i) amend its constituting documents; (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities; (iii) issue or agree to issue any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Raise (other than the issuance of Raise Shares on exercise of the outstanding Raise Options as represented herein); (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (other than on conversion of outstanding securities); (v) split, combine or reclassify any of its securities; (vi) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- iii. Raise shall not, without prior consultation with and the prior written consent of Cleantek (such consent not to be unreasonably withheld), directly or indirectly: (i) sell, pledge, dispose of or encumber any assets or enter into any asset swap or similar arrangement; (ii) other than for payment for Raise Transaction Costs, expend any money in excess of \$20,000 in the aggregate without the written consent of Cleantek (and for greater certainty, all expenditures of Raise in excess of \$20,000 from the date hereof to the Effective Time shall be pre-approved by Cleantek, other than for payment for Raise Transaction Costs), acting reasonably; (iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (iv) other than for payment for Raise Transaction Costs, incur any indebtedness for borrowed money, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances; (v) pay, discharge or satisfy any claims, liabilities or obligations other than as disclosed in writing to Cleantek prior to the entering into of the Arrangement Agreement or reflected or reserved against in the Raise financial statements or payment in the Ordinary Course of accounts payable; (vi) authorize, recommend or propose any release or relinquishment of any material contract right; (vii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, or other material document; (viii) enter into any employment, consulting or contract operating agreement; or (ix) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or

arrangement to do any of the foregoing;

- iv. other than consulting fees, salaries and director remuneration paid in the Ordinary Course, if any, Raise shall not make any payment to any employee, officer, director or consultant;
- v. Raise shall and use its commercially reasonable efforts to obtain, as soon as possible and in any event on or prior to August 31, 2021, conditional approval of the TSXV for: (i) listing of the Raise Shares issuable pursuant to the Arrangement on the TSXV as of the Effective Date; (ii) the Arrangement; and (iii) the Share Consolidation;
- vi. Raise shall ensure that information about Raise included in the Circular (the “**Raise Information**”) complies with Applicable Laws and, without limiting the generality of the foregoing, that the Raise Information will not contain a misrepresentation and the Circular provides Raise Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and, in that regard, this Circular will set out Raise Information in the form approved by Raise and information about Cleantek in this Circular (the “**Cleantek Information**”) in the form approved by Cleantek and shall include, without limitation, the unanimous recommendation by the Raise Board that Raise Shareholders vote in favour of the Raise Transaction Resolutions;
- vii. Raise shall ensure that Cleantek and its counsel shall be given a reasonable opportunity to review and comment on drafts of the Raise Information to be included in the Circular, and any other information prepared by Raise and its counsel for inclusion in the Circular, and other documents related thereto, and reasonable consideration shall be given to any comments made by Cleantek and its counsel, provided that all Cleantek Information included in the Circular shall be in form and content satisfactory to Cleantek, acting reasonably;
- viii. Raise shall indemnify and save harmless Cleantek and its directors, officers and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Cleantek or any of its directors, officers or agents thereof may be subject or which Cleantek or any of its directors, officers or agents thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - a. any misrepresentation or alleged misrepresentation contained solely in the Raise Information included in the Circular;
 - b. any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the Raise Information which prevents or restricts the trading in the Raise Shares; or
 - c. Raise not complying with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement,
- ix. except that Raise shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation based on the Cleantek Information, the negligence of Cleantek or the noncompliance by Cleantek with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement;
- x. Raise shall not: (i) grant any officer, director, employee or consultant an increase in compensation in any form (including any new grants of Raise Options); (ii) grant any general salary increase to any employees; (iii) take any action with respect to the amendment or grant of any retention, severance or termination pay policies or similar arrangement for any directors, officers or employees; (iv) advance any loan to any officer, director or any other party; or (v) take any action with respect to the grant of any new, or any amendment to any existing, arrangements for severance, termination or retention pay with any officer or employee arising from the Arrangement or a change of control of Raise or otherwise, or with respect to any increase of benefits payable under its current severance, termination or retention pay policies;

- xi. Raise shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, incentive or share purchase plan, fund, plan or arrangement for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangement or agreements;
- xii. Raise shall use its commercially reasonable efforts to cause, effective at the Effective Time, each of the former Raise directors and the former Raise executives to provide releases in favour of Raise and Cleantek, conditional on closing of the Arrangement and effective on the Effective Date, each in form and substance satisfactory to Cleantek and Raise, each acting reasonably, and Raise shall cooperate with Cleantek to provide an orderly transition of control and management of Raise;
- xiii. Raise shall use its commercially reasonable efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- xiv. Raise shall maintain in place directors' and officers' liability insurance for current and former directors and officers of each of Raise and Cleantek providing protection no less favourable in the aggregate to the protection provided by the policies maintained by Raise and Cleantek, as applicable, which are in effect immediately prior to the Effective Date, covering claims made prior to and within six years after the Effective Date and on a "trailing" or "run off" basis, which has scope and coverage acceptable to Raise and Cleantek, each acting reasonably. Raise agrees to maintain any such insurance in place and agrees not to take any action, or to cause Raise to take any action, to terminate such directors' and officers' liability insurance or any indemnity agreements in favour of current and former directors and officers of each of Raise and Cleantek in place prior to the date hereof and in the form disclosed to Cleantek prior to the date hereof;
- xv. Raise shall not take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with the Arrangement Agreement, which might directly or indirectly interfere or negatively affect the consummation of the Arrangement;
- xvi. Raise shall not take any action, that would render, or may reasonably be expected to render, any representation or warranty made by it in the Arrangement Agreement untrue in any material respect;
- xvii. Raise shall promptly notify Cleantek in writing of: (i) any material change (actual, anticipated or, to the knowledge of Raise, contemplated or threatened, financial or otherwise) in or on the business, operations, results of operations, affairs, assets, capitalization, financial condition, licenses, rights, or liabilities, whether contractual or otherwise, of Raise (other than any change or effect that is excepted out of the definitions of Material Adverse Change or Material Adverse Effect in Section 1.1 of the Arrangement Agreement); or (ii) any change that would render any representation or warranty provided by Raise in the Arrangement Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and Raise shall in good faith discuss with Cleantek any change in circumstances (actual, anticipated or to the knowledge of Raise contemplated or threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Cleantek pursuant to this provision;
- xviii. Raise shall use its commercially reasonable efforts to obtain any third-party consents required for the transactions contemplated by the Arrangement Agreement (including the consent of its bankers and landlord, if required, and any applicable regulatory approvals) and provide the same to Cleantek prior to the Effective Date;
- xix. will promptly provide to Cleantek, prior to filing or issuance of the same, any proposed news release or material change report, subject to Cleantek's obligations under Applicable Laws to make continuous and timely disclosure of material information, and Cleantek agrees to keep such information confidential until it

is filed as part of the Public Record;

- xx. Raise will within two business days of Raise receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (a “**Raise Assessment**”), deliver to Cleantek a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of Raise on the assumption that such Raise Assessment is valid and binding;
- xxi. Raise shall use its commercially reasonable efforts to fulfill or cause the fulfillment of the conditions set forth in Sections 5.1, 5.2 and 5.3 of the Arrangement Agreement as soon as reasonably possible to the extent that the fulfillment of the same is within the control of Raise;
- xxii. Raise will, to the extent that it is within its power, assist Cleantek in filing, proceeding with and diligently prosecuting an application for the Final Order and forthwith carry out the terms of the Final Order to the extent applicable to Raise, provided that nothing shall require Raise to consent to any modification of the Arrangement Agreement, the Arrangement or Raise’s obligations under the Arrangement Agreement or the Final Order;
- xxiii. management of Raise shall solicit proxies to be voted at the Raise Meeting in favour of the Raise Transaction Resolutions and against any resolution submitted by any Person that is inconsistent or which seeks to hinder or delay the Arrangement or the completion of the transactions contemplated by the Arrangement Agreement;
- xxiv. Raise shall convene and conduct the Raise Meeting in accordance with the by-laws of Raise, any instrument governing the Raise Meeting and Applicable Laws;
- xxv. Raise shall provide notice to Cleantek of the Raise Meeting and allow Cleantek’s Representatives and legal counsel to attend the Raise Meeting;
- xxvi. Raise shall advise Cleantek, as Cleantek may request, and on a daily basis on each of the last ten (10) business days prior to the proxy cut-off date for the Raise Meeting, as to the aggregate tally of the proxies received by Raise in respect of the Raise Transaction Resolutions and any other matters to be considered at the Raise Meeting;
- xxvii. except for non-substantive communications with Raise Shareholders, Raise will furnish promptly to Cleantek or Cleantek’s counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Raise in connection with: (i) the Arrangement; (ii) any filings under Applicable Laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated by the Arrangement Agreement;
- xxviii. Raise shall make all necessary filings and applications under Applicable Laws required to be made on the part of Raise in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- xxix. Raise will furnish promptly to Cleantek or Cleantek’s counsel any requests from any governmental or regulatory authority for any information in respect of the business, operations, financial condition or assets of Raise or any third party complaint, investigation or hearing (or investigations indicating the same may be contemplated) if it could reasonably be expected to have a material adverse effect on Raise;
- xxx. Raise shall permit the Agents to conduct all due diligence in respect of Raise which they may reasonably require in connection with the Cleantek Financing and without limiting the generality of the foregoing, Raise shall make available its directors, senior management, and shall use all commercially reasonable efforts to cause its auditors (including of any predecessor entity or business) and legal counsel, to be available, to answer any questions which the Agents may have and to participate in one or more due diligence sessions to be held prior to the Effective Time;

- xxxi. Raise will continue to maintain its status as a "reporting issuer" (or similarly designated entity) not in default under the applicable Canadian securities laws where it is a reporting issuer at the date hereof;
- xxxii. Raise will maintain the listing of the Raise Shares on the TSXV;
- xxxiii. Raise shall:
- a. duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;
 - b. timely pay in full all taxes shown on such Tax Returns or on subsequent assessments with respect thereto;
 - c. not make or rescind any material express or deemed election, information schedule, return or designation relating to taxes, or file any amended Tax Returns;
 - d. not make a request for a tax ruling or enter into a settlement agreement with any taxing authority with respect to taxes, except for any settlement that is not material to Raise;
 - e. not settle or compromise any claim, assessment, reassessment, liability, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of taxes;
 - f. except as disclosed by Raise in writing to Cleantek not surrender any right to claim tax abatement, reduction, deduction, exemption, credit or refund;
 - g. not make any changes to methods, principles, policies or practices of reporting income, deductions or accounting for tax purposes (with respect to those employed prior to the date of the Arrangement Agreement), except as required by GAAP or under Applicable Laws;
 - h. not consent to the extension or waiver of the limitation period applicable to any material tax matter; and
 - i. properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all taxes accruing in respect of Raise which are not due or payable prior to the Effective Date;
- xxxiv. Raise shall continue to withhold from each payment to be made to any of its present or former employees (which includes officers) and directors and to all other Persons including, without limitation, all Persons who are non-residents of Canada for the purposes of the Tax Act, all amounts that are required to be so withheld by any Applicable Laws and Raise shall remit such withheld amounts to the proper taxing authority within the times prescribed by such Applicable Laws; and
- xxxv. Raise shall not make any tax filings outside the Ordinary Course of business, including making, amending or rescinding any Tax Return, election, information schedule or designation, without the consent of Cleantek, such consent not to be unreasonably withheld.

Raise Covenants Regarding Non-Solicitation

- i. Raise shall immediately cease and cause to be terminated all existing discussions and negotiations (including through any of its representatives on its behalf), if any, with any parties (other than pursuant to the Arrangement Agreement) conducted before the date of the Arrangement Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to, a Raise Acquisition Proposal. Raise shall not amend, modify, waive, release or otherwise forebear in the enforcement of, and shall use all commercially reasonable efforts to enforce, any confidentiality, non-solicitation or standstill or similar agreements or provisions to which it and any third parties are parties. Raise shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall immediately request, and exercise all rights it has to require, the

return or destruction of all confidential information provided to any third parties who have entered into a confidentiality or similar agreement with Raise relating to a Raise Acquisition Proposal and shall use reasonable commercial efforts to ensure that such requests are honoured. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in subsection 3.2(a) of the Arrangement Agreement by Raise or its representatives shall be deemed to be a breach of subsection 3.2(a) by Raise.

- ii. Raise shall not, directly or indirectly, do or authorize or permit any of its representatives to, directly or indirectly, do, any of the following:
 - a. solicit, assist, initiate, knowingly encourage or in any way knowingly facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) or take any action to solicit, encourage or knowingly facilitate any inquiry or communication or the making of any proposal or offer to Raise or the Raise Shareholders from any Person which constitutes or may constitute, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions) a Raise Acquisition Proposal;
 - b. enter into or participate in any negotiations or discussions regarding a Raise Acquisition Proposal, or furnish to any other Person any information with respect to its business, properties, operations, prospects or conditions (financial or otherwise) in connection with a Raise Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, knowingly facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - c. withdraw, amend, modify or qualify, or propose publicly to modify or qualify, in any manner adverse to Cleantek, the approval of the Arrangement by the Raise Board or the recommendations or determinations of the Raise Board referred to in Section 2.4(b) of the Arrangement Agreement;
 - d. waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits of Raise under confidential information agreements, including any “standstill provisions” thereunder; or
 - e. accept, recommend, approve or enter into an agreement to implement a Raise Acquisition Proposal,provided, however, that notwithstanding any other provision of the Arrangement Agreement, Raise and its representatives may comply with Section 2.17 of National Instrument 62-104 and similar provisions under other applicable Canadian securities laws relating to the provision of directors’ circulars and make appropriate disclosure with respect thereto to its shareholders, provided that Raise shall provide Cleantek with a reasonable opportunity to review the form and content of any such circular, and Raise shall be responsible at all times for any breach of Section 3.2 of the Arrangement Agreement by Raise or its Representatives in connection with such compliance by Raise and its representatives.
- iii. Raise shall ensure that the officers, directors and employees of Raise and any investment bankers and other advisers and representatives retained by Raise are aware of the provisions of Section 3.2 of the Arrangement Agreement, and Raise shall be responsible for any breach of Section 3.2 of the Arrangement Agreement by such officers, directors, employees, investment bankers, advisers and representatives.

Covenants of Cleantek

Cleantek agrees that during the period from the date of the Arrangement Agreement and ending on the earlier of the Effective Date or the termination of the Arrangement Agreement, except with the prior written consent of Raise (not to be unreasonably withheld, delayed or conditioned), and except as otherwise expressly permitted or specifically contemplated by the Arrangement Agreement:

- i. Cleantek shall, and shall cause the Cleantek Subsidiaries to, conduct its business only in the usual and Ordinary Course, and it shall consult with Raise in respect of its ongoing business and affairs and keep Raise apprised of all material developments relating thereto;

- ii. Cleantek shall not, and shall cause the Cleantek Subsidiaries to not, directly or indirectly do or permit to occur any of the following: (i) amend its constating documents; (ii) issue or agree to issue any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Cleantek (other than the issuance of Cleantek Shares on exercise or conversion of the Cleantek Options, Cleantek Debentures and Cleantek Warrants), except pursuant to the Cleantek Financing; (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (other than on conversion of outstanding securities); (iv) split, combine or reclassify any of its securities; (v) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution of Cleantek or any Cleantek Subsidiary; or (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- iii. Cleantek shall not, without prior consultation with and the prior written consent of Raise (such consent not to be unreasonably withheld), directly or indirectly: (i) sell, pledge, dispose of or encumber any assets or enter into any asset swap or similar arrangement; (ii) other than for payment for Cleantek Transaction Costs, expend any money outside of the Ordinary Course in excess of \$100,000 in the aggregate; (iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (iv) other than for payment for Cleantek Transaction Costs, incur any indebtedness for borrowed money, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances; (v) pay, discharge or satisfy any claims, liabilities or obligations other than as disclosed in writing to Raise prior to the entering into of the Arrangement Agreement or reflected or reserved against in the Cleantek financial statements or payment in the Ordinary Course of accounts payable; (vi) authorize, recommend or propose any release or relinquishment of any material contract right; (vii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, or other material document; (viii) enter into any employment, consulting or contract operating agreement; or (ix) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- iv. management of Cleantek shall solicit proxies to be voted at the Cleantek Meeting in favour of the approval of the Cleantek Arrangement Resolution and against any resolution submitted by any Person that is inconsistent or which seeks to hinder or delay the Arrangement or the completion of the transactions contemplated by the Arrangement Agreement;
- v. Cleantek shall provide notice to Raise of the Cleantek Meeting and allow Raise's representatives and legal counsel to attend such Cleantek Meeting;
- vi. Cleantek shall advise Raise, as Raise may request, and on a daily basis on each of the last ten (10) business days prior to the proxy cut-off date for the Cleantek Meeting, as to the aggregate tally of the proxies received by Cleantek in respect of the Cleantek Arrangement Resolution and any other matters to be considered at the Cleantek Meeting;
- vii. except for non-substantive communications with shareholders, Cleantek will furnish promptly to Raise or Raise's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Cleantek in connection with: (i) the Arrangement; (ii) any filings under Applicable Laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated hereby;
- viii. Cleantek will furnish promptly to Raise or Raise's counsel any requests from any governmental or regulatory authority for any information in respect of the business, operations, financial condition or assets of Cleantek or any third party complaint, investigation or hearing (or investigations indicating the same may be contemplated) if it could reasonably be expected to have a material adverse effect on Cleantek;
- ix. Cleantek shall, and shall cause the Cleantek Subsidiaries to, use its commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage

equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

- x. Cleantek shall not, and shall cause the Cleantek Subsidiaries to not, take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in the Arrangement Agreement untrue in any material respect;
- xi. Cleantek shall not, and shall cause the Cleantek Subsidiaries to not, take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with the Arrangement Agreement, which might directly or indirectly interfere or negatively affect the consummation of the Arrangement;
- xii. Cleantek shall promptly notify Raise in writing of: (i) any material change (actual, anticipated or, to the knowledge of Cleantek, contemplated or threatened, financial or otherwise) in or on the business, operations, results of operations, affairs, assets, capitalization, financial condition, licenses, permits, concessions, prospects, rights, or liabilities, whether contractual or otherwise, of Cleantek (other than any change or effect that is excepted out of the definitions of Material Adverse Change or Material Adverse Effect in Section 1.1 of the Arrangement Agreement); or (ii) any change that would render any representation or warranty provided by Cleantek in the Arrangement Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and Cleantek shall in good faith discuss with Raise any change in circumstances (actual, anticipated or to the knowledge of Cleantek contemplated or threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Raise pursuant to this provision;
- xiii. Cleantek shall ensure that Raise and its counsel shall be given a reasonable opportunity to review and comment on drafts of the Cleantek Information to be included in the Circular, and any other information prepared by Cleantek and its counsel for inclusion in the Circular, and other documents related thereto, and reasonable consideration shall be given to any comments made by Raise and its counsel, provided that all Raise Information included in the Circular shall be in form and content satisfactory to Raise, acting reasonably;
- xiv. subject to Raise's compliance with Section 2.6(a) of the Arrangement Agreement, Cleantek shall ensure that the Cleantek Information included in the Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Cleantek Information will not contain a misrepresentation and the Circular provides Cleantek Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and, in that regard, the Circular will set out Cleantek Information in the form approved by Cleantek and Raise Information in the form approved by Raise and shall include, without limitation, the unanimous recommendation by the Cleantek Board that Cleantek Shareholders vote in favour of the Cleantek Arrangement Resolution, and a copy of the fairness opinions delivered by the Cleantek's Board financial advisors that the consideration under the Arrangement is fair, from a financial point of view, to Cleantek Shareholders;
- xv. Cleantek shall indemnify and save harmless Raise and its directors, officers and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Raise or any of its directors, officers or agents thereof may be subject or which Raise or any of its directors, officers or agents thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - a. any misrepresentation or alleged misrepresentation contained solely in the Cleantek Information included in the Circular;
 - b. any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the Cleantek Information which prevents or restricts the trading in the Raise Shares; or
 - c. Cleantek not complying with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement,

except that Cleantek shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation based on the Raise Information, the negligence of Raise or the non-compliance by Raise with any requirement of Applicable Laws in connection with the transactions contemplated in the Arrangement Agreement;

- xvi. Cleantek shall, and shall cause the Cleantek Subsidiaries to, use its commercially reasonable efforts to enter into forbearance agreements with its lenders in respect of Cleantek's outstanding senior secured indebtedness and obtain any other third party consents required by any of them for the transactions contemplated hereby (including the consent of its bankers and any applicable regulatory authorities) and provide the same to Raise prior to the Effective Date;
- xvii. Cleantek will within two business days of Cleantek receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (a "**Cleantek Assessment**"), deliver to Raise a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of Cleantek on the assumption that such Cleantek Assessment is valid and binding;
- xviii. Cleantek shall use its commercially reasonable efforts to fulfill or cause the fulfillment of the conditions set forth in Sections 5.1, 5.2 and 5.3 of the Arrangement Agreement, as applicable to it, as soon as reasonably possible to the extent that the fulfillment of the same is within the control of Cleantek;
- xix. Cleantek shall forthwith carry out the terms of the Final Order to the extent applicable to Cleantek provided that nothing shall require Cleantek to consent to any modification of the Arrangement Agreement, the Arrangement or Cleantek's obligations under the Arrangement Agreement or the Final Order;
- xx. Cleantek shall make all necessary filings and applications under Canadian federal and provincial laws and regulations required to be made on the part of Cleantek in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such laws and regulations;
- xxi. Cleantek shall promptly advise Raise of the number of Cleantek Shares for which Cleantek receives notices to appear in connection with application for the Final Order and provide Raise with copies of such notices;
- xxii. Cleantek shall use reasonable commercial efforts to enter into Employment Agreements with each of Jesse Curlett and Matt Gowanlock and the other employees of Cleantek identified by Cleantek in the Cleantek Disclosure Letter;
- xxiii. in respect of the Cleantek Financing, Cleantek will take all such commercially reasonable efforts to expeditiously pursue the satisfaction of all conditions to the completion, and the closing of, the Cleantek Financing; and
- xxiv. Cleantek shall, from and after the time the Agency Agreement is executed and delivered by Cleantek: (i) use all commercially reasonable efforts to cause the conditions to closing under the terms of the Agency Agreement to be satisfied prior to October 31, 2021; and (ii) use all commercially reasonable efforts to enforce the terms of the Agency Agreement against the Agents.

Cleantek Covenants Regarding Non-Solicitation

- i. Cleantek shall immediately cease and cause to be terminated all existing discussions and negotiations (including through any of its representatives on its behalf), if any, with any parties (other than pursuant to the Arrangement Agreement) conducted before the date of the Arrangement Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to, a Cleantek Acquisition Proposal. Cleantek shall not amend, modify, waive, release or otherwise forebear in the enforcement of, and shall use all commercially reasonable efforts to enforce, any confidentiality, non-solicitation or standstill or similar agreements or provisions to which it and any third parties are parties. Cleantek shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall immediately request, and exercise all rights it

has to require, the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality or similar agreement with Cleantek relating to a Cleantek Acquisition Proposal and shall use reasonable commercial efforts to ensure that such requests are honoured. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in Section 3.4 of the Arrangement Agreement by Cleantek or its representatives shall be deemed to be a breach of Section 3.4 of the Arrangement Agreement by Cleantek.

- ii. Cleantek shall not, directly or indirectly, do or authorize or permit any of its representatives to, directly or indirectly, do, any of the following:
 - a. solicit, assist, initiate, knowingly encourage or in any way knowingly facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) or take any action to solicit, encourage or knowingly facilitate any inquiry or communication or the making of any proposal or offer to Cleantek or the Cleantek Shareholders from any Person which constitutes or may constitute, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions) a Cleantek Acquisition Proposal;
 - b. enter into or participate in any negotiations or discussions regarding a Cleantek Acquisition Proposal, or furnish to any other Person any information with respect to its business, properties, operations, prospects or conditions (financial or otherwise) in connection with a Cleantek Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, knowingly facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - c. withdraw, amend, modify or qualify, or propose publicly to modify or qualify, in any manner adverse to Raise, the approval of the Arrangement by the Cleantek Board or the recommendations or determinations of the Cleantek Board referred to in Section 2.4(a) of the Arrangement Agreement except in the manner contemplated in Section 3.4(c) of the Arrangement Agreement;
 - d. waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits of Cleantek under confidentiality information agreements, including any “standstill provisions” thereunder; or
 - e. accept, recommend, approve or enter into an agreement to implement a Cleantek Acquisition Proposal;

provided however, that notwithstanding the foregoing provisions of Section 3.4(b) of the Arrangement Agreement, Cleantek and its representatives may prior to obtaining the approval of the Cleantek Arrangement Resolution by Cleantek Shareholders at the Cleantek Meeting:

- iii. enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, by Cleantek or any of its representatives) seeks to initiate such discussions or negotiations with Cleantek that do not or will not require any waiver, modification or release of, or consent under, any confidentiality, standstill or similar agreement or restriction to which Cleantek or any of its subsidiaries is a party, or otherwise result from a breach of Section 3.4 of the Arrangement Agreement and may furnish to such third party information concerning Cleantek and its business, properties and assets, in each case if, and only to the extent that:
 - a. the third party has first made a written bona fide Acquisition Proposal which is a Superior Proposal; and
 - b. Cleantek shall continue to at all times be otherwise in compliance with Section 3.4 of the Arrangement Agreement; and
 - c. accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party (provided that, for greater certainty, the third party making the Acquisition Proposal shall not have been restricted from making, or require consent from the Cleantek Board for such

Acquisition Proposal pursuant to existing confidentiality, non-disclosure or standstill agreement or similar restriction), but only if prior to such acceptance, recommendation, approval or implementation:

(A) the Cleantek Board shall have concluded in good faith that the failure by the Cleantek Board to take such action would be inconsistent with its fiduciary duties under Applicable Laws;

(B) Cleantek complies, and at all times has complied, with all of its obligations set forth in Section 3.4 of the Arrangement Agreement;

(C) Cleantek terminates the Arrangement Agreement in accordance with Section 8.2(c)(vii) of the Arrangement Agreement and concurrently therewith pays the Raise Termination Payment to Raise.

Neither Cleantek nor the Cleantek Board shall withdraw, qualify, amend or modify in a manner adverse to Raise, the approval or recommendation of the Arrangement by the Cleantek Board, except if such withdrawal, qualification, amendment or modification occurs simultaneously with the entry by Cleantek, in accordance with the requirements of Section 3.4 of the Arrangement Agreement, into a definitive agreement with respect to an Acquisition Proposal constituting a Superior Proposal.

- iv. Cleantek acknowledges that the Raise Termination Payment is a payment of liquidated damages which are a genuine pre-estimate of the damages which Raise will suffer or incur as a result of the event giving rise to such damages and the resultant termination of the Arrangement Agreement and is not a penalty. Cleantek irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Raise agrees that the payment of the Raise Termination Payment is the sole monetary remedy of Raise in the event of the termination of the Arrangement Agreement pursuant to Section 8.2(c)(vii) of the Arrangement Agreement (including the events contemplated by Section 3.4(c) of the Arrangement Agreement). Nothing in the Arrangement Agreement shall preclude Raise from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Cleantek set forth in the Arrangement Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith.
- v. Notwithstanding any other provision of the Arrangement Agreement, Cleantek and its representatives may comply with Section 2.17 of National Instrument 62-104 and similar provisions under other applicable Canadian securities laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its shareholders, provided that Cleantek shall provide Raise with a reasonable opportunity to review the form and content of any such circular, and Cleantek shall be responsible at all times for any breach of Section 3.4 of the Arrangement Agreement by Cleantek or its representatives in connection with such compliance by Cleantek and its representatives.
- (vi) Cleantek shall ensure that the officers, directors and employees of Cleantek and any investment bankers and other advisers and representatives retained by Cleantek are aware of the provisions of Section 3.4 of the Arrangement Agreement, and Cleantek shall be responsible for any breach of Section 3.4 of the Arrangement Agreement by such officers, directors, employees, investment bankers, advisers and representatives.

Mutual Covenants

From the date hereof until the Effective Date, each of Cleantek and Raise will use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- i. to obtain and maintain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts in connection with the Arrangement, in each case on terms that are reasonably satisfactory to each of Raise and Cleantek, each acting reasonably;

- ii. to agree the form of the Articles of Arrangement in respect of the Arrangement, the Articles of Amalgamation in respect of the Arrangement and the Articles of Amendment in respect of the Share Consolidation;
- iii. to obtain and maintain all necessary consents, approvals and authorizations as are required to be obtained by it under any Applicable Laws;
- iv. to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement; and
- v. oppose, lift or rescind any injunction or restraining order or other action seeking to stop or otherwise adversely affecting the ability of the parties to consummate the transactions contemplated by the Arrangement Agreement,

and each of Cleantek and Raise will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of its obligations under Section 3.4 of the Arrangement Agreement including continuing to provide reasonable access to information and to maintain ongoing communications as between officers of Raise and Cleantek, subject in all cases to the Confidentiality Agreement.

Conditions

Mutual Conditions Precedent

The respective obligations of the parties hereto to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions:

- i. the Cleantek Financing shall have been completed;
- ii. all Cleantek Debentures shall have been converted into Cleantek Shares and Cleantek Warrants prior to the Effective Time;
- iii. the Interim Order shall have been obtained in form and substance satisfactory to each of Raise and Cleantek, acting reasonably, on terms consistent with the Arrangement and such order shall not have been set aside or materially modified in a manner unacceptable to Raise or Cleantek, each acting reasonably, on appeal or otherwise;
- iv. the Cleantek Arrangement Resolution shall have been passed by the Cleantek Shareholders in accordance with the Interim Order on or before the Outside Date;
- v. the Raise Transaction Resolutions shall have been passed by the requisite majorities of the Raise Shareholders voting in Person or by proxy at the Raise Meeting on or before the Outside Date;
- vi. the Final Order shall have been granted in form and substance satisfactory to Raise and Cleantek, acting reasonably, on terms consistent with the Arrangement and such order shall not have been set aside or materially modified in a manner unacceptable to Raise or Cleantek, each acting reasonably, on appeal or otherwise;
- vii. the Shares for Debt Settlement Transaction shall be completed on the terms set forth in the Shares for Debt Settlement Agreements;
- viii. the parties shall be satisfied, acting reasonably, that the Raise Shares issuable to Cleantek Shareholders pursuant to the Arrangement shall be issuable in accordance with Applicable Laws, including, without limitation, pursuant to an available exemption from registration under the U.S. Securities Act;
- ix. all required regulatory, governmental and third party approvals, waivers and consents (including, for clarity, all required consents from lenders to Cleantek) in respect of the completion of the Arrangement and the other transactions contemplated hereby, shall have been obtained on terms and conditions satisfactory to Raise and Cleantek, each acting reasonably, and all applicable statutory and regulatory waiting periods shall have

expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory regulatory period;

- x. the TSXV shall have conditionally approved the Arrangement and all other related matters in connection with the Arrangement (including, without limitation, the Arrangement, the Share Consolidation and the Shares for Debt Settlement Transaction) and the listing of the Raise Shares (to be consolidated to the Resulting Issuer Shares under the Arrangement) deliverable under the Arrangement, on terms which Cleantek and Raise are capable of satisfying after giving effect to the Arrangement, and which are on a basis acceptable to each of Cleantek and Raise, acting reasonably and, upon issuance thereof, such Raise Shares shall not be subject to any escrow restrictions other than as may be imposed by the TSXV or other securities regulatory authority in connection with the completion of the Arrangement;
- xi. no material action or proceeding shall be pending or threatened by any Person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - a. makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
 - b. results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement.

The foregoing conditions are for the mutual benefit of Cleantek on the one hand and Raise on the other hand and may be asserted by Cleantek and by Raise regardless of the circumstances and may be waived by Cleantek and Raise in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Cleantek or Raise may have. If any of such conditions shall not be complied with or waived as aforesaid on or before October 31, 2021 or, if earlier, the date required for the performance thereof, then, subject to Section 5.3 of the Arrangement Agreement, a party may rescind and terminate the Arrangement Agreement by written notice to the other of them in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Arrangement Agreement by such rescinding party hereto.

Conditions to Obligations of Raise

The obligation of Raise to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions;

- i. each of the acts, covenants and undertakings of Cleantek to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed by Cleantek in all material respects and Cleantek shall have delivered a certificate confirming same to Raise, executed by two (2) senior officers of Cleantek (in each case without personal liability) addressed to Raise and dated the Effective Date;
- ii. Cleantek shall have furnished Raise with a certified copy of the Cleantek Arrangement Resolution duly passed at the Cleantek Meeting by the Cleantek Shareholders in accordance with the Interim Order;
- iii. the representations and warranties made by Cleantek in the Arrangement Agreement shall be true and correct as at the Effective Date with the same effect as though such representations and warranties had been made at and as of such time (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), except where the failure of such representations and warranties to be true and correct, either individually or in the aggregate would not:
 - (i) have or result in, or would not reasonably be expected to have or result in, a material adverse effect or material adverse change with respect to Cleantek; or

(ii) prevent or materially delay, or be reasonably expected to prevent or materially delay, the consummation of the Arrangement and the other transactions contemplated by the Arrangement Agreement, or the performance by Cleantek of its material obligations under the Arrangement Agreement in any material respect

and Raise shall have received a certificate to that effect dated the Effective Date from a senior officer of Cleantek acting solely on behalf of Cleantek and not in his or her personal capacity, to the best of his or her information and belief having made reasonable inquiry and Raise shall have no knowledge to the contrary;

- iv. there shall not have occurred any material adverse change in respect of Cleantek since the date of the Arrangement Agreement;
- v. the Cleantek Board shall not have withdrawn, modified or changed any of its recommendations, approvals, resolutions or determinations referred to in Section 2.4 of the Arrangement Agreement in a manner materially adverse to Raise or the completion of the Arrangement;
- vi. Cleantek and the Cleantek Subsidiaries, as applicable, shall have entered into forbearance agreements with the Bank of Montreal and Roynat Inc. in respect of Cleantek's outstanding senior secured indebtedness to the satisfaction of Raise, acting reasonably and in good faith;
- vii. immediately prior to the Effective Time, Raise shall be satisfied there shall not be more than:
 - a. 18,096,312 Cleantek Shares outstanding, excluding (A) the Cleantek Shares to be issued upon the exchange of Subscription Receipts, (B) Cleantek Shares issuable pursuant to the exercise of Cleantek Options outstanding as of the date of the Arrangement Agreement, and (C), Cleantek Shares issuable pursuant to the exercise of Cleantek Warrants;
 - b. 1,500,000 Cleantek Shares issuable pursuant to the exercise of Cleantek Options; and
 - c. 449,883 Cleantek Shares issuable pursuant to the exercise of Cleantek Warrants outstanding as of the Effective Date, excluding the Cleantek Warrants to be issued upon the exchange of Subscription Receipts; and

and Raise shall be satisfied that upon completion of the Arrangement no Person shall have any agreement, option or any right or privilege (whether by law, pre-emptive, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any issued or unissued, Cleantek Shares, other than pursuant to such Cleantek Options.

Conditions to Obligations of Cleantek

The obligation of Cleantek to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- i. each of the covenants, acts and undertakings of Raise to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed by Raise in all material respects and Raise shall have delivered a certificate confirming same to Cleantek, executed by two (2) senior officers of Raise (in each case without personal liability) addressed to Cleantek and dated the Effective Date;
- ii. Raise shall have furnished Cleantek with a certified copy of the Raise Transaction Resolutions duly passed at the Raise Meeting by the Raise Shareholders;
- iii. holders of no more than 5% of the outstanding Cleantek Shares shall have exercised Dissent Rights;
- iv. the representations and warranties made by Raise in the Arrangement Agreement shall be true and correct as at the Effective Date with the same effect as though such representations and warranties had been made at and as of such time (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), except

where the failure of such representations and warranties to be true and correct, either individually or in the aggregate would not:

- a. have or result in, or would not reasonably be expected to have or result in, a material adverse effect or material adverse change with respect to Raise; or
- b. prevent or materially delay, or be reasonably expected to prevent or materially delay, the consummation of the Arrangement and the other transactions contemplated by the Arrangement Agreement, or the performance by Raise of its material obligations under the Arrangement Agreement in any material respect;

and Cleantek shall have received a certificate to that effect dated the Effective Date from a senior officer of Raise acting solely on behalf of Raise and not in his or her personal capacity, to the best of his or her information and belief having made reasonable inquiry and Cleantek shall have no knowledge to the contrary;

- v. there shall not have occurred any material adverse change in respect of Raise since the date of the Arrangement Agreement;
- vi. immediately prior to the Effective Time (and, for clarity, prior to giving effect to the Share Consolidation), Cleantek shall be satisfied there is not more than:
 - a. 173,707,863 Raise Shares outstanding, excluding the Raise Shares to be issued pursuant to the Shares for Debt Settlement Transaction;
 - b. 6,850,000 Raise Shares issuable pursuant to the exercise of Raise Options;

and Cleantek shall be satisfied that upon completion of the Arrangement no Person shall have any agreement, option or any right or privilege (whether by law, pre-emptive, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any issued or unissued, Raise Shares, other than pursuant to such Raise Options;

- vii. As of the Effective Time:
 - a. the Raise Board shall be comprised of: Rick McHardy, Al Stark, Reg Greenslade, Jesse Curlett, Paul Colucci, Phillip Knoll and Chris Lewis; and
 - b. the Raise senior officers shall be comprised of: Jesse Curlett (Chief Executive Officer) and Matt Gowanlock (President); and
- viii. each of the former Raise directors and the former Raise executives will have entered into mutual releases with Raise and Cleantek, conditional on closing of the Arrangement and effective on the Effective Date, each in form and substance satisfactory to Cleantek and Raise, each acting reasonably, which mutual releases shall contain exceptions for obligations owing to such individuals pursuant to indemnity or directors' and officers' insurance arrangements.

Termination

The Arrangement Agreement may, prior to the filing of the Articles of Arrangement, be terminated by mutual written agreement of Raise and Cleantek without further action on the part of the Raise Shareholders or Cleantek Shareholders.

Notwithstanding any other rights contained in the Arrangement Agreement, Raise may terminate the Arrangement Agreement upon written notice to Cleantek if:

- i. the Cleantek Arrangement Resolution shall have failed to receive the requisite vote of the Cleantek Shareholders for approval at the Cleantek Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;
- ii. the Raise Transaction Resolutions shall have failed to receive the requisite vote of the Raise Shareholders for approval at the Raise Meeting (including any adjournment or postponement thereof);

- iii. the Final Order has not been granted in form and substance satisfactory to Raise, acting reasonably, on or prior to October 31, 2021 or, if issued, has been set aside or modified in a manner unacceptable to Raise, acting reasonably, on appeal or otherwise;
- iv. the Effective Time has not occurred on or before October 31, 2021, except that the right to terminate the Arrangement Agreement under Section 8.2(b)(iv) of the Arrangement Agreement shall not be available in the event that the failure by Raise to fulfill any of its covenants or obligations in the Arrangement Agreement or other similar breach by Raise has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
- v. a Material Adverse Change in respect of Cleantek shall have occurred after the date of the Arrangement Agreement;
- vi. Cleantek shall be in breach of any of its covenants, agreements or representations and warranties contained herein that would have a Material Adverse Effect on Cleantek or on the ability of Cleantek and Raise to consummate the transactions contemplated hereby and Cleantek fails to cure such breach within five business days after receipt of written notice thereof from Raise (except that no cure period shall be provided for a breach which by its nature cannot be cured); or
- vii. upon a right of termination of the Arrangement Agreement by Raise arising pursuant to Section 5.1 or 5.2 of the Arrangement Agreement

Notwithstanding any other rights contained herein, Cleantek may terminate the Arrangement Agreement upon written notice to Raise if:

- i. the Cleantek Arrangement Resolution shall have failed to receive the requisite vote of the Cleantek Shareholders for approval at the Cleantek Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;
- ii. the Raise Transaction Resolutions shall have failed to receive the requisite vote of the Raise Shareholders for approval at the Raise Meeting (including any adjournment or postponement thereof);
- iii. the Final Order has not been granted in form and substance satisfactory to Cleantek, acting reasonably, on or prior to October 31, 2021 or, if issued, has been set aside or modified in a manner unacceptable to Cleantek, acting reasonably, on appeal or otherwise;
- iv. the Effective Time has not occurred on or before the Outside Date, except that the right to terminate the Arrangement Agreement under Section 8.2(c)(iv) of the Arrangement Agreement shall not be available in the event that the failure by Cleantek to fulfill any of its covenants or obligations in the Arrangement Agreement or other similar breach by Cleantek has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
- v. a Material Adverse Change in respect of Raise shall have occurred after the date of the Arrangement Agreement;
- vi. Raise shall be in breach of any of its covenants, agreements or representations and warranties contained herein that would have a Material Adverse Effect on Raise or on the ability of Raise and Cleantek to consummate the transactions contemplated hereby and Raise fails to cure such breach within five business days after receipt of written notice thereof from Cleantek (except that no cure period shall be provided for a breach which by its nature cannot be cured);
- vii. Cleantek proposes to accept, recommend, approve or enter into an agreement to implement a Superior Proposal provided that: (A) Cleantek has complied with its obligations set forth in Section 3.4 of the Arrangement Agreement; and (B) Cleantek concurrently pays the Raise Termination Payment to Raise;
- viii. the condition set forth in Section 5.3(b) of the Arrangement Agreement with respect to Dissent Rights is not capable of being satisfied by October 31, 2021; or

- ix. upon a right of termination of the Arrangement Agreement by Cleantek arising pursuant to Sections 5.1 and 5.3 of the Arrangement Agreement.

If the Arrangement Agreement is terminated pursuant to any provision of the Arrangement Agreement, Cleantek and Raise shall return all materials and copies of all materials delivered to Cleantek or Raise, as the case may be, or their agents. Except in respect of a termination pursuant to Section 8.2(c)(vii) of the Arrangement Agreement, the exercise by Cleantek or Raise of any right of termination thereunder shall be without prejudice to any other remedy available to such party (including the terminating party's right to pursue all legal remedies, which shall survive the termination of the Arrangement Agreement unimpaired).

Lock-Up Agreements

This section of the Circular describes the material provisions of the Cleantek Lock-Up Agreements and Raise Lock-Up Agreements but does not purport to be complete and may not contain all of the information about the Cleantek Lock-Up Agreements and Raise Lock-Up Agreements that is important to a particular Cleantek Shareholder or Raise Shareholder. This summary is qualified in its entirety by reference to the Cleantek Lock-Up Agreements and Raise Lock-Up Agreements.

Cleantek Lock-Up Agreements

Concurrently with the execution and delivery of the Arrangement Agreement, Cleantek delivered to Raise duly executed Cleantek Lock-Up Agreements from each of the Cleantek Locked-Up Shareholders.

Pursuant to the Cleantek Lock-Up Agreements, the Cleantek Locked-Up Shareholders have agreed that they will, until the earlier of: (a) the Effective Time; (b) the date that the Arrangement Agreement is terminated in accordance with the terms thereof; (c) the date on which the Cleantek Lock-Up Agreements are terminated by the mutual written agreement of the parties thereto; and (d) October 31, 2021, as the same may be amended in accordance with the terms of the Arrangement Agreement, in accordance with their terms:

- not to sell, assign, convey or otherwise transfer or dispose of any or all of the Cleantek Securities, provided that the foregoing restriction shall not prevent the Cleantek Locked-Up Shareholder from exercising its Cleantek Options, Cleantek Warrants or Cleantek Debentures prior to the Effective Time;
- to do all such things and take all such steps as may reasonably be required to be done or taken by the Cleantek Locked-Up Shareholder to vote, or cause to be voted, all of their Cleantek Securities entitled to vote on the Cleantek Arrangement Resolution in favour of the Cleantek Arrangement Resolution and any and all related matters to be put before Cleantek Shareholders in connection with the Arrangement as contemplated by the Arrangement Agreement at Cleantek Meeting, and to vote, or cause to be voted, all of the Cleantek Securities entitled to vote against any proposed action by any Person whatsoever which could prevent or materially delay the completion of the Arrangement, and in accordance with the foregoing, to name in the forms of proxy or voting instruction forms in respect of such matters the individuals designated by Cleantek in the Circular and to deliver the requisite number of duly executed and irrevocable (except upon termination of the Cleantek Lock-Up Agreements in accordance with their terms) forms of proxy or voting instruction forms not less than five (5) business days prior to the date of Cleantek Meeting;
- to the extent such Cleantek Locked-Up Shareholder beneficially owns, or exercises control or direction over, directly or indirectly, any Cleantek Debentures, to do all such things and take all such steps as may be reasonably requested by Cleantek to, in accordance with the terms and conditions of the Cleantek Debentures, including (without limitation) approving any modification, amendment, abrogation, alteration, compromise or arrangement of the rights of the holders of the Cleantek Debentures so as to cause all outstanding Cleantek Debentures to be converted immediately prior to the Effective Time into Cleantek Shares and, if applicable, Cleantek Warrants at the Conversion Price (as defined in the applicable Cleantek Debentures), it being acknowledged and agreed that any Cleantek Warrants issued to holders of Cleantek Debentures upon such conversion (and all other then outstanding Cleantek Warrants) shall remain outstanding following the Effective Time provided that, from and after the Effective Time, upon exercise of each such Cleantek Warrant and for the same aggregate consideration payable thereunder, the holder thereof shall be entitled to acquire and shall accept, in lieu of the Cleantek Shares to which such holder was entitled immediately before the

Effective Time upon exercise of such Cleantek Warrant, such number of Resulting Issuer Shares for which such Cleantek Shares would have been exchanged under the Arrangement had such Cleantek Shares been outstanding immediately before the Effective Time; and, as soon as reasonably practicable following the Effective Time, the Cleantek Locked-Up Shareholder shall receive a replacement warrant certificate, adjusted as aforesaid, representing the number of Resulting Issuer Shares then issuable upon exercise thereof;

- not to solicit, initiate, encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of Cleantek Information, or entering into any form of written or oral agreement, arrangement or understanding), enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing and to otherwise comply with Section 3.4 of the Arrangement Agreement having regard to the Cleantek Locked-Up Shareholder's position as an officer or director of Cleantek;
- not to exercise any Dissent Rights or similar rights of appraisal with respect to the Cleantek Securities granted in respect of the Cleantek Arrangement Resolution that might be available to the Cleantek Locked-Up Shareholder in connection with the Arrangement;
- not to exercise any shareholder rights or remedies available at common law or pursuant to the ABCA or Applicable Laws to delay, hinder, upset or challenge the Arrangement;
- except to the extent permitted hereunder, not to take any action that would cause any representation or warranty of the Cleantek Locked-Up Shareholder contained herein to become untrue or incorrect;
- to refrain from taking, or causing to be taken, any action that might reasonably be expected to reduce the likelihood of the Arrangement being successfully completed;
- the Cleantek Locked-Up Shareholder will promptly notify Cleantek and Raise upon any of its representations or warranties contained in its Cleantek Lock-Up Agreement becoming untrue or incorrect in any material respect; and
- if the Cleantek Locked-Up Shareholder is a director of Cleantek or any of its subsidiaries, upon request of Cleantek, to resign as a director of Cleantek and its subsidiaries, as applicable, effective immediately at the Effective Time, and to provide a release in favour of Cleantek and Raise and their respective affiliates and successors in a form satisfactory to the parties hereof, acting reasonably.

Nothing contained in the Cleantek Lock-Up Agreements will restrict, limit or prohibit the Cleantek Locked-Up Shareholders from exercising in their capacity as a director or officer their fiduciary duties to Cleantek under applicable law or require the Cleantek Locked-Up Shareholders in their capacity as a director or officer (if applicable) of Cleantek, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions that are undertaken in the exercise of, its fiduciary duties or in compliance with Section 3.4 of the Arrangement Agreement.

The obligations of the Cleantek Locked-Up Shareholders and Raise under the Cleantek Lock-Up Agreements will automatically terminate at the closing of the Arrangement. The obligations of such parties under the Cleantek Lock-Up Agreements may also be terminated at any time by mutual consent in writing of Raise and the Cleantek Locked-Up Shareholders, or, unless extended by mutual agreement of the parties, the Cleantek Lock-Up Agreements will automatically terminate upon the Arrangement Agreement being terminated in accordance with its terms.

As of July 12, 2021, being the date the Arrangement Agreement was entered into, the Cleantek Locked-Up Shareholders, together with their associates and affiliates, owned or exercised control or direction over an aggregate 12,043,632 Cleantek Shares, 112,500 Cleantek Options, 283,333 Cleantek Warrants representing approximately 70% of the Cleantek Shares (on a fully diluted basis) as of July 9, 2021 (being the last trading day prior to the announcement of the entering into of the Arrangement Agreement).

Raise Lock-Up Agreements

Concurrently with the execution and delivery of the Arrangement Agreement, Raise delivered to Cleantek duly executed Raise Lock-Up Agreements from each of the Raise Locked-Up Shareholders.

Pursuant to the Raise Lock-Up Agreements, the Raise Locked-Up Shareholders have agreed that they will, until the earlier of: (a) the Effective Time; (b) the date that the Arrangement Agreement is terminated in accordance with the terms thereof; (c) the date on which the Raise Lock-Up Agreements are terminated by the mutual written agreement of the parties thereto; and (d) October 31, 2021, as the same may be amended in accordance with the terms of the Arrangement Agreement, in accordance with their terms:

- not to sell, assign, convey or otherwise transfer or dispose of any or all of the Raise Securities, provided that the foregoing restriction shall not prevent the Raise Locked-Up Shareholder from exercising its Raise Options prior to the Effective Time;
- to do all such things and take all such steps as may reasonably be required to be done or taken by the Raise Locked-Up Shareholder to vote, or cause to be voted, all of the Raise Securities entitled to vote on Raise Transaction Resolutions in favour of Raise Transaction Resolutions and any and all related matters to be put before Raise Shareholders in connection with the Arrangement as contemplated by the Arrangement Agreement at Raise Meeting, and to vote, or cause to be voted, all of the Raise Securities entitled to vote against any proposed action by any Person whatsoever which could prevent or materially delay the completion of the Arrangement, and in accordance with the foregoing, to name in the forms of proxy or voting instruction forms in respect of such matters the individuals designated by Raise in this Circular and to deliver the requisite number of duly executed and irrevocable (except upon termination of the Arrangement Agreement in accordance with its terms) forms of proxy or voting instruction forms not less than five (5) business days prior to the date of Raise Meeting;
- not to solicit, initiate, encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of Raise Information, or entering into any form of written or oral agreement, arrangement or understanding), enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing and to otherwise comply with Section 3.2 of the Arrangement Agreement having regard to the Raise Locked-Up Shareholder's position as an officer or director of Raise;
- not to exercise any shareholder rights or remedies available at common law or pursuant to the ABCA or Applicable Laws to delay, hinder, upset or challenge the Arrangement;
- except to the extent permitted hereunder, not to take any action that would cause any representation or warranty of the Raise Locked-Up Shareholder contained herein to become untrue or incorrect;
- to refrain from taking, or causing to be taken, any action that might reasonably be expected to reduce the likelihood of the Arrangement being successfully completed;
- the Raise Locked-Up Shareholder will promptly notify Cleantek upon any of its representations or warranties contained in its Raise Lock-Up Agreement becoming untrue or incorrect in any material respect; and
- if the Raise Locked-Up Shareholder is a director of Raise, upon the request of Cleantek, to resign as a director of Raise effective immediately at the Effective Time, and to provide a release in favour of Cleantek and Raise and their respective affiliates and successors in a form satisfactory to the parties hereof, acting reasonably.

Nothing contained in the Raise Lock-up Agreements will restrict, limit or prohibit the Raise Locked-Up Shareholders from exercising in their capacity as a director or officer their fiduciary duties to Raise under Applicable Law or require the Raise Locked-Up Shareholder in his or her capacity as a director or officer (if applicable) of Raise, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions that are undertaken in the exercise of, its fiduciary duties.

The obligations of the Raise Locked-Up Shareholders and Cleantek under the Raise Lock-Up Agreements will automatically terminate at the closing of the Arrangement. The obligations under the Raise Lock-Up Agreements may also be terminated at any time by mutual consent in writing of Cleantek and the Raise Locked-Up Shareholders, or, unless extended by mutual agreement of the parties, the Raise Lock-Up Agreements will automatically terminate upon the Arrangement Agreement being terminated in accordance with its terms.

As of July 12, 2021, being the date the Arrangement Agreement was entered into, the Raise Locked-Up Shareholders, together with their associates and affiliates, owned or exercised control or direction over an aggregate of 76,143,394 Raise Shares and 6,850,000 Raise Options representing approximately 44% of the Raise Shares (on a fully diluted basis) as of July 9, 2021 (being the last trading day prior to the announcement of the entering into of the Arrangement Agreement).

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR CLEANTEK SHAREHOLDERS

The following summary describes the principal Canadian federal income tax considerations under the Tax Act of the Arrangement that apply to a beneficial owner of Cleantek Shares who, at all relevant times, for purposes of the Tax Act: (i) deals at arm's length with Cleantek and Raise; (ii) is not affiliated with Cleantek or Raise; and (iii) holds Cleantek Shares, and will hold the Raise Shares received upon the Arrangement, as capital property (a "**Holder**"). This summary addresses only Holders.

Cleantek Shares will generally be considered to be capital property to a Holder unless such Cleantek Shares are held by the Holder in the course of carrying on a business of buying and selling securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a beneficial owner: (i) that is a "specified financial institution" for the purposes of the Tax Act; (ii) that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (iii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; (iv) who makes or has made a functional currency reporting election for the purposes of the Tax Act; (v) that is a foreign affiliate, as defined in the Tax Act, of a taxpayer resident in Canada; or (vi) that has entered into or will enter into a "derivative forward agreement", as defined in the Tax Act, in respect of the Cleantek Shares or Raise Shares. In addition, this summary does not address the tax considerations for holders of Cleantek Options. Such beneficial owners and holders of Cleantek Options should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, and an understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial action or administrative policy or assessing practice nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Cleantek Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. Consequently, Holders are urged to consult their own tax advisors to determine the particular tax effects to them of the Arrangement and any other consequences to them in connection with the Arrangement under Canadian federal, provincial, territorial or local tax laws and under foreign tax laws, having regard to their own particular circumstances.

Holders Resident in Canada

This portion of the summary only applies to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is, or is deemed to be, resident in Canada; and (ii) is not exempt from tax under Part I of the Tax Act (a "**Resident Holder**"). Certain Resident Holders whose Cleantek Shares or Raise Shares might not otherwise qualify as capital property may be entitled to have such shares, and all other "Canadian securities" (as defined in the Tax Act) owned by them in the taxation year and any subsequent taxation year, deemed to be capital property by making an irrevocable election in

accordance with subsection 39(4) of the Tax Act. Resident Holders considering making such an election should consult their own tax advisors for advice as to whether the election is available or advisable in their own particular circumstances.

Exchange of Cleantek Shares

Pursuant to the Arrangement a Resident Holder, other than a Dissenting Resident Holder, as defined below, will exchange the Resident Holder's Cleantek Shares for Raise Shares. Such Resident Holder will be deemed to have disposed of such Cleantek Shares under a tax-deferred share-for-share exchange under Section 85.1 of the Tax Act, unless such holder chooses to recognize a capital gain (or capital loss) as described in the immediately following paragraph. More specifically, the Resident Holder will be deemed to have disposed of the Cleantek Shares for proceeds of disposition equal to the adjusted cost base of the Cleantek Shares to such Resident Holder, determined immediately before the Effective Time, and the Resident Holder will be deemed to have acquired the Raise Shares at an aggregate cost equal to such adjusted cost base of the Cleantek Shares. This cost will be averaged with the adjusted cost base of all other Raise Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each Raise Share held by the Resident Holder.

A Resident Holder who exchanges Cleantek Shares for Raise Shares pursuant to the Arrangement may choose to recognize all of the capital gain (or capital loss) in respect of the exchange by including such capital gain (or capital loss) in computing its income for the taxation year in which the exchange takes place. In such circumstances, the Resident Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the fair market value of the Raise Shares received exceeds (or is less than) the aggregate of the adjusted cost base of the Cleantek Shares to the Resident Holder, determined immediately before the Effective Time, and any reasonable costs of disposition. The amount of any capital loss realized by a Resident Holder that is a corporation, trust or partnership may be denied in certain cases where such Resident Holder acquired the Cleantek Shares in a transaction subject to the stop-loss rules described in the Tax Act. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below. The cost of the Raise Shares acquired on the exchange will be equal to the fair market value thereof in these circumstances. This cost will be averaged with the adjusted cost base of all other Raise Shares held by the holder as capital property for the purpose of determining the adjusted cost base of such Raise Shares.

Dissenting Resident Holders

A Resident Holder who exercises Dissent Rights in respect of the Arrangement (a "**Dissenting Resident Holder**") and who disposes of Cleantek Shares in consideration for a cash payment from Cleantek will be deemed to have received a dividend from Cleantek equal to the amount by which the cash payment (other than any portion of the payment that is interest awarded by a court) exceeds the paid-up capital (computed for the purpose of the Tax Act) in respect of the Dissenting Resident Holder's Cleantek Shares. The balance of the payment (equal to the paid-up capital of the Dissenting Resident Holder's Cleantek Shares) will be treated as proceeds of disposition. The Dissenting Resident Holder will also realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Dissenting Resident Holder's Cleantek Shares. In certain circumstances, the full payment received by a Dissenting Resident Holder that is a corporation resident in Canada may be treated under the Tax Act as proceeds of disposition.

Any deemed dividend received by a Dissenting Resident Holder and any capital gain or capital loss realized by the Dissenting Resident Holder, will be treated in the same manner as described under the headings "*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Dividends on Raise Shares*" and "*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

A Dissenting Resident Holder will be required to include in computing its income any interest awarded by a court in connection with the Arrangement. In addition, a Dissenting Resident Holder that, throughout its relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), including interest income. Dissenting Resident Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Dividends on Raise Shares

A Resident Holder who is an individual will be required to include in income any dividends received or deemed to be received on the Resident Holder's Raise Shares and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules that apply to any dividends designated by Raise as "eligible dividends", as defined in the Tax Act. There may be limitations on the ability of Raise to designate dividends as eligible dividends.

A Resident Holder that is a corporation will be required to include in income any dividend received or deemed to be received on the Resident Holder's Raise Shares, but generally will be entitled to deduct an equivalent amount in computing taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of a disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend that it receives or is deemed to receive on Raise Shares to the extent that the dividend is deductible in computing the corporation's taxable income.

Taxable dividends received by an individual (and certain trusts) may give rise to alternative minimum tax under the Tax Act.

Disposing of Raise Shares

Generally on a disposition or deemed disposition of a Raise Share (other than in a tax-deferred transaction), a Resident Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of the Raise Share immediately before the disposition or deemed disposition and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Resident Holder that throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), including amounts in respect of net taxable capital gains.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a share may be reduced by the amount of certain dividends previously received (or deemed to be received) by the Resident Holder on such share (or another share where the share has been acquired in exchange for such other share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a trust or partnership of which a corporation, trust or partnership is a member or beneficiary that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Capital gains realized by an individual (and certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Eligibility for Investment

The Raise Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a deferred profit sharing plan, a registered education savings plan (“RESP”), a registered disability savings plan (“RDSP”) or a tax-free savings account (“TFSA”) (each as defined in the Tax Act), at any particular time, provided that, at that time, the Raise Shares are listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSX and NYSE).

Notwithstanding that Raise Shares may be qualified investments for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA, the annuitant under such RRSP or RRIF, the subscriber of such RESP, or the holder of such RDSP or TFSA, will be subject to a penalty tax on such shares if such shares are a “prohibited investment” (as defined in subsection 207.01(1) of the Tax Act). The Raise Shares will generally not be a “prohibited investment” for a trust governed by a TFSA, RRSP, RESP, RDSP or RRIF provided that (i) the holder of the TFSA or RDSP, the subscriber of such RESP or the annuitant under the RRSP or the RRIF, as the case may be, deals at arm’s length with Raise for purposes of the Tax Act and does not have a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in Raise or (ii) Raise Shares are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for the TFSA, RDSP, RESP, RRSP or RRIF.

Holders of a TFSA or RDSP, annuitants under an RRSP or RRIF, and subscribers of an RESP who intend to hold Raise Shares in such plans, should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

Holders Not Resident in Canada

This portion of the summary only applies to a Holder who, at all relevant times, for the purposes of the application of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the Cleantek Shares or Raise Shares in a business carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to certain holders that are insurers carrying on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act).

Exchange of Cleantek Shares

Cleantek Shares held by Non-Resident Holders, other than Dissenting Non-Resident Holders, as defined below, will be exchanged for Raise Shares as part of the Arrangement. Such exchange will occur on a tax-deferred basis, unless the Non-Resident Holder chooses to recognize a capital gain or capital loss as described in the following paragraph.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a Cleantek Share, unless (i) the Cleantek Share is “taxable Canadian property” of the Non-Resident Holder for purposes of the Tax Act; and (ii) the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. Generally, a Cleantek Share will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition provided that such share is listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSX and NYSE) at that time, unless at any time during the 60-month period immediately preceding that time: (a) one or any combination of the Non-Resident Holder, Persons with whom the Non-Resident Holder does not deal at arm’s length, a partnership in which the Non-Resident Holder or a non-arm’s length Person holds a membership interest directly or indirectly through one or more partnerships owned 25% or more of the issued shares of any class or series of the capital stock of Cleantek, and (b) more than 50% of the fair market value of such share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists). In the event the Cleantek Shares are “taxable Canadian property” of the Non-Resident Holder and the Non-Resident Holder chooses to recognize a capital gain (or capital loss), the consequences to such Non-Resident Holder will be the same as described above in the second paragraph under the heading “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Exchange of Cleantek Shares*”.

Non-Resident Holders who dispose of Cleantek Shares that are or are deemed to be “taxable Canadian property” (as defined in the Tax Act) should consult their own tax advisors concerning the Canadian income tax consequences of

the disposition and the potential requirement to file a Canadian income tax return depending on their particular circumstances.

Dissenting Non-Resident Holders

A Non-Resident Holder who exercises Dissent Rights in respect of the Arrangement (a “**Dissenting Non-Resident Holder**”) and disposes of Cleantek Shares to Cleantek in consideration for cash payment from Cleantek will realize a dividend and capital gain or loss in the same manner as discussed above under “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Dissenting Resident Holders*”.

Any deemed dividend received by a Dissenting Non-Resident Holder will be subject to Canadian withholding tax as described below under the heading “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Not Resident in Canada – Dividends on Raise Shares*”.

A Dissenting Non-Resident Holder will generally not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of Cleantek Shares pursuant to the exercise of their Dissent Rights unless such Cleantek Shares are considered to be “taxable Canadian property”, as discussed above, of such Dissenting Non-Resident Holder that is not exempt from tax under the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Dissenting Non-Resident Holder is resident. Dissenting Non-Resident Holders whose Cleantek Shares may constitute “taxable Canadian property” should consult their own tax advisors.

Where a Dissenting Non-Resident Holder receives interest in connection with the exercise of Dissent Rights in respect of the Arrangement, the interest will generally not be subject to Canadian withholding tax under the Tax Act unless such interest is considered to be “participating debt interest” (as defined in the Tax Act).

Dividends on Raise Shares

Dividends paid or credited, or deemed to be paid or credited, on a Non-Resident Holder’s Raise Shares will be subject to withholding tax under the Tax Act at a rate of 25% unless the rate is reduced under the provisions of an applicable income tax convention. In the case of a beneficial owner of dividends who is a resident of the United States for purposes of the Canada-U.S. Tax Convention (1980) (the “**Canada-U.S. Treaty**”) and who is entitled to full benefits of that treaty, the rate of withholding will generally be reduced to 15% (or 5% in the case of a company beneficially owning at least 10% of Raise’s voting shares). Non-Resident Holders should consult their own tax advisors in this regard.

Disposing of Raise Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a Raise Share, unless (i) the Raise Share is “taxable Canadian property” of the Non-Resident Holder for purposes of the Tax Act; and (ii) the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. Generally, a Raise Share will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition provided that such share is listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSX and NYSE) at that time, unless at any time during the 60-month period immediately preceding that time: (a) one or any combination of the Non-Resident Holder, Persons with whom the Non-Resident Holder does not deal at arm’s length, a partnership in which the Non-Resident Holder or a non-arm’s length Person holds a membership interest directly or indirectly through one or more partnerships owned 25% or more of the issued shares of any class or series of the capital stock of Raise and (b) more than 50% of the fair market value of such share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists). In addition, where a Non-Resident Holder acquires Raise Shares in exchange for Cleantek Shares that are “taxable Canadian property”, the Raise Shares will be deemed to be “taxable Canadian property” for the 60-month period that commences on the Effective Date.

Non-Resident Holders who dispose of Raise Shares that are “taxable Canadian property” should consult their own tax advisors with respect to the Canadian income tax consequences of the disposition and the potential requirement to file a Canadian income tax return in respect of the disposition depending on their particular circumstances.

RISK FACTORS

Raise Shareholders and Cleantek Shareholders should carefully consider the following risk factors related to the Arrangement.

The Arrangement is subject to satisfaction or waiver of several conditions.

The Arrangement is conditional upon, among other things, approval of the Cleantek Arrangement Resolution by Cleantek Shareholders, approval of the Raise Transaction Resolutions by Raise Shareholders, TSXV approval, and Cleantek and Raise having obtained all government or regulatory approvals required by law, policy or practice. There can be no assurance that any or all such approvals will be obtained. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in any government or regulatory approvals could have an adverse effect on the business, financial condition or results of operations of Cleantek and Raise.

Raise has applied to the TSXV to list the Raise Shares issuable under the Arrangement. It is a condition of closing the Arrangement that the TSXV shall have conditionally approved the listing of the Raise Consideration Shares, subject to official notice of issuance and the satisfaction of customary conditions required by such exchanges.

The Arrangement may divert the attention of Cleantek and Raise’s Management.

The pendency of the Arrangement could cause the attention of Cleantek and Raise’s management to be diverted from their day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the companies, which could have a material and adverse effect on the business, financial condition, results of operations or prospects of the companies.

Cleantek Dissent Rights.

Cleantek Shareholders have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their Cleantek Shares in cash in connection with the Arrangement in accordance with the ABCA. If there are a significant number of Dissenting Cleantek Shareholders, a substantial cash payment may be required to be made to such Dissenting Cleantek Shareholders, which payment could have an adverse effect on the Resulting Issuer’s financial condition and cash resources. It is a condition to completion of the Arrangement that holders of not more than 5% of the outstanding Cleantek Shares shall have validly exercised Dissent Rights, in each case, that have not been withdrawn as of the Effective Date.

The market value of the Resulting Issuer Shares that Cleantek Shareholders retain following the Arrangement may be less than the value of the Raise Shares as of the date of the Arrangement Agreement or the dates of the shareholder meetings.

The consideration payable to Cleantek Shareholders pursuant to the Arrangement is based on a fixed exchange ratio and there will be no adjustment for changes in the market price of Raise Shares prior to the consummation of the Arrangement. Neither of the Parties is permitted to terminate the Arrangement Agreement and abandon the Arrangement solely because of changes in the market price of the Raise Shares. There may be a significant amount of time between the date when Raise Shareholders and Cleantek Shareholders vote at their respective shareholder meetings and the date on which the Arrangement is completed. As a result, the relative or absolute price of the Raise Shares may fluctuate significantly between the dates of the Arrangement Agreement, this Circular, the shareholder meetings and completion of the Arrangement.

These fluctuations may be caused by, among other factors, changes in the businesses, operations, results and prospects of Raise, market expectations of the likelihood that the Arrangement will be completed and the timing of its completion, the prospects for the Resulting Issuer’s post-Arrangement operations, the effect of any conditions or restrictions imposed on or proposed with respect to the Resulting Issuer’s post-Arrangement by governmental authorities and general market and economic conditions. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Raise Consideration Shares that Cleantek Shareholders

will receive on completion of the Arrangement. There can be no assurance that the market value of the Raise Consideration Shares that Cleantek Shareholders will receive on completion of the Arrangement will equal or exceed the market value of the Raise Shares upon announcement of the Arrangement. In addition, there can be no assurance that the trading price of the Resulting Issuer Shares will not decline following completion of the Arrangement.

Dilutive Effect.

The issuance of Raise Shares pursuant to the Arrangement, if completed, will have an immediately dilutive effect on the current ownership interest in Raise.

The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and may not be an indication of the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement.

The pro forma consolidated financial statements contained in this Circular are presented for illustrative purposes only and may not be an indication of the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement for several reasons. For example, the pro forma consolidated financial statements have been derived from the historical financial statements of Raise and Cleantek and do not represent a financial forecast or projection and certain assumptions have been made. Such assumptions may not prove to be accurate. Moreover, the pro forma consolidated financial statements do not reflect all costs that are expected to be incurred by the Resulting Issuer's post-Arrangement in connection with the Arrangement. For example, the impact of any incremental costs incurred in integrating Raise and Cleantek is not reflected in the pro forma consolidated financial statements. In addition, the assumptions used in preparing the pro forma consolidated financial information may not prove to be accurate, and other factors may affect the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement.

See the Resulting Issuer Unaudited *Pro Forma* Consolidated Financial attached as 0 to this Circular.

Cleantek may become liable to pay the Raise Termination Payment.

If the Arrangement Agreement is terminated under certain circumstances, Cleantek may be required to pay the Raise Termination Payment to Raise. Moreover, if Cleantek is required to pay the Raise Termination Payment under the Arrangement Agreement and Cleantek does not enter into or complete an alternative transaction, the financial condition of Cleantek may be materially adversely affected.

The Raise Termination Payment may discourage other parties from proposing a significant business transaction with Cleantek.

Under the Arrangement Agreement, Cleantek is required to pay the Raise Termination Payment in the event that the Arrangement is terminated in certain circumstances related to a possible alternative transaction to the Arrangement. The Raise Termination Payment may discourage other parties from attempting to propose a significant business transaction with Cleantek, even if a different transaction could provide better value to Cleantek Shareholders than the Arrangement.

Following completion of the Arrangement, the Resulting Issuer may issue additional equity securities.

Following completion of the Arrangement, the Resulting Issuer may issue additional equity securities to finance its activities, including in order to finance acquisitions. If the Resulting Issuer were to issue Resulting Issuer Shares, a holder of such shares may experience dilution in the Resulting Issuer's earnings per share. Moreover, as the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

The ongoing impacts of the COVID-19 pandemic may adversely affect the Resulting Issuer's business, operations and financial results.

Given the rapid global spread of the COVID-19 pandemic, the Resulting Issuer's financial and operating performance could be materially adversely affected by any disruptions or suspensions of the Resulting Issuer's operations. Among other things, such disruptions or suspensions may result from operational changes by the Resulting Issuer's customers

in response to the COVID-19 pandemic, directives and protocols introduced by governments and public health officials in the jurisdictions where the Resulting Issuer operates, slowdowns or stoppages in the performance of work due to labour shortages caused by mandatory quarantine orders or employees becoming infected with COVID-19, supply chain disruptions and the inability of counterparties to fulfill their contractual obligations on a timely basis or at all.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity, transmission rate and resurgence of the COVID-19 virus or strain variations thereof, the timing, extent and effectiveness of containment actions, including the availability and effectiveness of vaccines, approvals thereof and the speed of vaccine distribution, the speed and extent to which normal economic and operating conditions resume worldwide, and the impact of these and other factors on the Resulting Issuer's stakeholders, including the Resulting Issuer's customers, vendors and employees. The situation is changing rapidly, and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the continued spread of the COVID-19 pandemic may have, and, as a result, the ultimate impact of the COVID-19 pandemic on the Resulting Issuer's business, financial condition, results of operations and cash flows is highly uncertain and subject to change.

The Resulting Issuer's access to capital may become restricted or repayment could be required.

The Resulting Issuer's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available or may not be available on favourable terms. If the Resulting Issuer's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to the Resulting Issuer or at all. The Resulting Issuer's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of the Resulting Issuer.

Even if the Resulting Issuer is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Resulting Issuer.

Business Development Risks.

In implementing its strategy, the Resulting Issuer may pursue new business or growth opportunities. There is no assurance that the Resulting Issuer will be successful in executing those opportunities. The Resulting Issuer may have difficulty executing its strategy because of, among other things, increased competition, difficulty entering new markets or geographies, difficulties in introducing new products, the ability to attract qualified personnel, barriers to entry into geographic markets, and changes in regulatory requirements.

Any difficulty in retaining, replacing or adding personnel could adversely affect the Resulting Issuer's business.

The Resulting Issuer may not be able to find enough skilled and/or unskilled labour to meet its needs, and this could limit growth. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors, including the COVID-19 pandemic, can also affect the Resulting Issuer's ability to find enough employees to meet its needs. The nature of the Resulting Issuer's work requires skilled employees who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt employees to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Resulting Issuer's. The Resulting Issuer's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If the Resulting Issuer is unable to do so, it could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The Resulting Issuer's industry is intensely competitive.

Each of the markets in which the Resulting Issuer participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Resulting Issuer

operates are price, product and service quality and availability, technical knowledge, environmentally friendly equipment, experience and reputation for safety. The Resulting Issuer competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services and technologies in all geographic regions in which the Resulting Issuer operates. In addition, the Resulting Issuer competes with several regional competitors. As a result of competition, the Resulting Issuer may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

The loss of key customers could cause the Resulting Issuer's revenue to decline substantially.

Cleantek has a number of key customers that, in aggregate, generate a significant portion of Cleantek's revenue. There can be no assurance that the Resulting Issuer's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The Resulting Issuer's operations are subject to hazards inherent in the oil and natural gas industry.

The Resulting Issuer's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, operator error and natural disasters which can result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Resulting Issuer to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. The Resulting Issuer continuously monitors its activities for quality control and safety, and although the Resulting Issuer maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Resulting Issuer considers reasonable and commercially justifiable. The occurrence of a significant event that the Resulting Issuer is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The Resulting Issuer is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.

The Resulting Issuer is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the protection of employees and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. The Resulting Issuer incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Resulting Issuer's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The Resulting Issuer uses and generates hazardous substances and wastes in its operations. Since the Resulting Issuer provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Resulting Issuer could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Resulting Issuer to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Failure to maintain the Resulting Issuer's safety standards and record could lead to a decline in the demand for services.

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, the Resulting Issuer has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Resulting Issuer's safety performance could result in a decline in the demand for the Resulting Issuer's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Resulting Issuer may be subject to certain reputational risks as a result of increased online scrutiny.

As a result of the widespread usage, speed and global reach of social media and other internet resources used to generate, publish and discuss user-generated content, companies today are at risk of losing control over how they are perceived in the marketplace. Damage to the Resulting Issuer's reputation may result from the actual or perceived occurrence of any number of events related to the Resulting Issuer's operational or ESG performance and could include negative publicity with respect to the Resulting Issuer's handling of environmental matters and social issues. While the Resulting Issuer is committed to protecting its image and reputation, it does not have direct control over how others perceive it. Reputation loss may lead to decreased shareholder confidence and impediments to the Resulting Issuer's ability to conduct its operations, with the potential to adversely affect the Resulting Issuer's business, financial condition, results of operations and cash flows.

Failure to continuously improve operating equipment could negatively affect the Resulting Issuer's results of operations.

The ability of the Resulting Issuer to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment. There can be no assurance that the Resulting Issuer will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Resulting Issuer to do so could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

There can be no assurance that the steps the Resulting Issuer takes to protect its intellectual property rights will prevent misappropriation or infringement.

The success and ability of the Resulting Issuer to compete depends on the proprietary technology of the Resulting Issuer, proprietary technology of third parties that has been, or is required to be, licensed by the Resulting Issuer and the ability of the Resulting Issuer and such third parties to prevent others from copying such proprietary technology. The Resulting Issuer currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. The Resulting Issuer also relies on third parties from whom licences have been received to protect their proprietary technology. The Resulting Issuer may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Resulting Issuer is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Resulting Issuer or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Resulting Issuer. Furthermore, others may develop technology that is similar or superior to the technology of the Resulting Issuer or such third parties or design technology in such a way as to bypass the patents owned by the Resulting Issuer and/or such third parties.

Despite the efforts of the Resulting Issuer or such third parties, the intellectual property rights, particularly existing or future patents, of the Resulting Issuer or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Resulting Issuer or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Resulting Issuer's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect the Resulting Issuer's business.

The Resulting Issuer's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage the Resulting Issuer's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against the Resulting Issuer in connection with such incidents, which could cause the Resulting Issuer to incur significant expense. Any of these events could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The Resulting Issuer's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment.

The Resulting Issuer's ability to expand its operations may, in part, depend upon timely delivery of new equipment and component parts. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment and component parts may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

The direct and indirect costs of various greenhouse gas regulations, existing and proposed, may adversely affect the Resulting Issuer's business, operations and financial results.

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan-Canadian Framework on Clean Growth and Climate Change and in effect at the federal level under the *Greenhouse Gas Pollution Pricing Act*, and in Alberta pursuant to the *Emissions Management and Climate Resilience Act*. Potential further federal or provincial requirements may impose additional costs on the Resulting Issuer's operations and require the reduction of emissions or emissions intensity from the Resulting Issuer's operations and facilities. Taxes on greenhouse gas emissions and mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Resulting Issuer's services. The federal carbon levy, mandatory emissions reduction programs and the industry emissions cap in Alberta may also impair the Resulting Issuer's ability to provide its services economically and reduce the demand for the Resulting Issuer's services. The Resulting Issuer is unable to predict the impact of current and pending climate change and emissions reduction legislation on the Resulting Issuer and it is possible that such legislation would have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

Merger and acquisition activity among the Resulting Issuer's clients may constrain demand for the Resulting Issuer's services.

Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for the Resulting Issuer's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Resulting Issuer.

The loss of one or more of the Resulting Issuer's key employees could have a material adverse effect on the Resulting Issuer's business.

The Resulting Issuer's success depends in large measure on certain key personnel. Many critical responsibilities within the Resulting Issuer's business have been assigned to a small number of employees. The loss of their services could disrupt the Resulting Issuer's operations. In addition, the Resulting Issuer does not maintain "key person" life insurance policies on any of its employees, so the Resulting Issuer is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be

no assurance that the Resulting Issuer will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Risks relating to labour unions.

Union attempts to organize the Resulting Issuer's employees could negatively affect the Resulting Issuer's business. None of the Resulting Issuer's employees will be subject to a collective bargaining agreement as of the Effective Time. As the Resulting Issuer expands its operations, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may divert the attention and efforts of management and employees and may have a negative financial impact on the Resulting Issuer's business. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, and the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

A successful reassessment by tax authorities of the Resulting Issuer's income (loss) calculations could have a material adverse effect on the Resulting Issuer's financial condition and cash flows.

Raise and Cleantek have filed all required income tax returns and believe that they are in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over the Resulting Issuer may disagree with how the Resulting Issuer calculates its income (loss) for tax purposes or could change administrative practices to the Resulting Issuer's detriment. A successful reassessment of the Resulting Issuer's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Resulting Issuer's financial condition and cash flows.

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls.

The Resulting Issuer's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Resulting Issuer proved unable to deal with this growth, it could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

Risks associated with counterparties.

The Resulting Issuer is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to it. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the Resulting Issuer's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to it, or otherwise impaired. The Resulting Issuer cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as its existing contracts, transactions or business relationships, if at all. Any inability on the Resulting Issuer's part to do so could have a material adverse effect on its business and results of operations.

Risks relating to changes in accounting standards.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Resulting Issuer's business, including but not limited to revenue recognition, impairment of assets, leases, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Resulting Issuer's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Risks relating to volatility of the market price for the Resulting Issuer Shares.

The market price of the Resulting Issuer Shares could be subject to significant fluctuations which could materially reduce the market price of the Resulting Issuer Shares regardless of the Resulting Issuer's operating performance. The factors that could cause significant disruption in the market price of the Resulting Issuer Shares may include actual or

anticipated changes or fluctuations in the Resulting Issuer's operating results, adverse market reaction to any indebtedness it may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving the Resulting Issuer or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to the Resulting Issuer's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of the Resulting Issuer Shares. As a result, the market price of the Resulting Issuer Shares may fluctuate based upon factors external to the Resulting Issuer and that may have little or nothing to do with the Resulting Issuer, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about the Resulting Issuer, its competitors or its industry and changes in general political, economic, industry and market conditions and trends.

Risks relating to future sales of the Resulting Issuer Shares.

The Resulting Issuer cannot predict the size of future issuances of Resulting Issuer Shares or the effect, if any, that future issuances and sales of Resulting Issuer Shares will have on the market price of the Resulting Issuer Shares. Sales of substantial amounts of Resulting Issuer Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Resulting Issuer Shares.

Risks relating to dividends.

The Resulting Issuer currently expects to retain all available funds for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Resulting Issuer Board, subject to compliance with applicable law and any contractual provisions and other agreements for indebtedness it may incur, that restrict or limit its ability to pay dividends, and will depend upon, among other factors, its results of operations, financial condition, earnings, capital requirements and other factors that the Resulting Issuer Board deems relevant.

INFORMATION CONCERNING CLEANTEK

Cleantek is a clean energy technology company focused on hydro-sustainability with operations across North America. Cleantek has developed and commercialized its patented wastewater dehydration technology, the ZeroE, which it rents to its customers for use at gas processing facilities and on drilling rigs. Cleantek's ZeroE technology separates wastewater into (i) clean water which is evaporated and returned to the natural hydrological cycle and (ii) concentrated brine which is disposed of using traditional means. The ZeroE technology is powered by the waste heat generated from the engine exhaust of gas plants and drilling rigs. The key benefits of Cleantek's ZeroE technology include:

- Up to 90% reduction in wastewater disposal volumes thereby substantially reducing wastewater disposal costs for its clients;
- Each ZeroE unit recycles approximately 10 million litres of water per year to the natural hydrological cycle;
- Material reduction in carbon emissions for its clients; and
- Each ZeroE unit eliminates approximately 350 trucks per year from the local roadways thereby improving safety on site and in the local community.

In addition, Cleantek has a suite of patented SolarHybrid and HALO lighting technology systems that service the energy, industrial, construction, and agricultural markets.

For further information regarding Cleantek, the development of its business and its business activities, see Appendix H – “*Information Concerning Cleantek Industries Inc.*”

INFORMATION CONCERNING RAISE

Raise is a TSXV listed company existing under the laws of the Province of Alberta and is based in Calgary, Canada. Raise is an innovative oilfield service company that focused on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional oil and gas wells. Its suite of patented pumping solutions, including HARP™, REAL™ and HART™, are effective at up to 90 degrees in order to maximize drawdown, pump efficiency and pump life.

Raise is a reporting issuer in the provinces of British Columbia and Alberta. The Raise Shares are listed on the TSXV under the symbol “RPC”. On July 11, 2021, the last trading day prior to the announcement that Cleantek and Raise had entered into the Arrangement Agreement, the closing prices of the Raise Shares on the TSXV was \$0.03 per Raise Share. See Appendix I – *“Information Concerning Raise Production Inc.”* for further information on Raise.

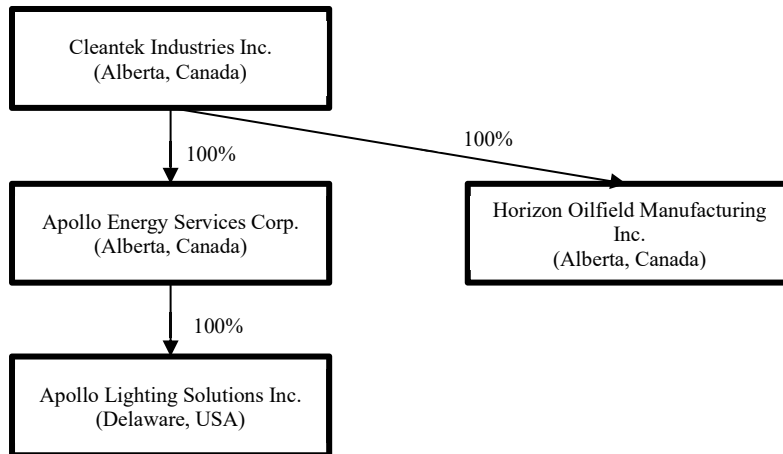
THE RESULTING ISSUER

Overview

On completion of the Arrangement, Raise will own all of the Cleantek Shares and Cleantek will amalgamate with Raise. Former Cleantek Shareholders will be shareholders of the Resulting Issuer. Upon completion of the Arrangement, the Resulting Issuer will remain listed on the TSXV and will carry on the business of Cleantek under the name “Cleantek Industries Inc.”. Former holders of Cleantek Shares will collectively own approximately 85% of the Resulting Issuer Shares, and existing holders of Raise Shares (“**Raise Shareholders**”) will collectively own approximately 15% of the Resulting Issuer Shares, prior to giving effect to the Cleantek Financing. The head and registered office of the Resulting Issuer will be Suite 3200, 500 – 4th Ave SW, Calgary, Alberta T2P 2V6 immediately following consummation of the Arrangement.

Organizational Chart

The following chart shows, in a simplified manner, the relationships between the Resulting Issuer and its subsidiaries immediately following completion of the Arrangement. Below each company's name is the jurisdiction in which the company was incorporated (or continued), formed or organized.



Description of the Business

The Resulting Issuer will carry on the business of Cleantek. See “*Information Concerning Cleantek – Appendix H*”.

Governance of the Resulting Issuer

The Resulting Issuer Board will be comprised of Richard F. McHardy, Paul Colucci, Reginald Greenslade, Al Stark, Phillip Knoll, Chris Lewis and Jesse Curlett.

Description of Share Capital

The authorized share capital of the Resulting Issuer will include an unlimited number of Resulting Issuer Shares and an unlimited number of preferred shares, issuable in series (the “**Resulting Issuer Preferred Shares**”).

The following is a summary of the rights, privileges, restrictions and conditions attaching to the shares in the Resulting Issuer's share capital.

The holders of the Resulting Issuer Shares are entitled to: (a) receive notice of, attend and vote at all meetings of shareholders of the Resulting Issuer; (b) receive dividends as they may be declared by the Resulting Issuer; and (c) participate in the distribution of any remaining property of the Resulting Issuer on dissolution subject to the preferred rights of the holders of the Resulting Issuer Preferred Shares in this regard as hereinafter set out.

Resulting Issuer Preferred Shares may at any time and from time to time be issued in one or more series. Each series consists of such number of shares as may, before the issue thereof, be determined by resolution of the Resulting Issuer Board. The Resulting Issuer Board shall, by ordinary resolution, fix from time to time before the issue thereof the designation, price, restrictions, conditions and limitations attaching to the shares of each series of Resulting Issuer Preferred Shares. Resulting Issuer Preferred Shares of each series shall rank, both as regards dividends and return of capital, in priority of all other shares of the Resulting Issuer. The Resulting Issuer Preferred Shares may also be given such other preference over the Resulting Issuer Shares and over any other shares of the Resulting Issuer ranking junior to the Resulting Issuer Preferred Shares, as may be fixed by ordinary resolution of the Resulting Issuer Board, provided that no right, privilege, restriction or condition attached to a series of shares shall confer on a series a priority in respect of voting, dividends or return of capital over any other series of shares of the same class that are then outstanding.

By-Laws

The Resulting Issuer will maintain Raise's by-laws following completion of the Arrangement.

Selected Resulting Issuer Unaudited *Pro Forma* Consolidated Financial Information

The selected unaudited *pro forma* consolidated financial information set forth below should be read in conjunction with the Resulting Issuer's unaudited *pro forma* consolidated financial statements and the accompanying notes thereto attached as Appendix J to this Circular. The *pro forma* consolidated statement of net loss and comprehensive loss for the year ended December 31, 2020 and the *pro forma* consolidated interim statement of net loss and comprehensive loss for the six-month period ended June 30, 2021 have been prepared for illustrative purposes only. The *pro forma* consolidated statement of financial position as at June 30, 2021 has been prepared for illustrative purposes only.

The *pro forma* consolidated statement of financial position has been prepared from the unaudited consolidated statement of financial position of Cleantek and the unaudited consolidated statement of financial position of Raise as at June 30, 2021 and gives *pro forma* effect to the completion of the Arrangement as if it had occurred on June 30, 2021. The *pro forma* consolidated statement of net loss and comprehensive loss for the year ended December 31, 2020 and the *pro forma* consolidated statement of net loss and comprehensive loss for the six-month period ended June 30, 2021 have been prepared, respectively, from the audited consolidated statement of comprehensive income of Cleantek and the audited consolidated statement of comprehensive loss of Raise for the year ended December 31, 2020, and from the unaudited consolidated statements of comprehensive income of each of Cleantek and Raise for the six-month period ended June 30, 2021 and gives *pro forma* effect to the completion of the Arrangement as if the transaction had occurred on January 1, 2021.

The table below also includes certain historical results for each of Cleantek and Raise and on a *pro forma* basis. Please read in connection with the accompanying notes provided in Appendix J to this Circular.

	Six months ended June 30, 2021			Year ended December 31, 2020		
	Raise	Cleantek	<i>Pro forma</i> ⁽¹⁾	Raise	Cleantek	<i>Pro forma</i> ⁽²⁾
(in thousands of dollars)						
Statement of Operations data:						
Revenue	383	4,402	4,785	606	7,607	8,213
Net earnings (loss)	(257)	(811)	(1,068)	(1,675)	(22,376)	(24,051)
Per Share data:						
Basic and diluted loss per share	\$ (0.01)	\$ (0.05)	\$ (0.06)	\$ (0.00)	\$ (0.91)	\$ (0.91)
Basic and diluted loss per share, after share exchange	\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.81)	\$ (0.87)

	As at June 30, 2021		
	Raise	Cleantek	<i>Pro forma</i> ⁽³⁾
(in thousands)			
Balance Sheet data:			
Cash and cash equivalents	144	1,169	1,313
Total assets	182	12,997	13,179
Total debt, including current portion	-	14,440	14,440
Total liabilities	540	20,300	20,840
Shareholders' equity	(358)	12,997	12,639

Notes:

- (1) The *pro forma* column represents the *pro forma* financial information after giving effect to the Arrangement assuming it occurred on January 1, 2021.
- (2) The *pro forma* column represents the *pro forma* financial information after giving effect to the Arrangement assuming it occurred on January 1, 2020.
- (3) The *pro forma* column represents the *pro forma* financial information after giving effect to the Arrangement assuming it occurred on June 30, 2021.

Pro Forma Combined Consolidated Capitalization

The following table sets forth the consolidated capitalization of the Resulting Issuer on a pro forma basis, subject to certain assumptions, after giving effect to the completion of the Arrangement and as at June 30, 2021, after giving effect to the completion of the Arrangement. For detailed information on the total debt and share capitalization of Cleantek and Raise as at June 30, 2020, please refer to the financial statements of Cleantek attached as Schedule H-2 to Appendix H and the financial statements of Raise attached as Schedule I-1 to Appendix I.

The below data has been derived from, and should be read in conjunction with the Resulting Issuer unaudited *pro forma* consolidated financial information attached as Appendix J. Additionally, the Resulting Issuer unaudited *pro forma* consolidated financial information is based on, and should be read in conjunction with, the financial statements of Cleantek attached as Schedule H-2 and H-4 to Appendix H and the financial statements of Raise attached as Schedule I-1 to Appendix I.

Designation of Security	Amount authorized or to be authorized	Amount outstanding at June 30, 2021	Amount outstanding as at June 30, 2021 after giving effect to the Arrangement
Common Shares	Unlimited	20,257,513	27,579,890
Preferred Shares	Unlimited	Nil	Nil

Fully-Diluted Share Capital

After giving effect to the Arrangement, the number and percentage of securities of the Resulting Issuer proposed to be outstanding on a fully-diluted basis are:

Designation of Security	Number of Securities	Percentage of Outstanding Resulting Issuer Shares (fully-diluted) ⁽¹⁾
Common Shares	27,218,874	84.15%
Options	1,617,496	5.00%
Warrants	3,509,110	10.85%

Note:

(1) Excluding Resulting Issuer Shares to be issued pursuant to the Shares for Debt Settlement Transaction.

Post-Arrangement Shareholdings and Principal Shareholders

Based on the Cleantek and Raise securities outstanding on September 27, 2021, former holders of Cleantek Shares will collectively own approximately 85% of the Resulting Issuer Shares, and existing holders of Raise Shares will collectively own approximately 15% of the Resulting Issuer Shares, after giving effect to the Cleantek Financing. After giving effect to the Cleantek Financing, directors and officers of the Resulting Issuer will collectively own 28% of the Resulting Issuer Shares.

To the knowledge of the directors and executive officers of Cleantek and Raise, other than as set forth below, immediately following completion of the Arrangement and giving effect to the Cleantek Financing, there will be no Person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Resulting Issuer carrying 10% or more of the voting rights attached to any class of voting securities of the Resulting Issuer:

Name	Number of Resulting Issuer Shares ⁽¹⁾	% of Resulting Issuer Shares ⁽¹⁾
PillarFour Capital ⁽²⁾	7,041,578	26.67%
Lyle Wood Contracting Ltd. ⁽³⁾	3,069,964	11.60%

Note:

(1) Based on the amount of Resulting Issuer Shares expected to be issued and outstanding upon the Effective Time.

- (2) On a fully diluted basis, Pillarfour Capital would hold 7,458,245 Resulting Issuer Shares, representing 27.40% of the issued and outstanding Resulting Issuer Shares. The principal shareholder(s) of Pillarfour are Matt Colucci and Paul Colucci
- (3) On a fully diluted basis, Lyle Wood Contracting Ltd. would hold 3,257,464 Resulting Issuer Shares, representing 11.97% of the issued and outstanding Resulting Issuer Shares. Principal Shareholder(s) of Lyle Wood Contracting Ltd are Lyle and Jennifer Wood

Available Funds

The table below provides the total funds expected to be available to the Resulting Issuer upon completion of the Arrangement.

<u>Type of Funds</u>	<u>Amount</u>
Estimated Consolidated Working Capital ⁽¹⁾	(\$14,050,000) ⁽²⁾
Net Proceeds from Cleantek Financing ⁽³⁾	\$10,066,000
Other available funds	\$10,000,000
Costs of the Arrangement	(\$1,250,000)
Total	\$4,766,000

Notes:

- (1) Working Capital means current assets (including but not limited to cash, restricted cash, accounts receivable, inventory, prepaids and deposits) less all current liabilities (including but not limited to accounts payable and accrued liabilities, redemption obligations).
- (2) As at September 27, 2021, less the estimated costs associated with the Arrangement that are anticipated to be incurred from October 1, 2021 until completion of the Arrangement.
- (3) Based on aggregate gross proceeds from the Cleantek Financing of \$10,753,000, less payment to the Agents of \$567,000, representing 6% of the aggregate gross proceeds of the Cleantek Financing and the Agents' estimated expenses of \$120,000.

Principal Purposes

The funds available to the Resulting Issuer are estimated at \$5,016,000. The principal purposes of the use of funds available to the Resulting Issuer and the estimated budgeted amounts for each purpose is provided in the table below:

<u>Principal Purpose</u>	<u>Amount</u>
Expansion Capital Expenditures	\$4,000,000
General & Corporate Purposes	\$766,000
Total	\$4,766,000

The Resulting Issuer will spend the funds available to it after completion of the Arrangement to carry out its business objectives. There may be circumstances where, for sound business reasons or to react to unexpected circumstances, a reallocation of funds may be necessary.

Pro Forma Consolidated Capitalization

For a breakdown of the Resulting Issuer's *pro forma* consolidated capitalization, refer to the Resulting Issuer's unaudited *pro forma* consolidated statement of financial position as at June 30, 2021, attached hereto as Appendix J. The *pro forma* consolidated capitalization includes *pro forma* adjustments to the unaudited consolidated statement of financial position of Raise as at June 30, 2021. The *pro forma* adjustments are preliminary and have been made solely for the purpose of providing *pro forma* consolidated financial statements as described within the *pro forma* consolidated financial statements. Differences between the preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying *pro forma* consolidated financial statements and future results of operations and financial position.

Directors and Officers

Resulting Issuer Directors

The following table provides the names, place of residence, positions and duration of service of the proposed directors of the Resulting Issuer immediately after the Effective Time, and age of the proposed directors of the Resulting Issuer and their principal occupation. The term of office of all directors of the Resulting Issuer will expire at the next annual meeting of shareholders of the Resulting Issuer and, thereafter, at each annual meeting of shareholders of the Resulting

Issuer or at the time at which his or her successor is elected or appointed, or earlier if any director otherwise dies, resigns, is removed or is disqualified. Additional biographical information for each individual is provided below.

Name, Province or State and Country of Residence	Age	Position/Title	Principal Occupation During the Previous 5 Years	Resulting Issuer Shares and %	Date Appointed to the Cleantek Board	Date Appointed to the Raise Board
Jesse Curlett <i>Calgary, Alberta</i>	34	Chief Executive Officer and Director	CEO of Cleantek Industries inc. a private Alberta corporation. Prior thereto, founder and VP of Operations for Cleantek Industries inc.	0 (0%)	December 19, 2019	NA
Richard F. McHardy <i>Calgary, Alberta</i>	52	Director	Executive Chairman of Spartan Delta Corp., a TSX listed company. Prior thereto, President and Chief Executive Officer of Spartan Energy Corp., Spartan Oil Corp. and Spartan Exploration Ltd., all TSX-listed companies, and was a partner at McCarthy Tetrault LLP, where he practiced securities and corporate law.	393,005 (1%)	NA	September 30, 2019
Paul Colucci ^(A) <i>Calgary, Alberta</i>	47	Director	Co-Founder, Managing Partner and Director PillarFour Capital Partners Inc. (GP to PillarFour Capital Partners Funds). Previously served as CEO and Director at Dundee Securities Europe Limited.	7,041,578 (26%)	NA	NA
Reginald Greenslade ^(A) <i>Calgary, Alberta</i>	58	Director	Independent businessman since February 2013. Director of Spartan Energy from December 2013 to May 2018. President, Chief Executive Officer and Director of Tuscany International Drilling Inc. from April 2010 to February 2013.	0 (0%)	NA	NA
Al Stark <i>Calgary, Alberta</i>	53	Director	Independent businessman since May 2018. Prior thereto, Vice President Operations of Spartan Energy Corp., Spartan Oil Corp. and Spartan Exploration Ltd., all TSX-listed companies. Mr. Stark holds a Bachelor of Mechanical Engineering and a Master of Chemical and Petroleum Engineering	314,960 (1%)	NA	September 30, 2019
Phillip Knoll ^(A) <i>Calgary, Alberta</i>	66	Director	Director at Alta Gas since October, 2015 and Headwater Exploration since February, 2020. Prior thereto, served as interim-CEO of Alta Gas from June, 2018 to December, 2018 and CEO of Corridor Recourses from 2010 to 2014.	0 (0%)	February 11, 2021	NA
Chris Lewis <i>Calgary, Alberta</i>	46	Director	Business unit head of small and midmarket at Smart Energy Water since Aug 2020. Prior thereto, COO at Attabotics Inc. from Aug 2018 to July 2020 and Executive Vice President at Harris Utilities from June 2013 to July 2018. Mr. Lewis Holds a BA, communications.	0 (0%)	February 11, 2021	NA

Note: (A) means a member of the Audit Committee. Remaining Committee memberships will be determined following the Arrangement.

Management

The following individuals will (subject to their acceptance and the terms of the Arrangement Agreement) be appointed to the following positions with the Resulting Issuer who are not also directors following the Effective Date until their resignation or termination, as indicated pursuant to the Plan of Arrangement:

Name, Province or State and Country of Residence	Age	Title	Principal Occupation During the Previous 5 Years	Time Allotment	Employee, Contractor or Consultant
Matt Gowanlock <i>Calgary, Alberta</i>	40	President	CEO, Apollo Energy Corp.	100%	Employee
Orson Ross <i>Calgary, Alberta</i>	46	Chief Financial Officer	VP, Finance Horizon North logistics &	100%	Employee

Janan Paskaran <i>Calgary, Alberta</i>	42	Corporate Secretary	prior to, Source Energy Services Partner, Torys LLP	5%	Consultant

The remaining initial senior officers of the Resulting Issuer following the Effective Date will be designated by the Chief Executive Officer.

Directors and Executive Officers Biographical Information

The following are brief profiles of each of the proposed executive officers and directors of the Resulting Issuer, which include a description of their present occupation and their principal occupations for the past five years.

Richard F. McHardy, Director

Richard F. McHardy has been a founder of several public oil and gas companies and has extensive experience in leadership roles. Mr. McHardy is currently on the board of Raise, is the Executive Chairman of Spartan Delta Corp., was President, Chief Executive Officer and a director of Spartan Energy, Spartan Oil and Spartan Exploration. Previously, Mr. McHardy was the President and a director of Titan Exploration Ltd. ("**Titan**"). In addition, Mr. McHardy has served as a board member of, and as corporate secretary to, a number of other public and private companies. Prior to founding Titan, Mr. McHardy was a partner at one of Canada's largest national law firms, where he practiced securities and corporate law. Mr. McHardy has over 26 years of experience in all aspects of securities and mergers and acquisitions.

Paul Colucci, Director

Mr. Colucci is a co-founder and Managing Partner at PillarFour Capital. Mr. Colucci is based in PillarFour Capital's London, UK office and currently serves on a number of private company boards, including as a board observer at Cleantek. Mr. Colucci has over 20 years experience investing and advising in the Energy and Technology sectors and was formerly the founder & CEO of Dundee Corp's European Office (London) and Co-Head of the firm's Global Energy Advisory group. Mr. Colucci began his career as an investment banker in Canada covering the North American Energy and TMT sectors before moving to London in 2006 to head the European investment banking divisions of Stifel Nicolaus and its predecessors, Thomas Weisel Partners and Westwind Partners.

Reginald Greenslade, Director

Mr. Greenslade is an independent businessman and currently a director of Spartan Delta Corp. Mr. Greenslade is a former director and committee member of numerous public issuers, including Spartan Energy, Spartan Oil and Spartan Exploration. Mr. Greenslade has held senior executive positions with a number of public and private issuers, including roles as Chairman, President and Chief Executive Officer of Big Horn Resources Ltd., Enterra Energy Corp., Enterra Energy Trust, JED Oil Inc. and as President, Chief Executive Officer and a director of Tuscany International Drilling Inc of Tuscany International Drilling Inc.

Al Stark, Director

Mr. Stark has served as a director of Raise since September 2019 and was a founder and Vice President Operations of Spartan from December 2013 until the sale to Vermilion Energy Inc. on in May, 2018 for approximately \$1.4 billion. He was also a founder and Vice President Operations of Spartan Oil and Spartan Exploration through to their successful sale transactions. He was also a founder and V.P. Engineering and Operations and Chief Operating Officer of Titan until its acquisition by Cantetic Resources Trust. Mr. Stark holds a Bachelors of Mechanical Engineering and a Masters of Chemical and Petroleum Engineering. He has over 29 years of experience in the oil and gas industry. His experience includes roles in Production, Reservoir and Exploitation Engineering as well as Drilling, Completions and Field Operations. His early career was with Amoco Canada Corp., Northstar Energy Corp. and Devon Canada Corp.

Phillip Knoll, Director

Mr. Knoll is currently a director of Cleantek. Mr. Knoll has over 35 years of varied experience in the energy sector, primarily related to energy infrastructure businesses and the natural gas value chain and currently serves as an independent director of AltaGas Ltd. Mr. Knoll is President of Knoll Energy Inc. and an independent director of

Altgas Ltd. and Headwater Exploration Inc. Mr. Knoll previously served as interim co-CEO of AltaGas Ltd. And was CEO of Corridor Resources from 2010 to 2014. Mr. Knoll was a director of AltaGas Utility Group Inc. from 2005 to 2009, which sold to AltaGas Income Trust in 2009. Mr. Knoll also served as Group Vice President for Duke Energy Gas Transmission, and Chair, Management Committee and President for Maritimes & Northeast Pipeline. In addition, Mr. Knoll has also held senior roles at Westcoast Energy Inc., TC Energy and Alberta Natural Gas Company Ltd.

Chris Lewis, Director

Mr. Lewis is currently a director of Cleantek and sits on the Advisory Board of PillarFour Capital. Mr. Lewis has over 20 years experience in the utility and water sectors and is currently Vice President of Smart Energy Water, a provider of SaaS based cloud solutions to energy, water, and gas providers. Mr. Lewis also serves on the advisory board of The Popular Company, a market, consumer, and stakeholder analytics company. Previously, Mr. Lewis served as COO of Attabotics from 2018 to 2020, a manufacturer of robotic storage and retrieval systems used in large facilities.

Jesse Curlett, Chief Executive Officer & Director

Mr. Curlett was a founder of Cleantek in 2010 and was the former VP Operations up until December 2019 when he was appointed to CEO. Mr. Curlett has approximately sixteen years of industry experience, previously working with Cenovus Energy, Beaver Drilling and Akita Drilling between 2005 and 2012. Mr. Curlett was a finalist for the EY Entrepreneur of the Year 2016 Awards in the Prairies.

Matt Gowanlock, President

Mr. Gowanlock is a co-founder and former CEO of Apollo Energy Service, a lighting solutions company which was acquired by Cleantek in 2018. Prior to, Mr. Gowanlock served as President of Streamline Energy Services, General Manager at Filterboxx Water & Environmental, Director of Field Operations at Genalta Power and President of Aithra Projects. Mr. Gowanlock has approximately eighteen years of management experience and holds a Master Electrician Diploma from NAIT.

Orson Ross, Chief Financial Officer

Mr. Ross is a seasoned finance leader with a diverse background in public company reporting, extensive treasury and capital markets. Mr. Ross brings a wealth of experience in rated and unrated, secured and unsecured, debt offerings, leading corporate sales processes, and finance transformations / ERP transformations. Mr. Ross formerly served as VP of Finance for several publicly traded corporations, including most recently with the Dexterra Group Inc. (DTX.TO) (Formerly Horizon North Logistics Inc. HNL.TO) and Source Energy Services (SHLE.TO). Mr. Ross has also served in senior positions with TransAlta Corporation (TA.TO), Canexus Corporation (CHE-UN.TO) and Suncor Energy/Petro-Canada (SU.TO).

Janan Paskaran, Corporate Secretary

Mr. Paskaran is a partner at Torys LLP. Mr. Paskaran's practice focuses on corporate and securities law, with an emphasis on international transactions. He has extensive experience representing public and private issuers in a wide variety of financing, business combination and M&A transactions, including both private and publicly traded issuers. Janan also advises on securities compliance matters, commercial transactions, and corporate finance, procedures and governance.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Cleantek and Raise, no proposed director of the Resulting Issuer:

- a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director or chief executive officer or chief financial officer of any corporation (including Cleantek and Raise) that, while that Person was acting in that capacity:
 - a. was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- b. was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- b) is, as the date hereof, or has been within 10 years from the date hereof, a director or executive officer of any company (including Cleantek and Raise) that, while that Person was acting in such capacity, or within a year of that Person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of Cleantek and Raise, no proposed director of the Resulting Issuer has: (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Raise Shareholder in deciding whether to vote for a proposed director.

Personal Bankruptcies

To the knowledge of Cleantek and Raise, no proposed director of the Resulting Issuer has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such Person's assets.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Exchange	Position	Date Appointed	Date Ceased
Richard F. McHardy	Spartan Delta Corp. <i>Alberta, Canada</i>	TSX	Executive Chairman	December, 2019	Present
	Spartan Energy Corp. <i>Alberta, Canada</i>	TSX	Chief Executive Officer and Director	December, 2013	May, 2018
Reginald Greenslade	Spartan Delta Corp. <i>Alberta, Canada</i>	TSX	Director	December, 2019	Present
	Spartan Energy Corp. <i>Alberta, Canada</i>	TSX	Director	December, 2013	May, 2018
Al Stark	Spartan Energy Corp. <i>Alberta, Canada</i>	TSX	Vice President Operations	December, 2013	May, 2018
Phillip Knoll	Altagas Ltd. <i>Canada</i>	TSX	Director	November, 2015	Present
			Interim Co-Ceo	July, 2018	December, 2018
	Headwater Exploration Inc. <i>Alberta, Canada</i>	TSX	Director	September, 2010	Present
Janan Paskaran	Decklar Resources Inc. <i>British Columbia, Canada</i>	TSXV	Corporate Secretary	June, 2021	Present

Name	Name and Jurisdiction of Reporting Issuer	Exchange	Position	Date Appointed	Date Ceased
	Toro Oil & Gas Ltd. <i>Alberta, Canada</i>	TSXV	Assistant Corporate Secretary	September 25, 2014	February 1, 2017

Indebtedness of Directors and Officers

Except as disclosed below, no director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to Cleantek or Raise or their subsidiaries since the beginning of Cleantek or Raise's most recently completed financial year.

Name and Principal Position	Involvement of Cleantek or Raise	Largest Amount Outstanding During the Year Ended December 31, 2020	Amount Outstanding as at September 30, 2021	Financially Assisted Securities Purchases During the Year Ended December 31, 2020	Security for Indebtedness
Jesse Curlett, Founder, Chief Executive Officer and Director ⁽¹⁾	Cleantek, Lender	\$100,000	\$100,000	Nil	3,750 Cleantek Shares
Josh Curlett, Former Chief Executive Officer ⁽²⁾	Cleantek, Lender	\$400,000	\$400,000	Nil	15,000 Cleantek Shares

Notes:

- (1) Jesse Curlett, founder, Chief Executive Officer and a director of Cleantek is indebted to Cleantek in the amount of \$100,000 pursuant to the terms of a secured promissory note (the "Founder Promissory Note") issued on May 31, 2018 by Jesse Curlett and 1450118 Alberta Ltd. in favour of Cleantek. The Founder Promissory Note is subject to an interest rate of 3% per annum and is payable in full on the Effective Date of the Arrangement.
- (2) Josh Curlett, Cleantek's former Chief Executive Officer, is indebted to Cleantek in the amount of \$400,000 pursuant to the terms of a secured promissory note (the "Former CEO Promissory Note") issued on May 31, 2018 by Josh Curlett and Phoenix Capital Ventures Inc. in favour of Cleantek. The Former CEO Promissory Note is subject to an interest rate of 3% per annum and is payable in full on the Effective Date of the Arrangement.

Stock Option Plan

The Resulting Issuer will adopt the Raise Stock Option Plan. See "*Information Concerning Raise – Appendix P*".

Options

After giving effect to the Arrangement, the following options to acquire Resulting Issuer Shares will be held by the individuals listed upon completion of the Arrangement:

Group of Persons	Number	Issue Date	Expiry Date	Exercise Price
Proposed officers and directors of the Resulting Issuer	150,000	March 3, 2021	March 3, 2026	\$1.20
	3,000,000	September 4, 2019	September 4, 2024	\$0.11
Former directors or officers of Raise (who will not continue as directors or officers of the Resulting Issuer)	200,000	May 29, 2017	May 29, 2022	\$0.21
	250,000	November 24, 2017	November 24, 2022	\$0.24
Former directors or officers of Cleantek (who will not continue as directors or officers of the Resulting Issuer)	150,000	November 26, 2018	November 26, 2023	\$0.19
	362,500	March 3, 2021	March 3, 2026	\$1.20

Employees of the Resulting Issuer	987,500	March 3, 2021	March 3, 2026	\$1.20
Consultants of the Resulting Issuer	Nil	-	-	-

Dividends

The Resulting Issuer Board will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. Any decision to pay dividends on the Resulting Issuer Shares will be made by the Resulting Issuer Board on the basis of the Resulting Issuer's earnings, financial requirements and other factors existing at such future time, including commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. The Resulting Issuer has no intention to pay dividends on the Resulting Issuer Shares.

Corporate Governance of the Resulting Issuer

The Resulting Issuer is committed to implementing and maintaining effective and best practices in corporate governance. The Resulting Issuer's approach to significant corporate governance issues has been designed with a view to ensuring that the business of the Resulting Issuer is effectively managed to enhance shareholder value. The Resulting Issuer will implement certain structures and procedures to ensure that effective corporate governance practices are followed and the Resulting Issuer Board functions independently of management.

Orientation and Continuing Education

The Resulting Issuer Board will ensure that all new directors receive a comprehensive orientation regarding both the business of the Resulting Issuer, the duties of a director and continuing education. The information will be provided to directors in an informal meeting with senior management present. All directors will also be provided with a corporate governance binder detailing Resulting Issuer Board and corporate governance guidelines and Resulting Issuer Board and committee mandates. Directors are also invited to meet with the Resulting Issuer's legal counsel in order to better understand what their legal responsibilities are.

Ethical Business Conduct

The Resulting Issuer will adopt Raise's formal written Code of Business Conduct and Ethics Policy (the "Code") covering ethical business conduct that will apply to all Resulting Issuer Board members, executive officers, management, employees and consultants of the Resulting Issuer. Each Resulting Issuer Board member will be responsible to ensure his or her conduct is consistent with the letter and spirit of this Code. The Corporate Governance & Nomination Committee, on behalf of the Resulting Issuer Board, is responsible for setting the standards in the Code and updating these standards as deemed appropriate to reflect changes in the legal and regulatory environment, the business practices of the Resulting Issuer and the environment within which it operates. The Resulting Issuer Board will also adopt Raise's Whistleblower Policy, which establishes the complaint procedures for concerns about any aspect of the Resulting Issuer's activities and operations. These policies will assist in maintaining the ethical business conduct of the officers and directors.

Nomination of Directors

The Resulting Issuer Board and Corporate Governance & Nomination Committee will periodically consider if and when new individuals are proposed for election or appointment to the Resulting Issuer Board, having regard to the competencies, skills and personal qualities of the candidates and existing members of the Resulting Issuer Board.

Board Committees

Following the Arrangement, the Resulting Issuer Board intends to implement an Audit Committee, Compensation Committee, Corporate Governance & Nomination Committee and a Health, Safety and Environment Committee.

Audit Committee

The Audit Committee will consist of Paul Colucci, Reginald Greenslade and Philip Knoll. The Chair of the Audit Committee will be Paul Colucci. The role of the Audit Committee will be to assist the Resulting Issuer Board in its oversight of the integrity of the financial and related information of the Resulting Issuer including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Resulting Issuer. Management of the Resulting Issuer will be responsible for establishing and maintaining those controls, procedures and processes and the Audit Committee will be appointed by the Resulting Issuer Board to review and monitor them.

Compensation

The Compensation Committee will be responsible for determining and approving compensation for directors and officers. The Compensation Committee will review the performance and recommend the remuneration of the senior officers as well as the overall remuneration and personnel policies developed by management. The Resulting Issuer Board will review and approve the compensation of directors annually, or sooner, if deemed appropriate.

Corporate Governance & Nomination Committee

The overall purpose of the Corporate Governance & Nomination Committee will be to guide the Resulting Issuer in its approach to and implementation and maintenance of corporate governance practices. In that regard, it will recommend to the Resulting Issuer Board the composition of the Resulting Issuer Board and its committees, assist the Resulting Issuer Board in developing its board mandate, assist the Resulting Issuer Board with respect to the orientation of new directors and continuing education of existing directors, oversee the performance of the Resulting Issuer Board and its committees, monitor developments in corporate governance and ensure the Resulting Issuer's compliance with the Code and governance policies. Composition of the Corporate Governance & Nomination Committee will be determined following the Arrangement.

Health, Safety and Environment Committee

The overall purpose of the Health, Safety and Environment Committee will be to assist the Resulting Issuer Board in fulfilling its responsibilities in relation to health, safety and environmental matters, including ensuring that employees are provided with a safe environment in which to perform their duties and monitoring and overseeing the Resulting Issuer's policies and procedures for ensuring compliance by the Resulting Issuer with environmental regulatory requirements. Composition of the Health, Safety and Environment Committee will be determined following the Arrangement.

Assessments

The Corporate Governance & Nomination Committee will assist the Resulting Issuer Board with respect to assessments of the effectiveness and contribution of the members of the Resulting Issuer Board and its committees, which will include reviewing both the Resulting Issuer Board and its committees' decision-making processes and the quality of information provided by management.

Executive Compensation of the Resulting Issuer

The following table is a summary of compensation (excluding compensation securities) expected to be paid, awarded to or earned by the Named Executive Officers and any director who is not a Named Executive Officer for the 12 month period following the Arrangement.

Name and Position	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Jesse Curlett Chief Executive Officer	200,000	Nil	Nil	Nil	Nil	200,000
Matt Gowanlock President	200,000	Nil	Nil	Nil	Nil	200,000
Orson Ross Chief Financial Officer	200,000	Nil	Nil	Nil	Nil	200,000
Rick Theroux VP Operations	165,000	Nil	Nil	Nil	Nil	165,000
Josh Trahan VP Sales	155,000	Nil	Nil	Nil	Nil	155,000

The Compensation Committee will determine all other aspects of Executive Compensation following the Arrangement.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since January 1, 2021, no informed Person of Cleantek or Raise or any associate or affiliate of an informed Person, has or had any material interest, direct or indirect, in any transaction or any arrangement which has materially affected or will materially affect Cleantek or Raise or either of their subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No: (i) director or executive officer of Cleantek or Raise who has held such position at any time since January 1, 2021; or (ii) associate or affiliate of a Person in (i), has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Cleantek Meeting or the Raise Meeting, respectively.

Ownership of Cleantek Securities

As of September 27, 2021, the directors and officers of Cleantek and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 7,082,095 Cleantek Shares representing approximately 41% of the outstanding Cleantek Shares and an aggregate of 1,212,500 Cleantek Options and 208,333 Cleantek Warrants, which, when aggregated with the Cleantek Shares owned by such directors and officers, representing approximately 45% of the Cleantek Shares (on a fully diluted basis) on such date. All of the Cleantek Shares, Cleantek Options and Cleantek Warrants held by the directors and officers of Cleantek will be treated in the same manner under the Arrangement as Cleantek Shares, Cleantek Options and Cleantek Warrants held by other Cleantek Shareholders, other holders of Cleantek Options and other holders of Cleantek Warrants.

The table below sets out the names and positions of the directors and officers of Cleantek as of September 27, 2021 and the number of Cleantek Shares, Cleantek Options and Cleantek Warrants held by each such director and officer, or over which control or direction was exercised by each such director or officer and, where known after reasonable inquiry, by their respective associates or affiliates as of September 27, 2021 and the consideration to be received by such director or officer for such Cleantek Shares, Cleantek Options and Cleantek Warrants.

Name and Position with Cleantek	Cleantek Shares	Cleantek Shares (%) ⁽¹⁾	Cleantek Options	Cleantek Warrants
Jesse Curlett	5,025	0%	350,000	0
Dale Tremblay	1,414	0%	150,000	0
Matt Colucci	7,041,578	41%	112,500	208,333

Name and Position with Cleantek	Cleantek Shares	Cleantek Shares (%)⁽¹⁾	Cleantek Options	Cleantek Warrants
James Kidd	5,094	0%	100,000	0
Chris Lewis	0	0%	75,000	0
Phillip Knoll	0	0%	75,000	0
Matt Gowanlock	28,984	0%	350,000	0

Note:

(1) Based on the number of Cleantek Shares outstanding as of September 27, 2021.

ESCROWED SECURITIES

Pursuant to the policies of the TSXV, the Resulting Issuer Shares to be issued to PillarFour Capital, Jesse Curlett, James Kidd, Reginald Greenslade and Matt Gowanlock pursuant to the Arrangement (the "**Escrowed Shares**") will be subject to escrow as required by the TSXV. The Raise Options and Raise Replacement Options held by PillarFour Capital, Jesse Curlett, Phillip Knoll, Chris Lewis, James Kidd, Reginald Greenslade, Orson Ross, Janan Paskaran and Matt Gowanlock (collectively, the "**Escrowed Parties**") at the Effective Time (the "**Escrowed Options**", and together with the Escrowed Shares, the "**Escrowed Securities**") will be subject to escrow as required by the TSXV. The Escrowed Securities shall be held in escrow pursuant to the terms of a value security escrow agreement in the form prescribed by the TSXV (Form 5D). It is expected that Odyssey will serve as the escrow agent.

In accordance with the policies of the TSXV applicable to Tier 1 issuers, 25% of the Resulting Issuer Shares to be issued to and the Raise Options and Raise Replacement Options held at the Effective Time by the Escrowed Parties will not be subject to the escrow. Pursuant to the applicable TSXV policies, the Escrowed Securities will be released in stages over 18 months following the date of the final exchange bulletin in respect of the Arrangement, with 25% of the Escrowed Securities released every six months from closing of the Arrangement.

To the knowledge of the directors and executive officers of Cleantek and Raise, as of the date of this Circular, the following table sets forth the information in respect of the Resulting Issuer Shares, Raise Options and Raise Replacement Options to be held in escrow after giving effect to the Consolidation, the Cleantek Financing and the Arrangement.

Name and Municipality of Residence	Class of Security	Before Arrangement		After Arrangement	
		Number of Securities	Percentage of Class	Number of Securities	Percentage of Class (non-diluted)
PillarFour Capital <i>Calgary, Alberta</i>	Common Shares	7,041,578	41%	7,458,245	27%
	Options	-	0%	-	0%
Jesse Curlett <i>Calgary, Alberta</i>	Common Shares	75,260	0%	75,260	0%
	Options	350,000	23%	350,000	23%
James Kidd <i>Calgary, Alberta</i>	Common Shares	5,094	0%	5,094	0%
	Options	100,000	7%	100,000	7%
Chris Lewis <i>Calgary, Alberta</i>	Options	75,000	5%	75,000	5%
Phillip Knoll <i>Calgary, Alberta</i>	Options	75,000	5%	75,000	5%
Reginald Greenslade <i>Calgary, Alberta</i>	Common Shares	Common Shares	Nil	Nil	Nil
	Options	Options	Nil	Nil	Nil
Matt Gowanlock <i>Calgary, Alberta</i>	Common Shares	28,984	0%	28,984	0%
	Options	350,000	23%	350,000	23%
Janan Paskaran <i>Calgary, Alberta</i>	Common Shares	Common Shares	Nil	Nil	Nil
	Options	Options	Nil	Nil	Nil
Orson Ross <i>Calgary, Alberta</i>	Common Shares	Common Shares	Nil	Nil	Nil
	Options	Options	Nil	Nil	Nil

SPONSORSHIP AND AGENT RELATIONSHIP

Raise has sought a waiver or exemption from the TSXV in respect of the sponsorship requirements that would otherwise be applicable to the Arrangement.

In connection with the Cleantek Financing, Cleantek has retained the Agents' and has paid them the Agents' Fee and issued them the Agents' Warrants.

CONFLICTS OF INTEREST

Certain proposed directors and officers of the Resulting Issuer currently, or may in the future, act as directors or officers of other companies and, consequently, it is possible that a conflict may arise between their duties as a director or officer of the Resulting Issuer and their duties as a director or officer of any other such company. There is no guarantee that while performing their duties for the Resulting Issuer the directors or officers of the Resulting Issuer will not be in situations that could give rise to conflicts of interest. There are potential conflicts of interest that the proposed directors, officers and insiders of the Resulting Issuer will be subject. There is no guarantee that these conflicts will be resolved in favor of the Resulting Issuer, if any, will be subject to the procedures and remedies as provided under the ABCA and in accordance with corporate governance policies anticipated to be adopted by the Resulting Issuer Board after completion of the Arrangement.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

KPMG LLP is Cleantek's current auditor. Ernst & Young LLP is Raise's current auditor. KPMG LLP will be the auditor for the Resulting Issuer.

Olympia Trust Company is Cleantek's current transfer agent and registrar. Odyssey Trust Company is Raise's current transfer agent and registrar. Odyssey Trust Company will be the transfer agent and registrar for the Resulting Issuer.

EXPENSES OF THE ARRANGEMENT

Cleantek and Raise have agreed in the Arrangement Agreement that each party will pay all of its respective out-of-pocket expenses incurred in connection with the Arrangement, the Raise Meeting, the Cleantek Meeting and the preparation and mailing of this Circular, including legal and accounting fees, printing costs, financial advisor fees and all disbursements by advisors. The estimated costs to be incurred by Cleantek and Raise with respect to the Arrangement and related matters are expected to aggregate \$1,250,000.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon by Torys LLP on behalf of Cleantek and Stikeman Elliott LLP on behalf of Raise. As at September 30, 2021, partners and associates of these firms beneficially owned, directly or indirectly, less than 1% of the outstanding Cleantek Shares and less than 1% of the outstanding Raise Shares.

INTERESTS OF EXPERTS OF CLEANTEK

The audited consolidated financial statements of Cleantek which comprise the consolidated financial position as at December 31, 2020; December 31, 2019; December 31, 2018 and January 1, 2018; and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, included in this Circular, have been audited by KPMG LLP, as set forth in their report thereon, included therein and incorporated herein by reference. KPMG LLP has confirmed that they are independent of Cleantek within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Eight Capital has prepared for and delivered to the Cleantek Special Committee the Eight Capital Fairness Opinion with respect to the Arrangement, a copy of which is attached to this Circular as Appendix F. Eight Capital, or any partner or associate thereof, has not received nor will receive a direct or indirect interest in the property of Cleantek, Raise or the Resulting Issuer. The partners and associates of Eight Capital do not own, beneficially, directly or indirectly, any of the issued and outstanding Cleantek Shares or Raise Shares as of the date hereof. In addition, Eight Capital and its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have long or short positions in the securities of Cleantek, Raise, the Resulting Issuer or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it receives or may receive commissions. As an investment dealer, Eight Capital and its affiliates provide research reports and investment advice to its clients on investment matters, including with respect to Cleantek, Raise and the Arrangement. Eight Capital and its affiliates may, in the ordinary course of business, provide other financial services to Cleantek, Raise, the Resulting Issuer or any of their associates or affiliates. Eight Capital acted as one of the Agents for the Cleantek Financing. For a summary of the Eight Capital Fairness Opinion, see *“The Arrangement – Cleantek Fairness Opinions”*.

Whitehorn Merchant Capital Inc. has prepared for and delivered to the Cleantek Special Committee the Whitehorn Fairness Opinion with respect to the Arrangement, a copy of which is attached to this Circular as Appendix G. Whitehorn Merchant Capital Inc., or any partner or associate thereof, has not received nor will receive a direct or indirect interest in the property of Cleantek, Raise or the Resulting Issuer. The partners and associates of Whitehorn Merchant Capital Inc. do not own, beneficially, directly or indirectly, any of the issued and outstanding Cleantek Shares or Raise Shares as of the date hereof. In addition, Whitehorn Merchant Capital Inc. and its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have long or short positions in the securities of Cleantek, Raise, the Resulting Issuer or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it receives or may receive commissions. As an investment dealer, Whitehorn Merchant Capital Inc. and its affiliates provide research reports and investment advice to its clients on investment matters, including with respect to Cleantek, Raise and the Arrangement. Whitehorn Merchant Capital Inc. and its affiliates may, in the ordinary course of business, provide other financial services to Cleantek, Raise, the Resulting Issuer or any of their associates or affiliates. For a summary of the Whitehorn Fairness Opinion, see *“The Arrangement – Cleantek Fairness Opinions”*.

INTERESTS OF EXPERTS OF RAISE

The audited consolidated financial statements of Raise as at December 31, 2020, 2019 and 2018 attached to this Circular have been audited by Ernst & Young LLP, Chartered Professional Accountants, as set forth in their report thereon, and incorporated herein by reference. In connection with the audit of Raise's consolidated financial statements, Ernst & Young LLP confirmed that they are independent within the meaning of the Chartered Professional Accountants of Alberta Rules of Professional Conduct.

ADDITIONAL INFORMATION

Additional information relating to Cleantek can be found on SEDAR at www.sedar.com and on Cleantek's website at www.cleantekinc.com.

Additional information relating to Raise can be found on SEDAR at www.sedar.com and on Raise's website at www.raiseproduction.com. Financial information is provided in Raise's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2020 and the three months and six months ended June 30, 2021 and can also be found on SEDAR at www.sedar.com.

DIRECTORS' APPROVAL

The contents of this Circular and the sending thereof to the shareholders of Cleantek have been approved by the Cleantek Board.

BY ORDER OF THE BOARD OF DIRECTORS OF CLEANTEK INDUSTRIES INC.

(Signed) "*Jesse Curlett*"

Jesse Curlett, Chief Executive Officer and Director

Calgary, Alberta
September 30, 2021

The contents of this Circular and the sending thereof to the shareholders of Raise have been approved by the Raise Board.

BY ORDER OF THE BOARD OF DIRECTORS OF RAISE PRODUCTION INC.

(Signed) "*Eric Laing*"

Eric Laing, President, Chief Executive Officer &
Director

Calgary, Alberta
September 30, 2021

CONSENTS

Consent of Eight Capital

To the Board of Directors of Cleantek Industries Inc.:

We refer to the opinion letter dated July 12, 2021 which we prepared for the Board of Directors and the Special Committee of Cleantek Industries Inc. (“**Cleantek**”) in connection with the plan of arrangement involving Cleantek and Raise Production Inc. (“**Raise**”).

We consent to the inclusion of the opinion letter set out as Appendix F and to the summary of our opinion included under the headings “*Summary – Opinions of the Financial Advisors – Fairness Opinions of Eight Capital and Whitehorn Merchant Capital Inc.*”, and “*The Arrangement – Cleantek Fairness Opinions*” in the joint management information circular of Cleantek and Raise dated September 30, 2021.

Calgary, Alberta, Canada
September 30, 2021

(Signed) “*Eight Capital*”

Consent of Whitehorn Merchant Capital Inc.

To the Board of Directors of Cleantek Industries Inc.:

We refer to the opinion letter dated July 11, 2021 which we prepared for the Board of Directors and the Special Committee of Cleantek Industries Inc. (“**Cleantek**”) in connection with the plan of arrangement involving Cleantek and Raise Production Inc. (“**Raise**”).

We consent to the inclusion of the opinion letter set out as Appendix G, and to the summary of our opinion included under the headings “*Summary – Opinions of the Financial Advisors – Fairness Opinions of Eight Capital and Whitehorn Merchant Capital Inc.*”, and “*The Arrangement – Cleantek Fairness Opinions*” in the joint management information circular of Cleantek and Raise dated September 30, 2021.

Calgary, Alberta, Canada
September 30, 2021

(Signed) “*Whitehorn Merchant Capital Inc.*”

GLOSSARY OF TERMS

“Acquisition Proposal” means a Cleantek Acquisition Proposal or a Raise Acquisition Proposal, as the context requires;

“Agents” means a syndicate of agents led by Eight Capital, and including Echelon Wealth Partners, Cormark Securities Inc, and Raymond James Ltd.;

“allowable capital loss” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”*;

“Applicable Laws” means in relation to any Person, transaction or event, all applicable laws, statutes, rules, regulations, directives, published guidelines, standards, codes of practice, treaties, by-laws, ordinances, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders, judgments, orders, rulings, decrees, directives, writs and policies of, and the terms and conditions of any grant of approval, permission, authority or license of, any governmental or regulatory authority, and by which such Person or its business, properties, assets, undertaking or securities is or are bound or subject;

“Apollo” means Apollo Energy Services Corp.;

“Apollo Acquisition” means Cleantek’s acquisition of a 100% interest in Apollo for an aggregate purchase price of \$5,900,000;

“Apollo Lighting” means Apollo Lighting Solutions Inc.;

“Arrangement” means an arrangement pursuant to Section 193 of the ABCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith or with the Arrangement Agreement or made at the direction of the Court either in the Interim Order or Final Order with the consent of Cleantek and Raise, each acting reasonably;

“Arrangement Agreement” means the arrangement agreement dated as of July 12, 2021 between Raise and Cleantek, together with the schedules attached thereto, as amended and restated or supplemented from time to time;

“Articles of Arrangement” means the articles of arrangement of Cleantek in respect of the Arrangement, to be sent to the Registrar after the Final Order is made, which shall be in form and substance satisfactory to Cleantek and Raise, each acting reasonably;

“business day” means any day, other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;

“Canada-U.S. Treaty” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Not Resident in Canada – Dividends on Raise Shares”*;

“CDS & Co.” means CDS Clearing and Depositary Services Inc.;

“Certificate of Arrangement” means the certificate of arrangement giving effect to the Arrangement issued pursuant to Section 184 of the ABCA;

“Circular” means this joint management information circular, together with all appendices hereto, to be mailed or otherwise distributed by Cleantek to the Cleantek Shareholders or such other securityholders of Cleantek as may be required pursuant to the Interim Order in connection with the Cleantek Meeting and by Raise to the Raise Shareholders or such other securityholders of Raise as may be required pursuant to the Interim Order in connection with the Raise Meeting;

“claims” means any and all debts, costs, expenses, liabilities, obligations, losses and damages, penalties, proceedings, actions, suits, assessments, reassessments or claims of whatsoever nature or kind including regulatory or administrative (whether or not under common law, on the basis of contract, negligence, strict or absolute liability or liability in tort, or arising out of requirements of Applicable Laws), imposed on, incurred by, suffered by, or asserted against any Person or any property, absolute or contingent, and, except as otherwise expressly provided, includes all reasonable out-of-pocket costs, disbursements and expenses paid or incurred by such Person in defending any action;

“Class B Shares” means the class “B” common shares of Cleantek;

“Class C Shares” means the class “C” common shares of Cleantek;

“Class D Shares” means the class “D” common shares of Cleantek;

“Class E Shares” means the class “E” non-voting common shares of Cleantek;

“Class F Shares” means the class “F” non-voting common shares of Cleantek;

“Class G Shares” means the class “G” non-voting common shares of Cleantek;

“Class H Shares” means the class “H” non-voting common shares of Cleantek;

“Class I Shares” means the class “E” preferred shares of Cleantek;

“Class J Shares” means the class “E” non-voting preferred shares of Cleantek;

“Cleantek” means Cleantek Industries Inc., a company existing under the ABCA;

“Cleantek Acquisition Proposal” means in respect of Cleantek, other than the transactions between the Parties contemplated by the Arrangement Agreement:

- (a) an acquisition from such party of any securities of such party (other than on exercise of currently outstanding options or convertible securities of such party) or an acquisition from any such party’s shareholders of any securities of such party;
- (b) any acquisition of assets of such party (other than in the Ordinary Course);
- (c) (an amalgamation, arrangement, merger, or consolidation involving such party;
- (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution or similar transaction involving such party or its shareholders or other securityholders;
- (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to such party under the Arrangement Agreement or the Arrangement; or

any public announcement of an intention to do any of the foregoing;

“Cleantek Arrangement Resolution” means the special resolution of the Cleantek Shareholders approving the Plan of Arrangement substantially in the form attached as Appendix A to this Circular;

“Cleantek Assessment” means any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools;

“Cleantek Board” means the board of directors of Cleantek;

“Cleantek Debentures” means the \$980,000 aggregate principal amount of 12% secured subordinated convertible debentures of Cleantek, of which (i) \$600,000 is convertible into 500,000 Cleantek Shares, and (ii) \$380,000 is convertible into 316,667 Cleantek Shares and 316,667 Cleantek Warrants;

“Cleantek Disclosure Letter” means the letter dated as of July 12, 2021, delivered by Cleantek to Raise with respect to certain matters in the Arrangement Agreement;

“Cleantek Fairness Opinions” means collectively, the Eight Capital Fairness Opinion and the Whitehorn Capital Fairness Opinion;

“Cleantek Financing” means the offering of 5,716,123 subscription receipts on a private placement basis at a price of \$1.75 per subscription receipt for aggregate minimum gross proceeds of \$10 million;

“Cleantek Financing Warrant” means a warrant entitling the holder to purchase one Cleantek Share at an exercise price of \$2.25 at any time up to 36 months from the closing of the Arrangement;

“Cleantek Information” means information about Cleantek in the Circular;

“Cleantek Locked-Up Shareholders” means the officers and directors of Cleantek, and certain Cleantek Shareholders, who own, or exercise control or direction over, Cleantek Shares or securities convertible into, or exchangeable for, Cleantek Shares;

“Cleantek Lock-Up Agreements” means the voting and support agreements dated July 12, 2021 and made between Raise and the Cleantek Locked-Up Shareholders in the form agreed to between the Parties;

“Cleantek Meeting” means the special meeting, including any adjournments or postponements thereof, of the Cleantek Shareholders to be held to consider, among other things, and, if deemed advisable, to approve, the Cleantek Arrangement Resolution;

“Cleantek Notice of Special Meeting” means the notice of special meeting of Cleantek which accompanies this Circular;

“Cleantek Option Plan” means the share option plan adopted by the Cleantek Board on February 22, 2021;

“Cleantek Options” means share options to purchase Cleantek Shares pursuant to the Cleantek Option Plan;

“Cleantek Preferred Shares” means Class I Shares and Class J Shares;

“Cleantek Securities” means Cleantek Shares, Cleantek Options, Cleantek Warrants and Cleantek shares issued upon conversion of Cleantek Debentures;

“Cleantek Shareholders” means, at any time, the holders of Cleantek Shares;

“Cleantek Shares” means the class A common shares in the capital of Cleantek;

“Cleantek Special Committee” has the meaning given to it in *“The Arrangement – Background to the Arrangement”*;

“Cleantek Subsidiaries” means, collectively, Apollo, Apollo Lighting and Horizon;

“Cleantek Transaction Costs” means all transaction costs, including all legal, financial, accounting and other advisors of Cleantek and any other costs and expenses of Cleantek of the transactions contemplated hereby;

“Cleantek Unit” means a unit comprised of one Cleantek Share and one half of one Cleantek Financing Warrant;

“Cleantek Warrants” means, collectively:

- (a) 316,667 common share purchase warrants issuable upon conversion of a portion of the Cleantek Debentures, which warrants are exercisable for Cleantek Shares with each such warrant entitling the holder thereof to acquire one Cleantek Share at a price of \$1.20 (subject to adjustment);
- (b) 137,167 outstanding common share purchase warrants, each warrant entitling the holder thereof to acquire one Cleantek Share at a price of \$1.20 (subject to adjustment); and
- (c) any Cleantek Share purchase warrants to be issued upon the exchange of Subscription Receipts;

“Complaint” means an Alberta Human Rights Complaint filed by Kristine Curlett on December 23, 2020;

“Confidentiality Agreement” means the confidentiality agreement dated as of March 25, 2021 between Cleantek and Raise under which Raise was provided with access to non-public information regarding Cleantek, and under which

Cleantek was provided with access to non-public information regarding Raise, in connection with their discussions and negotiations preceding the entering into of the Arrangement Agreement;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**CRA**” means the Canada Revenue Agency;

“**Curlett Agreement**” means an employment agreement dated December 20, 2019 between Cleantek and Jesse Curlett;

“**Depository**” means Odyssey Trust Company, in its capacity as depository, for the purpose of receiving deposits of certificates representing Cleantek Shares or Raise Shares, as applicable, in connection with the Arrangement and the Consolidation and as set out in the Letter of Transmittal;

“**Dissent Notice**” has the meaning given to it in “*The Arrangement – Dissent Rights for Cleantek Shareholders*”;

“**Dissenting Cleantek Shareholder**” means a Cleantek Shareholder who validly exercises the Dissent Rights in respect of its Cleantek Shares;

“**Dissenting Non-Resident Holder**” has the meaning given to it in “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Not Resident in Canada – Dissenting Non-Resident Holders*”;

“**Dissenting Resident Holder**” has the meaning given to it in “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Dissenting Resident Holders*”;

“**Dissent Rights**” means the rights of dissent in respect of the Arrangement described in Article 4 of the Plan of Arrangement;

“**DRS Advice**” means a Direct Registration System Advice;

“**Effective Date**” means the date upon which the Arrangement becomes effective as established by the date shown on the Certificate of Arrangement;

“**Effective Time**” means 12:01 a.m. (Calgary Time) on the Effective Date;

“**Eight Capital Fairness Opinion**” means the verbal fairness opinion delivered by Eight Capital to the Cleantek Special Committee on July 12, 2021 in respect of the Arrangement;

“**Environmental Approvals**” means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions, approvals, decisions, decrees, conditions, notifications, orders, demands or claims, whether or not having the force of law, issued or required by any Governmental Entity pursuant to any Environmental Laws;

“**Environmental Laws**” means all Applicable Laws, whether foreign or domestic, including applicable common law and civil law, for the protection of the natural environment and human health and safety and for the regulation of contaminants, pollutants, waste, toxic and hazardous substances, and includes Environmental Approvals;

“**Exchange Ratio**” means 58.3 Raise Shares for each Cleantek Share, subject to adjustment in accordance with the terms of the Plan of Arrangement;

“**Final Order**” means the order made after application to the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

“**forward-looking statements**” has the meaning given to it in “*Statements Regarding Forward-Looking Information*”;

“**Governmental Entity**” means any: (i) supranational, international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, stock exchange or agency, whether domestic or foreign; (ii) any subdivision, agency, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or

private body exercising any regulatory, expropriation, land use or occupation, or taxing authority under or for the account of any of the foregoing;

“Gowanlock Agreement” means an employment agreement dated December 20, 2019 between Cleantek and Matt Gowanlock;

“Holder” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders”*;

“Horizon” means Horizon Manufacturing Inc.;

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board;

“including” means including, without limitation;

“Interim Order” means the order made after application to the Court, in form and substance satisfactory to Raise and Cleantek, each acting reasonably, containing declarations and directions in respect of the notice to be given in respect of, and the conduct of, the Cleantek Meeting and the Arrangement, as such order may be amended, supplemented or varied by the Court (with the consent of both Raise and Cleantek, each acting reasonably);

“In the Money Amount” means in respect of an option at any time, the amount, if any, by which the aggregate fair market value, at that time, of the shares subject to the option exceeds the aggregate exercise price under the option;

“laws” means all laws (including the common law), by-laws, statutes, rules, regulations, orders, ordinances, protocols, codes, guidelines, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity, including U.S. Securities Laws;

“Letter of Transmittal” means, collectively, the Letter of Transmittal printed on blue paper for use by Cleantek Shareholders, and the Letter of Transmittal printed on yellow paper for use by Raise Shareholders, in each case in the form accompanying the Circular;

“Liens” means mortgages, hypothecs, charges, pledges, assignments, liens (statutory or otherwise), security interests, easements, servitudes, encroachments, rights-of-way, rights of refusal, restriction on use or other restrictions, preferential right, *“usufruit”* or other real or personal right (*“droit réel ou personnel”*), prior claims, legal hypothecs or encumbrances of any nature whatsoever, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“Material Adverse Change” means, in respect of either Raise or Cleantek, as the case may be, any change in the business, affairs, operations, prospects, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, privileges or liabilities, whether contractual or otherwise, of such party and its subsidiaries (taken as a whole), which is materially adverse to such party and its subsidiaries (taken as a whole), other than a change: (i) that arises out of a matter that has been publicly disclosed prior to the date of the Arrangement Agreement or otherwise disclosed in writing by a party to the other party hereto prior to the date of the Arrangement Agreement; (ii) that results from conditions affecting the oil and gas industry generally in jurisdictions in which it carries on business, including changes in commodity prices or taxes; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions (including matters caused by, related to or resulting from COVID-19 pandemic); (iv) that results from any announcements relating to or having any effect Raise or Cleantek or their respective subsidiaries, as the case may be, as a result of any changes or proposed changes to applicable royalty or tax structures; (v) that is a direct result of the announcement of the Arrangement Agreement or any matter permitted or contemplated by the Arrangement Agreement or consented to in writing by Cleantek, in the case of Raise, or by Raise, in the case of Cleantek; or (vi) in the case of Raise only, any change in the market price or trading volume of any securities of Raise;

“Material Adverse Effect” in relation to any event or change, means an effect that is, or would reasonably be expected to be, materially adverse to the business, affairs, operations, prospects, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, privileges or liabilities, whether contractual or otherwise, of Raise or Cleantek and their respective Subsidiaries (taken as a whole), as the case may be; provided that a Material

Adverse Effect shall not include an adverse effect resulting from a change: (i) that arises out of a matter that has been publicly disclosed prior to the Arrangement Agreement or otherwise disclosed in writing by a party to the other prior to the Arrangement Agreement; (ii) that results from general economic, financial, currency exchange, securities or commodity market conditions (including matters caused by, related to or resulting from COVID-19 pandemic); (iii) that results from any announcements relating to or having any effect on Raise or Cleantek and their respective Subsidiaries (taken as a whole), as the case may be, as a result of any changes or proposed changes to applicable royalty or tax structures; (v) that is a direct result of the announcement of the Arrangement Agreement or any matter permitted or contemplated by the Arrangement Agreement or consented to in writing by Cleantek, in the case of Raise, or by Raise, in the case of Cleantek; or (vi) in the case of Raise only, any change in the market price or trading volume of any securities of Raise;

“**Meetings**” means the Cleantek Meeting and the Raise Meeting;

“**Non-Resident Holder**” has the meaning given to it in “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Not Resident in Canada*”;

“**Ordinary Course**” means, with respect to an action taken by a party, that such action is consistent with the past practices of the party and is taken in the Ordinary Course of the normal day-to-day operations of the business of the party or is otherwise commercially reasonable in the circumstances;

“**Outside Date**” means October 31, 2021;

“**Parties**” means Cleantek and Raise and “**Party**” means either one of them;

“**Person**” means an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, Governmental Entity or any other entity, whether or not having legal status;

“**Plan of Arrangement**” means a plan of arrangement substantially in the form and content of the Plan of Arrangement attached as Appendix E to this Circular and any amendment or variation thereto made in accordance with Article 6 of the Plan of Arrangement or the Arrangement Agreement;

“**Proposed Amendments**” has the meaning given to it in “*Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders*”;

“**Raise**” means Raise Production Inc., a company existing under the ABCA;

“**Raise Acquisition Proposal**” means in respect of Raise, other than the transactions between the Parties contemplated by the Arrangement Agreement:

- (a) an acquisition from such party of any securities of such party (other than on exercise of currently outstanding options or convertible securities of such party) or an acquisition from any such party’s shareholders of any securities of such party;
- (b) any acquisition of assets of such party (other than in the Ordinary Course);
- (c) (an amalgamation, arrangement, merger, or consolidation involving such party;
- (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution or similar transaction involving such party or its shareholders or other securityholders;
- (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to such party under the Arrangement Agreement or the Arrangement; or
- (f) any public announcement of an intention to do any of the foregoing;

“Raise Assessment” means any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools;

“Raise Board” means the board of directors of Raise;

“Raise Consideration Securities” means the Raise Consideration Shares, the Raise Replacement Warrants and the Raise Replacement Options;

“Raise Consideration Shares” means the Raise Shares issued to Cleantek Shareholders pursuant to the Arrangement in exchange for Cleantek Shares, on the basis of the Exchange Ratio;

“Raise Disclosure Letter” means the letter dated as of July 12, 2021, delivered by Raise to Cleantek with respect to certain matters in the Arrangement Agreement;

“Raise Information” means information about Raise included in the Circular;

“Raise Locked-Up Shareholders” means the officers and directors of Raise, and certain Raise Shareholders, that own, or exercise control or direction over, Raise Shares or securities convertible into, or exchangeable for, Raise Shares;

“Raise Lock-Up Agreements” means the voting and support agreements dated July 12, 2021 made between Cleantek, Raise and the Raise Locked-Up Shareholders in the form agreed to between the Parties;

“Raise Meeting” means the special meeting, including any adjournments or postponements thereof, of the Raise Shareholders to be held to consider, among other things, and, if deemed advisable, to approve, the Raise Transaction Resolutions;

“Raise Notice of Special Meeting” means the notice of special meeting of Raise which accompanies this Circular;

“Raise Options” means options exercisable for Raise Shares;

“Raise Replacement Options” means, in respect of a holder of a Cleantek Option outstanding immediately prior to the Effective Time, replacement Raise Options granted by Raise, in exchange for such holder’s Cleantek Option, in a number equal to the Exchange Ratio multiplied by the number of Cleantek Shares subject to such Cleantek Option, each of which such Raise Option would entitle the holder thereof to acquire one Raise Share, at an exercise price per Raise Share equal to the exercise price per Cleantek Share of such Cleantek Option immediately prior to the Effective Time divided by the Exchange Ratio, provided that the exercise price of such Raise Replacement Options will be adjusted by the amount, and to the extent, necessary to ensure that the aggregate In the Money Amount of such Raise Replacement Options does not exceed the In the Money Amount of all such Cleantek Options before the exchange;

“Raise Replacement Warrants” means, in respect of a holder of a Cleantek Warrant outstanding immediately prior to the Effective Time, replacement Raise Warrants granted by Raise, in exchange for such holder’s Cleantek Warrant, in a number equal to the Exchange Ratio multiplied by the number of Cleantek Shares subject to such Cleantek Warrant, each of which such Raise Warrant would entitle the holder thereof to acquire one Raise Share, at an exercise price per Raise Share equal to the exercise price per Cleantek Share of such Cleantek Warrant immediately prior to the Effective Time divided by the Exchange Ratio;

“Raise Securities” means Raise Shares and Raise Options;

“Raise Shareholders” means at any time, the holders of Raise Shares;

“Raise Shares” means the common shares in the capital of Raise;

“Raise Stock Option Plan” means the Raise stock option plan in effect on the date hereof and the agreements entered into thereunder;

“Raise Termination Payment” means the sum of C\$2,500,000 payable to Raise upon the occurrence of certain events;

“Raise Transaction Costs” means payment for Raise transaction costs related to the Arrangement;

“Raise Transaction Resolutions” means the Raise Transaction Resolutions, in the form attached as Appendix B to this Circular;

“Raise Warrants” means outstanding warrants to purchase Raise Shares;

“RDSP” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Eligibility for Investment”*;

“Record Date” means September 27, 2021, the record date for the Cleantek Meeting and the Raise Meeting;

“Regulation S” means Regulation S under the U.S. Securities Act;

“Representative” means any officer, director, employee, representative, advisor or agent of Raise, Cleantek, or any of the Cleantek Subsidiaries;

“Resident Holder” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada”*;

“RESP” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Eligibility for Investment”*;

“Resulting Issuer Board” means the board of directors of the Resulting Issuer;

“Resulting Issuer Preferred Shares” means the class “A” preferred shares of the Resulting Issuer;

“Resulting Issuer Shares” mean common shares in the capital of the Resulting Issuer;

“RRIF” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Eligibility for Investment”*;

“RRSP” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Eligibility for Investment”*;

“SEC” means the U.S. Securities and Exchange Commission;

“SEDAR” means the Canadian System for Electronic Document Analysis and Retrieval;

“Share Consolidation” has the meaning ascribed to it in the Plan of Arrangement;

“Shares for Debt Settlement Transaction” means the settlement of an aggregate severance amount of \$358,569 payable in connection with the Arrangement through the issuance of a total of 11,952,300 pre-consolidation Raise Shares at a deemed issue price of \$0.03 per Raise Share to certain officers of Raise on the Effective Date;

“Subscription Receipts” means subscription receipts of Cleantek issued pursuant to the Cleantek Financing;

“Subsidiary” has the meaning specified in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators in effect on the date of the Arrangement Agreement and **“Subsidiaries”** means more than one Subsidiary;

“Superior Proposal” means an unsolicited written bona fide Cleantek Acquisition Proposal made after the date hereof from a Person (other than Raise) that the Cleantek Board determines in good faith after consultation with its financial and legal advisors (as reflected in the minutes of the Cleantek Board), is a transaction: (i) that does not contain a financing or due diligence/access condition;

- (a) in respect of which adequate arrangements have been made in respect of the funds or other consideration necessary for the consummation of such Acquisition Proposal, as demonstrated to the satisfaction of the Cleantek Board, acting in good faith;

- (b) that is capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such Cleantek Acquisition Proposal and the Person making such proposal;
- (c) that does not or will not require any waiver, modification, or release of, or consent under, any confidentiality, standstill or similar agreement or restriction to which Cleantek or any of its subsidiaries is a party, and did not otherwise result from or involve a breach of any agreement between the Person making such proposal or Cleantek of Section 3.4 of the Arrangement Agreement;
- (d) that would, if consummated in accordance with its terms (but not assuming away any risk of non-completion and taking into account payment of the Raise Termination Payment), result in a transaction more favourable to Cleantek Shareholders from a financial point of view than the transactions contemplated by the Arrangement Agreement; and
- (e) that the failure by the Cleantek Board to accept, recommend, approve or enter into a definitive agreement to implement, such Cleantek Acquisition Proposal would be inconsistent with its fiduciary duties;

Solely for purposes of this definition of "Superior Proposal", all references to "20%" in the definition of "Cleantek Acquisition Proposal" shall instead be construed to refer to "100%";

“tax” and “taxes” means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, licence taxes, withholding taxes, payroll taxes, employment taxes, Canada Pension Plan or Québec Pension Plan premiums, excise, severance, social security, workers’ compensation, employment insurance or compensation taxes or premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any Governmental Entity on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

“Tax Act” means the *Income Tax Act* (Canada);

“taxable capital gain” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”*;

“Tax Returns” shall mean any return, declaration, statement, bill, forms, report, election, document, estimated tax filing, claim for refund, information returns, or other filings including any schedules or attachments thereto and any amendment thereof in respect of taxes;

“TFSA” has the meaning given to it in *“Certain Canadian Federal Income Tax Considerations for Cleantek Shareholders – Holders Resident in Canada – Eligibility for Investment”*;

“TSXV” means the TSX Venture exchange;

“U.S. Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated from time to time thereunder;

“United States”, “U.S.” and “USA” each mean the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

“U.S. Securities Act” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated from time to time thereunder;

“U.S. Securities Laws” means the U.S. Securities Act, the U.S. Exchange Act and any other applicable U.S. federal or state securities laws;

“U.S. Shareholders” has the meaning given to it in *“The Arrangement – Issuance and Resale of Raise Shares – United States”*; and

“Whitehorn Capital Fairness Opinion” means the verbal fairness opinion delivered by Whitehorn Merchant Capital Inc. to the Cleantek Special Committee on July 9, 2021 and subsequently confirmed in writing to the Cleantek Board on July 11, 2021 in respect of the Arrangement.

APPENDIX A – CLEANTEK ARRANGEMENT RESOLUTION

“BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) involving Cleantek Industries Inc. (the “**Company**”), as more particularly described and set forth in the joint management circular (the “**Circular**”) of the Company accompanying the notice of this meeting, as the Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”) involving the Company, the full text of which is set out as Appendix E to the Circular, as the Plan of Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. The Arrangement Agreement made as of July 12, 2021 between the Company and Raise Production Inc. (the “**Arrangement Agreement**”), the actions of the directors of the Company in approving the Arrangement Agreement and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Plan of Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Alberta Court of Queen’s Bench, the directors of the Company are hereby authorized and empowered without further notice to or approval of the shareholders of the Company (i) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any one director or officer of the Company be and is hereby authorized and directed for and on behalf of the Company to execute, under the corporate seal of the Company or otherwise, and to deliver to the Registrar under the ABCA for filing articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
6. Any one director or officer of the Company be and is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.”

APPENDIX B – RAISE TRANSACTION RESOLUTIONS

Raise Arrangement Resolution

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the acquisition by the Company of all of the issued and outstanding shares of Cleantek Industries Inc. ("Cleantek") in exchange for common shares in the capital of the Company ("Common Shares"), which is deemed to be a "Reverse Takeover" pursuant to the policies of the TSX Venture Exchange, on the terms and subject to the conditions set out in an arrangement dated July 12, 2021, between the Company and Cleantek (the "Arrangement Agreement"), which is available on the Company's SEDAR profile and is more particularly described in the management information circular of the Company dated September 30, 2021 (the "Transaction"), be and the same is hereby authorized and approved;
2. the Transaction, including the issuance of Common Shares as contemplated by the Transaction, on the terms set forth in the Arrangement Agreement be and the same is hereby authorized and approved;
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Company: (i) to amend the Arrangement Agreement; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Reverse Takeover or revoke this resolution; and
4. any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered all such other documents, agreements or instruments, and to perform or cause to be performed all such other acts and things, as such officer or director shall determine to be necessary or desirable to give full effect to this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the performing or causing to be performed of such other acts or things."

Raise Consolidation Resolution

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Company is hereby authorized to consolidate the issued and outstanding common shares in the capital of the Company ("Common Shares") on the basis of one (1) post-consolidation Common Share for 58.3 pre-consolidation Common Shares, or such other number of pre-consolidation Common Shares as the Board, in its sole discretion, determines appropriate and subject to the approval of all applicable regulatory authorities (the "Consolidation");
2. no fractional Common Shares shall be issued in connection with the Consolidation and, in the event a holder of Common Shares ("Shareholder") would otherwise be entitled to receive a fractional Common Share in connection with the Consolidation, the number of Common Shares to be received by such Shareholder shall be rounded down to the next whole number if that fractional Common Share is less than one half (1/2) of a Common Share, and will be rounded up to the next whole number of Common Shares if that fractional Common Share is equal to or greater than half (1/2) of a Common Share;
3. any one director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company (whether under corporate seal or otherwise), to execute and deliver articles of amendment, in duplicate, to the Registrar under the *Business*

Corporations Act (Alberta) ("ABCA"), and all documents and instruments and to take such other actions as such director or officer may deem necessary or desirable to implement the foregoing special resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions;

4. upon articles of amendment having become effective in accordance with the ABCA, the articles of the Company are amended accordingly; and
5. notwithstanding approval of the Shareholders of the Company as herein provided, the Board may, in its sole discretion, revoke the special resolution before it is acted upon without further approval of the Shareholders of the Company."

APPENDIX C – NOTICE OF ORIGINATING APPLICATION AND INTERIM ORDER

Court File No. 2101-11789

IN THE COURT OF QUEEN’S BENCH OF ALBERTA

JUDICIAL CENTRE OF CALGARY

**IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*,
R.S.A. 2000, c. B-9, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING CLEANTEK INDUSTRIES
INC., THE SHAREHOLDERS OF CLEANTEK INDUSTRIES INC., AND RAISE PRODUCTION INC.**

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the “**Application**”) has been filed with the Court of Queen’s Bench of Alberta, Judicial Centre of Calgary (the “**Court**”) on behalf of Cleantek Industries Inc. (“**Cleantek**”) with respect to a proposed arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the “**ABCA**”), in respect of Cleantek and the holders (“**Cleantek Shareholders**”) of Class A common shares of Cleantek (“**Cleantek Shares**”), and Raise Production Inc. (“**Raise**”), which Arrangement is described in greater detail in the information circular dated September 30, 2021 accompanying this Notice of Originating Application. At the hearing of the Application, Cleantek intends to seek:

1. a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair, substantively and procedurally to the Shareholders and other affected persons;
 2. an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA and pursuant to the terms and conditions of the Arrangement Agreement;
 3. an order declaring that the registered Shareholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the plan of arrangement to implement the Arrangement (the “**Plan of Arrangement**”) and the interim order of the Court dated September 27, 2021 (the “**Interim Order**”);
 4. a declaration that the Arrangement will, upon the filing of Articles of Arrangement and the issuance of a proof of filing thereof pursuant to the provisions of Section 193 of the ABCA, become effective under the ABCA in accordance with its terms and shall be binding on and after the effective time of the Arrangement; and
 5. such other and further orders, declarations or directions as the Court may deem just,
- (collectively, the “**Final Order**”).

AND NOTICE IS FURTHER GIVEN that the said Application is directed to be heard before a Justice of the Court, at the Calgary Court Centre, virtually via WebEx, on October 27, 2021 at 4:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. **Any Shareholder or other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose provided such Shareholder or other interested party files with the Court and serves upon Cleantek on or before 4:00 p.m. (Calgary time) on October 20, 2021 a notice of intention to appear (the “Notice of Intention to Appear”) setting out such Shareholder’s or interested party’s address for service and indicating whether such Shareholder or interested party intends to support or oppose the Application or make submissions thereat, together with any evidence or materials which are to be presented to the Court.** Service on Cleantek is to be effected by delivery to its solicitors at the address set forth below.

AND NOTICE IS FURTHER GIVEN that, at the hearing and subject to the foregoing, Shareholders and any other interested persons will be entitled to make representations as to, and the Court will be requested to consider, the fairness of the Arrangement. If you do not attend, either in person or by counsel, at that time, the Court may approve or refuse to approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court may deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a special meeting of the Shareholders for the purposes of such Shareholders voting upon a special resolution to approve the Arrangement and, in particular, has directed that registered Shareholders have the right to dissent under the provisions of Section 191 of the ABCA, as modified by the terms of the Plan of Arrangement and the Interim Order.

AND NOTICE IS FURTHER GIVEN that further notice in respect of these proceedings will only be given to those persons who have filed and served on Cleantek in accordance with the instructions herein, a Notice of Intention to Appear.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any Shareholder or other interested party requesting the same by the under-mentioned solicitors for Cleantek upon written request delivered to such solicitors as follows:

Solicitors for Cleantek:

Torys LLP
Suite 4600, Eighth Avenue Place East
525 8th Avenue S.W.
Calgary, Alberta T2P 1G1

Facsimile Number: (403) 776 - 3800
Attention: Janan Paskaran

DATED at the City of Calgary, in the Province of Alberta, this 29th day of September, 2021.

**BY ORDER OF THE BOARD OF
DIRECTORS OF CLEANTEK
INDUSTRIES INC.**

(signed) "Matt Gowanlock"

Matt Gowanlock
President
Cleantek Industries Inc.

COURT FILE NUMBER 2101-11789

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

MATTER IN THE MATTER OF SECTION 193 OF THE BUSINESS CORPORATIONS ACT, RSA 2000, c B-9, AS AMENDED
AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING CLEANTEK INDUSTRIES INC., THE SHAREHOLDERS OF CLEANTEK INDUSTRIES INC., AND RAISE PRODUCTION INC.

APPLICANT CLEANTEK INDUSTRIES INC.

RESPONDENTS Not Applicable

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Torys LLP
4600 Eighth Avenue Place
525 – Eighth Avenue SW
Calgary, AB T2P 1G1
Attention: Gino Bruni
Telephone: (403) 776-3776
Fax: (403) 776-3800
E-mail: gbruni@torys.com

DATE ON WHICH ORDER WAS PRONOUNCED: September 27, 2021

NAME OF JUDGE WHO MADE THIS ORDER: The Honorable Justice R A Graesser

LOCATION OF HEARING: Commercial Chambers, Edmonton, Alberta via WebEx

UPON the Originating Application (the “**Originating Application**”) of Cleantek Industries Inc. (“**Cleantek**” or the “**Applicant**”);

AND UPON reading the Originating Application, the affidavit of Matt Gowanlock, sworn September 24, 2021 (the “**Gowanlock Affidavit**”) and the documents referred to therein;

AND UPON HEARING counsel for the Applicant;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order (the “**Order**”) shall have the meanings attributed to them in the draft joint management information circular of Cleantek and Raise Productions Inc. (the “**Circular**”) which is attached as Exhibit “B” to the Gowanlock Affidavit; and
- (b) all references to “Arrangement” used herein mean the arrangement as set forth in the plan of arrangement attached as Exhibit “A” to the arrangement agreement (the “**Arrangement Agreement**”), which Arrangement Agreement is attached as Exhibit “A” to the Gowanlock Affidavit.

IT IS HEREBY ORDERED THAT:

General

- 1. The Applicant shall seek approval of the Arrangement as described in the Circular by the holders of common shares of Cleantek (the “**Cleantek Shareholders**”) in the manner set forth below.

The Meeting

- 2. The Applicant shall call and conduct a special meeting (the “**Meeting**”) of Cleantek Shareholders on or about 10:00 am (Calgary time) on October 27, 2021. At the Meeting, the Cleantek Shareholders will consider and vote upon a resolution to approve the Arrangement substantially in the form attached as Appendix A to the Circular (the “**Arrangement Resolution**”) and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Circular.
- 3. A quorum at the Meeting shall be two Cleantek Shareholders present in person or by proxy, and representing in the aggregate not less than five percent (5%) of the outstanding Class A common shares of Cleantek (“**Cleantek Shares**”) entitled to be voted at the Meeting.
- 4. If within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall stand adjourned to a date not less than two (2) and not more than 30 days later, as may be determined by the Chair of the Meeting. No notice of the adjourned meeting shall be required and, if at such adjourned meeting a quorum is not present, the Cleantek Shareholders present at the adjourned meeting in person or represented by proxy shall constitute a quorum for

all purposes.

5. Each Cleantek Share entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting.
6. The record date for Cleantek Shareholders entitled to receive notice of and vote at the Meeting shall be September 27, 2021 (the “**Record Date**”). Only Cleantek Shareholders whose names have been entered on the registers of Cleantek as at the close of business (5:00 pm Calgary time) on the Record Date will be entitled to receive notice of and to vote at the Meeting provided that, to the extent a Cleantek Shareholder transfers the ownership of any Cleantek Shares after the Record Date and the transferee of those Cleantek Shares produces properly endorsed Share certificates or otherwise establishes ownership of such Cleantek Shares and demands, not later than 10 days before the Meeting, to be included on the list of Cleantek Shareholders entitled to vote at the Meeting, such transferee will be entitled to vote those Cleantek Shares at the Meeting.
7. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the *ABCA*, the articles and by-laws of the Applicant in effect at the relevant time, the Circular, the rulings and directions of the Chair of the Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the *ABCA* or the articles or by-laws of the Applicant, the terms of this Order shall govern.

Conduct of the Meeting

8. The only persons entitled to attend the Meeting shall be Cleantek Shareholders or their authorized proxy holders, the Applicant’s directors and officers and its auditors, the Applicant’s legal counsel, representatives and legal counsel of other parties to the Arrangement, and such other persons who may be permitted to attend by the Chair of the Meeting.
9. The number of votes required to pass the Arrangement Resolution shall be not less than two-thirds of the votes cast by Cleantek Shareholders present in person or represented by proxy and entitled to vote at the Meeting.
10. To be valid, a proxy must be deposited with Cleantek’s transfer agent, Olympia Trust Company, in the manner described in the Circular.
11. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not

invalidate any resolution passed or proceedings taken at the Meeting.

12. The Applicant is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present, if applicable) and for such period or periods of time as the Applicant deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Cleantek Shareholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as the Applicant determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed, as the context allows.

Amendments to the Arrangement

13. The Applicant and Raise are authorized to make such amendments, revisions or supplements to the Arrangement as they may together determine necessary or desirable, provided that such amendments, revisions or supplements are made in accordance with and in the manner contemplated by the Arrangement and the Arrangement Agreement. The Arrangement so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, without need to return to this Court to amend this Order.

Amendments to Meeting Materials

14. The Applicant is authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Circular, form of proxy ("**Proxy**"), notice of the Meeting ("**Notice of Meeting**"), form of letter of transmittal ("**Letter of Transmittal**") and notice of Originating Application ("**Notice of Originating Application**") as it may determine, and the Applicant may disclose such Additional Information, including material changes, by the method and in the time most reasonably practicable in the circumstances as determined by the Applicant. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the Meeting, which change or fact, if known prior to mailing of the Circular, would have been disclosed in the Circular, then:

- (a) the Applicant shall advise the Cleantek Shareholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance with applicable securities laws and the policies of the TSXV Venture Exchange; and

- (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, the Applicant shall not be required to deliver an amendment to the Circular to the Cleantek Shareholders or otherwise give notice to the Cleantek Shareholders of the material change or material fact other than dissemination and filing of the News Release as aforesaid.

Dissent Rights

- 15. The registered holders of Shares of the Applicant are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 191 of the *ABCA* with respect to the Arrangement Resolution and the right be paid the fair value of their Cleantek Shares by the Applicant, Cleantek in respect of which such right to dissent was validly exercised.
- 16. In order for a registered Cleantek Shareholder (a “**Dissenting Shareholder**”) to exercise such right to dissent under section 191 of the *ABCA*:
 - (a) the Dissenting Shareholder’s written objection to the Arrangement Resolution together with the certificates, DRS Advices or documents representing Cleantek Shares must be received by the Applicant, care of its solicitors Torys LLP, Attention: Janan Paskaran, not later than 4:00 p.m. (Calgary time) on October 25, 2021 or 4:00 p.m. (Calgary time) on the business day that is two (2) business days immediately preceding the date that any adjournment or postponement of the Meeting is reconvened or held, as the case may be;
 - (b) a vote against the Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the Arrangement Resolution as required under clause 16(a) herein;
 - (c) a Dissenting Shareholder shall not have voted his or her Cleantek Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
 - (d) a Cleantek Shareholder may not exercise the right to dissent in respect of only a portion of the Shareholder’s Shares, but may dissent only with respect to all of the Shares held by the Shareholder; and
 - (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191 of the *ABCA*, as modified and supplemented by this Order and the Arrangement.

17. The fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the Cleantek Shareholders and shall be paid to the Dissenting Shareholders by Raise, as contemplated by the Arrangement and this Order.
18. Dissenting Shareholders who validly exercise their right to dissent, as set out in paragraphs 15 and 16 above, and who:
 - (i) are determined to be entitled to be paid the fair value of their Cleantek Shares, shall be deemed to have transferred such Cleantek Shares as of the effective time of the Arrangement (the “**Effective Time**”), without any further act or formality and free and clear of all liens, claims and encumbrances to Raise in exchange for the fair value of the Cleantek Shares; or
 - (ii) are, for any reason (including, for clarity, any withdrawal by any Dissenting Shareholder of their dissent) determined not to be entitled to be paid the fair value for their Cleantek Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder and such Cleantek Shares will be deemed to be exchanged for the consideration under the Arrangement,but in no event shall the Applicant, Raise or any other person be required to recognize such Cleantek Shareholders as holders of Cleantek Shares after the Effective Time, and the names of such Cleantek Shareholders shall be removed from the register of Cleantek Shares.
19. Subject to further order of this Court, the rights available to Cleantek Shareholders under the *ABCA* and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient dissent rights for the Cleantek Shareholders with respect to the Arrangement Resolution.
20. Notice to the Cleantek Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the *ABCA* and the Arrangement, the fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Circular which is to be sent to Cleantek Shareholders in accordance with paragraph 22 of this Order.

Notice

21. The Circular, substantially in the form attached as Exhibit “B” to the Gowanlock Affidavit, with such amendments thereto as counsel to the Applicant may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), and including the Notice of the Meeting, the Notice of Originating Application and this Order, together with any other communications or documents determined by the Applicant to be necessary or advisable including the Proxy and Letter of Transmittal (collectively, the “**Meeting Materials**”), shall be sent to those Cleantek Shareholders who hold Cleantek Shares, as of the Record Date, the directors of the Applicant, and the auditors of the Applicant, by one or more of the following methods:
 - (a) in the case of registered Cleantek Shareholders, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books and records of the Applicant as of the Record Date not later than 21 days prior to the Meeting;
 - (b) in the case of the directors and auditors of the Applicant, by email, pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors or firm of auditors, as applicable, not later than 21 days prior to the date of the Meeting.
22. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Cleantek Shareholders, the directors and auditors of the Applicant of:
 - (a) the Originating Application;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the Notice of Originating Application.

Final Application

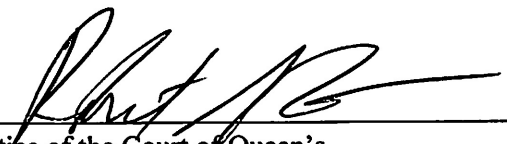
23. Subject to further order of this Court, and provided that the Cleantek Shareholders have approved the Arrangement in the manner directed by this Court and the directors of the Applicant have not revoked their approval, the Applicant may proceed with an application for a final Order of the

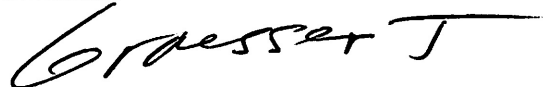
Court approving the Arrangement (the “**Final Order**”) on October 27, 2021 at 4:00 pm (Calgary time) or so soon thereafter as counsel may be heard. Subject to the Final Order and to the issuance of the proof of filing of the articles of arrangement, the Applicant, all Cleantek Shareholders and all other persons affected will be bound by the Arrangement in accordance with its terms.

24. Any Shareholder or other interested party (each an “**Interested Party**”) desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Applicant, on or before 4:00 p.m. (Calgary time) on October 20, 2021 a notice of intention to appear (“**Notice of Intention to Appear**”) including the Interested Party’s address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on the Applicant shall be effected by service upon the solicitors for the Applicant, Torys LLP, Attention: Janan Paskaran.
25. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 24 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

26. The Applicant is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.


Justice of the Court of Queen’s
Bench of Alberta



APPENDIX D – SECTION 191 OF THE ABCA

Shareholder's right to dissent

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to:

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under section 184 or 187,
- (d) be continued under the laws of another jurisdiction under section 189, or
- (e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2), (a) by the corporation, or (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5), to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall (a) be made on the same terms, and (b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and

(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation, (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court, (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares, (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent, (e) the appointment and payment of independent appraisers, and the procedures to be followed by them, (f) the service of documents, and (g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application, (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders, (c) fixing the time within which the corporation must pay that amount to a shareholder, and (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

(a) the action approved by the resolution from which the shareholder dissents becoming effective,

(b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or

(c) the pronouncement of an order under subsection (13), whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs, (a) the shareholder may withdraw the shareholder's dissent, or (b) the corporation may rescind the resolution, and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after (a) the pronouncement of an order under subsection (13), or (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares, notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon

as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or

(b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

APPENDIX E – PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1 INTERPRETATION

1.1 In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**Amalco**” means the corporation resulting from the amalgamation of Cleantek and Raise pursuant to subsection 3.1(e) hereof;

“**Amalco Post-Consolidation Shares**” means the common shares in the capital of Amalco after given effect to the Share Consolidation;

“**Applicable Laws**” means in relation to any Person, transaction or event, all applicable laws, statutes, rules, regulations, directives, published guidelines, standards, codes of practice, treaties, by-laws, ordinances, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders, judgments, orders, rulings, decrees, directives, writs and policies of, and the terms and conditions of any grant of approval, permission, authority or license of, any governmental or regulatory authority, and by which such Person or its business, properties, assets, undertaking or securities is or are bound or subject;

“**Arrangement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to the arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith or at the direction of the Court in the Final Order with the prior written consent of the parties, each acting reasonably;

“**Arrangement Agreement**” means the arrangement agreement between Raise and Cleantek dated July 12, 2021, as the same may be amended, amended and restated, modified or supplemented at any time or from time to time;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the parties, each acting reasonably;

“**Business Day**” means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for business;

“**Certificate of Arrangement**” means the certificate of arrangement or other evidence of filing issued by the Registrar under subsection 193(11) of the ABCA giving effect to the Arrangement;

“**Cleantek**” means Cleantek Industries Inc., a corporation existing under the laws of the Province of Alberta;

“**Cleantek Arrangement Resolution**” the special resolution of the Cleantek Shareholders to be considered at the Cleantek Meeting in respect of the Arrangement;

“**Cleantek Shareholders**” means holders of Cleantek Shares;

“**Cleantek Shares**” means common shares in the capital of Cleantek, as constituted on the date hereof;

“**Cleantek Warrants**” means Cleantek Share purchase warrants;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**Depository**” means Odyssey Trust Company or such other trust company that may be appointed by the Transaction Parties for the purpose of receiving deposits of certificates representing Cleantek Shares in connection with the Arrangement and as set out in the Letter of Transmittal;

“**Dissent Rights**” has the meaning ascribed to in in Article 4 of this Plan of Arrangement;

“**Dissenting Holder**” means a registered holder of Cleantek Shares that validly exercise its Dissent Rights;

“**Effective Date**” means the date the Arrangement becomes effective under the ABCA;

“**Effective Time**” means the time at which the Articles of Arrangement and Plan of Arrangement are filed with the Registrar on the Effective Date;

“**Final Order**” means the order of the Court in a form acceptable to the parties, each acting reasonably approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction (with the consent of the Transaction Parties, each acting reasonably) at any time prior to the Effective Time;

“**Letter of Transmittal**” means, collectively, the letter of transmittal pursuant to which the Cleantek Shareholders are required to deliver certificates representing Cleantek Shares and other required documents in order to receive the Amalco Post-Consolidation Shares issuable to them pursuant to the Arrangement;

“**Liens**” means any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third-party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“**Person**” means any individual, partnership, limited partnership, joint venture, trust, body corporate, unincorporated organization, committee, government or agency, or instrumentality thereof, or any other entity howsoever designated or constituted, including any governmental authority;

“**Registrar**” means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA;

“**Raise**” means Raise Production Inc., a corporation existing under the laws of the Province of Alberta;

“**Raise Pre-Consolidation Shares**” means the common shares in the capital of (i) Raise as constituted immediately prior to the Effective Time, and (ii) where the context permits, Amalco as constituted upon the amalgamation of Cleantek and Raise pursuant to subsection 3.1(e) hereof;

“**Replacement Warrants**” means the warrant to purchase Raise Pre-Consolidation Shares to be issued by Raise in exchange for each of the outstanding Cleantek Warrants at the Effective Time pursuant to Section 3.1(c) hereto;

“**Share Consolidation**” means the consolidation of the Raise Pre-Consolidation Shares on a one Amalco Post-Consolidation Share for every 58.3 Raise Pre-Consolidation Shares (1:58.3) basis;

“**Tax Act**” means the *Income Tax Act* (Canada); and

“**Transaction Parties**” means, collectively, Cleantek, Raise and, where the context permits, Amalco;

1.2 In this Plan of Arrangement, unless otherwise expressly stated:

- (a) the division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement;

- (b) the words “hereunder”, “hereof” and similar expressions refer to this Plan of Arrangement and not to any particular article, section or subsection and references to “articles”, “sections” and “subsections” are to articles, sections and subsections of this Plan of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing gender include all genders;
- (d) the word “including” shall not be exclusive, but shall mean “includes” or “including, without limiting the generality of the foregoing”;
- (e) references to sums of money are expressed in lawful money of Canada; and
- (f) to any statute or sections thereof referenced herein shall include such statute as amended or substituted and any regulations promulgated thereunder.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and other documents as required by the ABCA with the Registrar and the issue of the Certificate of Arrangement, will become effective on, and will be binding on and after, the Effective Time on: the Transaction Parties, all holders and beneficial owners of Cleantek Shares (including, for the avoidance of doubt, Cleantek Shareholders that exercise their Dissent Rights), and the Depositary (in its capacity as Depositary), in each case, without further act or formality required on the part of any Person.
- 2.3 The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3 ARRANGEMENT

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following sequential order without any further act or formality except as otherwise provided herein:
 - (a) Each of the Cleantek Shares held by Dissenting Holders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to Cleantek (free and clear of all Liens), and acquired and cancelled by Cleantek, in accordance with, and for the consideration contemplated in, Article 4, and:
 - (i) such Dissenting Holders shall cease to be the holders of such Cleantek Shares and to have any rights as holders of such Cleantek Shares other than the right to be paid fair value for such Cleantek Shares as set out in Section 4.1(a);
 - (ii) such Dissenting Holders’ names shall be removed as the holders of such Cleantek Shares from the registers of Cleantek Shares maintained by or on behalf of Cleantek; and
 - (iii) Cleantek shall be deemed to be the transferee of such Cleantek Shares free and clear of all Liens, and Cleantek shall be entered in the registers of Cleantek Shares maintained by or on behalf of Cleantek, as the holder of such Cleantek Shares as of the time of such cancellation;
 - (b) each Cleantek Share held by a Cleantek Shareholder shall be transferred to Raise and such Cleantek Shareholder shall receive 58.3 Raise Pre-Consolidated Shares for each Cleantek Share so transferred;

- (c) each Cleantek Warrant outstanding immediately prior to the Effective Time held by the holder thereof shall be exchanged for a Replacement Warrant to acquire from Raise, the number of Raise Pre-Consolidated Shares equal to the product of: (A) the number of Cleantek Shares subject to such Cleantek Warrant immediately prior to the Effective Time; multiplied by (B) 58.3, provided that, if the foregoing would result in the issuance of a fraction of a Raise Pre-Consolidated Share on any particular exercise of Replacement Warrant by a holder, then the number of Raise Pre-Consolidated Shares otherwise issued shall be rounded down to the nearest whole number of Raise Pre-Consolidated Shares, and:
 - (i) the exercise price per Raise Pre-Consolidated Share subject to a Replacement Warrant shall be an amount equal to the product of: (A) the exercise price per Cleantek Share subject to each such Cleantek Warrant immediately before the Effective Time; divided by (B) 58.3, rounded up to the nearest whole cent;
 - (ii) each such Replacement Warrant shall be on the same terms as the Cleantek Warrant it is replacing; and
 - (iii) the holder of such Cleantek Warrant will cease to be the holder of such Cleantek Warrant, will cease to have any rights as a holder in respect of such Cleantek Warrant, will be removed from the applicable register of the Cleantek Warrants, and all agreements relating thereto will be cancelled, and none of the Cleantek or Raise shall have any further liabilities or obligations with respect thereto;
 - (d) the stated capital account maintained by Cleantek for the issued and outstanding Cleantek Shares will be reduced, without repayment of capital, to \$1.00 in aggregate;
 - (e) Cleantek shall amalgamate with Raise under Section 184 of the ABCA and shall continue as one corporation (“**Amalco**”) under the name “Cleantek Industries Inc.” and pursuant thereto:
 - (i) all Cleantek Shares shall be cancelled without any repayment of capital in respect of those shares;
 - (ii) the articles of Amalco will be the same as the articles of Raise;
 - (iii) no securities shall be issued by Amalco in connection with such amalgamation;
 - (iv) the stated capital of Amalco shall be the same as the stated capital of Raise;
 - (v) all of the property of each of Cleantek and Raise shall continue to be the property of Amalco;
 - (vi) Amalco shall continue to be liable for all of the obligations of each of Cleantek and Raise;
 - (vii) any existing cause of action, claim or liability to prosecution of Cleantek or Raise shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against Cleantek or Raise may be continued to be prosecuted by or against Amalco; and
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, Cleantek or Raise may be enforced by or against Amalco;
 - (f) the Share Consolidation shall be completed.
- 3.2 The Transaction Parties shall make the appropriate entries in their respective securities registers to reflect the matters referred to in Section 3.1.
- 3.3 With respect to each Cleantek Shareholder at the Effective Time, upon the transfer of each Cleantek Share pursuant to Section 3.1:

- (a) each such Cleantek Shareholder shall cease to be a holder of the Cleantek Share so transferred and the name of such Cleantek Shareholder shall be removed from the register of holders of Cleantek Shares as it relates to the Cleantek Share so transferred;
 - (b) Raise shall be added to the register of holders of Cleantek Shares as it relates to the Cleantek Share so transferred to Raise; and
 - (c) Raise shall allot and issue to such Cleantek Shareholder the number of Amalco Post-Consolidation Shares issuable to such Cleantek Shareholder on the basis set forth in subsection 3.1 and the name of such Cleantek Shareholder shall be added to the register of holders of Amalco Post-Consolidation Shares.
- 3.4 The Transaction Parties and the Depositary shall be entitled to deduct and withhold from any consideration or amount payable to any Person such amounts as the Transaction Parties or the Depositary, as the case may be, is required or permitted to deduct and withhold with respect to such consideration or payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate governmental authority. To the extent that the amount so required to be deducted or withheld from any payment to a Person exceeds the consideration otherwise payable to the Person, the Transaction Parties and the Depositary are hereby authorized to sell or otherwise dispose of any property or amount otherwise payable to such Person to the extent necessary to provide sufficient funds to the Transaction Parties or the Depositary, as the case may be, to enable them to comply with such deduction or withholding requirement and the Transaction Parties or the Depositary shall remit to such Person any unapplied balance of the net proceeds of such sale.
- 3.5 The Arrangement shall be structured such that, assuming the resolutions approving the Arrangement are approved and the Final Order is obtained, the issuance of Raise Pre-Consolidation Shares (as consolidated into Amalco Post-Consolidation Shares) under the Arrangement will not require registration under the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, in reliance on Section 3(a)(10) thereof.

ARTICLE 4 DISSENT RIGHTS

- 4.1 Each registered Cleantek Shareholder may exercise rights of dissent with respect to the Cleantek Shares held by such registered Cleantek Shareholder in connection with the Arrangement pursuant to and in the manner set forth in Section 191 of the ABCA, as modified by the Interim Order and this Article 4 (“**Dissent Rights**”), provided that registered Cleantek Shareholders who exercise such Dissent Rights and who:
- (a) are ultimately entitled to be paid fair value for their Cleantek Shares shall:
 - (i) be deemed not to have participated in the transactions in subsection 3.1(b) through subsection 3.1(f), inclusive;
 - (ii) be paid an amount equal to such fair value by Cleantek;
 - (iii) not be entitled to any other payment or consideration, and
 - (iv) be deemed to have transferred their respective Cleantek Shares to Cleantek for cancellation at the Effective Time in accordance with subsection 3.1(a); or
 - (b) are ultimately not entitled, for any reason, to be paid fair value for their Cleantek Shares shall:
 - (i) be deemed not to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Cleantek Shares; and

- (ii) be entitled to receive only the consideration contemplated in subsection 3.1(b) through subsection 3.1(f), inclusive, that such Cleantek Shareholders would have received pursuant to the Arrangement if such Cleantek Shareholders had not exercised Dissent Rights;

and, notwithstanding the provisions of Section 191 of the ABCA, in no event shall the Transaction Parties or any other person be required to recognize any Cleantek Shareholders who exercise Dissent Rights as Cleantek Shareholders after the Effective Time.

- 4.2 The fair value of the Cleantek Shares shall be determined as of the close of business on the last business day before the day on which the Cleantek Arrangement Resolution is approved by the Cleantek Shareholders.
- 4.3 For greater certainty, in addition to any other restrictions in Section 191 of the ABCA, any person who has voted (including by way of instructing a proxy holder to vote) their Cleantek Shares in favour of the Cleantek Arrangement Resolution shall not be entitled to exercise Dissent Rights. In addition, a Dissenting Shareholder may only exercise Dissent Rights in respect of all, and not less than all, of its Cleantek Shares.
- 4.4 Notwithstanding subsection 191(5) of the ABCA, the written objection to the Cleantek Arrangement Resolution referred to in subsection 191(5) of the ABCA must be received in accordance with the Interim Order by Cleantek no later than 4:00 p.m. (Calgary time) on the second business day immediately preceding the day of the Cleantek Meeting.

ARTICLE 5

CLOSING PROCEDURES

- 5.1 From and after the Effective Time, certificates representing Cleantek Shares shall represent only the right to receive the consideration to which the holder of such Cleantek Share is entitled under the Arrangement.
- 5.2 Amalco shall cause the Depositary to, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Cleantek Shares of a duly completed Letter of Transmittal, the certificates representing such Cleantek Shares and such other documents and instruments as the Depositary may reasonably require, either:
 - (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
 - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder,the certificates for Amalco Post-Consolidation Shares which such holder has the right to receive pursuant to the Arrangement, net of any applicable withholding taxes.
- 5.3 Amalco's transfer agent shall register Amalco Post-Consolidation Shares in the name of each former Cleantek Shareholder entitled thereto or as otherwise instructed in the Letter of Transmittal deposited by such former Cleantek Shareholder and shall deliver such shares in accordance with Section 5.2 and the terms and conditions of the Letter of Transmittal.
- 5.4 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Cleantek Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of the Depositary and the Transaction Parties, which bond is in form and substance satisfactory to each of the Depositary and the Transaction Parties or shall otherwise indemnify the Depositary and the Transaction Parties against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

- 5.5 Notwithstanding anything herein contained, no fractional Amalco Post-Consolidation Shares will be issued. In the event that a holder would otherwise be entitled to a fractional Amalco Post-Consolidation Share hereunder, the number of Amalco Post-Consolidation Shares issued to such holder shall be rounded up to the next greater whole number of Amalco Post-Consolidation Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Amalco Post-Consolidation Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Cleantek Shares registered in the name of or beneficially held by such Cleantek Shareholder or its nominee shall be aggregated.
- 5.6 Any certificate formerly representing Cleantek Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature including the right of the holder of such certificate to receive Amalco Post-Consolidation Shares shall be deemed to be surrendered to Amalco together with, in the case of certificates formerly representing Cleantek Shares, all dividends paid or distributions made thereon held for such holder.
- 5.7 All dividends or other distributions made in respect of Amalco Post-Consolidation Shares to which a former Cleantek Shareholder is entitled in accordance with the terms of the Arrangement, but for which a certificate representing either the Amalco Post-Consolidation Shares has not been delivered to such Cleantek Shareholder in accordance with this Article 5, shall be paid or delivered to the Depositary to be held in trust for such Cleantek Shareholder for delivery to such shareholder, net of all applicable withholding and other taxes, upon delivery of the certificate in accordance with this Article 5, or surrendered to Amalco pursuant to Section 5.6 hereof, as the case may be.
- 5.8 Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third Persons of any kind.

ARTICLE 6 AMENDMENTS

- 6.1 The Transaction Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by each of the Transaction Parties, subject to the Arrangement Agreement, each acting reasonably; (iii) filed with the Court and, if made following the approval of the Cleantek Arrangement Resolution, approved by the Court; and (iv) communicated to the Cleantek Shareholders, if and as required by the Court.
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Cleantek and Raise at any time (provided that the other Transaction Party shall have consented thereto) with or without any other prior notice or communication, and, subject to any approval of Cleantek Shareholders required by the Court, shall become part of this Plan of Arrangement for all purposes.
- 6.3 Any amendment to this Plan of Arrangement that is approved by the Court following the approval of the Cleantek Arrangement Resolutions shall be effective only: (a) if it is consented to by each of the Transaction Parties, each acting reasonably; and (b) if required by the Court or Applicable Law, it is consented to by the Cleantek Shareholders voting in the manner directed by the Court.
- 6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time by the Transaction Parties, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of the Transaction Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any former Cleantek Shareholder.

ARTICLE 7
ADDITIONAL STEPS

- 7.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.
- 7.2 Subject to the terms of the Arrangement Agreement, Raise and Cleantek may mutually agree not to implement the Plan of Arrangement, notwithstanding the approval of the resolutions authorizing the Arrangement and the receipt of the Final Order.

APPENDIX F – EIGHT CAPITAL FAIRNESS OPINION

(See Attached)

STRICTLY PRIVATE AND CONFIDENTIAL

July 11, 2021

Cleantek Industries Inc.

Suite 3200, 500 – 4th Avenue SW
Calgary, AB T2P 2V6

Attention: Jesse Curlett, Chief Executive Officer.**Re: Written Fairness Opinion**

Eight Capital (“**Eight Capital**”, “**we**”, or “**us**”) understands that Cleantek Industries Inc. (“**Cleantek**”) is considering entering into an arrangement agreement (the “**Arrangement Agreement**”) with Raise Production Inc. (“**Raise**”) whereby Raise and Cleantek will complete a business combination pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (“**Transaction**”).

We also understand that all the material terms and conditions of the Arrangement Agreement will be described fully in a joint management information circular (the “**Circular**”) which will be prepared by Cleantek and Raise and mailed to the shareholders of Cleantek and Raise in connection with special meetings of the Cleantek shareholders and Raise shareholders to be held to consider the Arrangement Agreement, among other things.

In conjunction with the Transaction, Cleantek intends to complete a best efforts brokered financing for approximately \$10 million at a price of \$1.75 per unit, with each unit consisting of one common share one-half of one warrant. Each whole warrant shall entitle the holder thereof to purchase one Cleantek Share at an exercise price of \$2.25 at any time up to 36 months from the closing of the Transaction; provided that if, at any time prior to the expiry date of the warrants, the volume weighted average trading price of the common shares of the resulting issuer on the TSX-V, or other principal exchange on which the shares are listed, is greater than \$3.50 for 10 consecutive trading days, the resulting issuer may deliver a notice to the holders of warrants accelerating the expiry date of the warrants to the date that is 30 days following the date of such notice (the “**Financing**”).

We understand that the Transaction is conditional upon the satisfaction of certain customary conditions, including: (i) receipt of stock exchange and all regulatory approvals; (ii) receipt of all required shareholder approvals; (iii) all covenants of the parties to the Transaction shall have been performed on or before closing the Transaction; (iv) the representations and warranties of the parties to the Transaction shall be true and correct; and (v) a material adverse effect shall not have occurred with respect to Cleantek.

We further understand that directors, officers and major shareholders of Cleantek and Raise have entered into voting support agreements pursuant to which 70% of Cleantek shareholders, and 44% of Raise shareholders, have agreed to vote their shares in favour of the Transaction.

Engagement of Eight Capital

By letter agreement dated June 18, 2021 (the “**Engagement Agreement**”), the Company retained Eight Capital as its financial advisor to provide an opinion to the board of directors of Cleantek as to the fairness to Cleantek shareholders, from a financial point of view, of the consideration to be received by Cleantek shareholders pursuant to the Arrangement Agreement.

Under the terms of the Engagement Agreement, Eight Capital will be paid a fee for rendering this Opinion, no portion of which is conditional upon this Opinion being favourable. Eight Capital is also entitled to be reimbursed for reasonable out-of-pocket expenses incurred by Eight Capital in carrying out its obligations under the Engagement Agreement, whether or not the Transaction is completed. Cleantek has also agreed to indemnify Eight Capital in respect of certain liabilities that might arise out of our engagement.

Pursuant to the terms of the Engagement Agreement, all written and oral opinions, advice, analysis and materials provided by Eight Capital in connection with our engagement hereunder, including the contents of any oral or written presentations, are intended solely for the benefit of Cleantek and for internal use only in considering the Transaction and no such opinion, advice or material will be used for any other purpose whatsoever or reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner of for any purpose, without Eight Capital's prior written consent in each specific instance.

Relationship with Interested Parties

None of Eight Capital's associates or affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Cleantek, Raise or any of their respective associates or affiliates.

As of the date hereof, Eight Capital and its affiliates do not own or control any of the equity securities of Cleantek or Raise.

Aside from the Financing, neither Eight Capital nor any of its associates or affiliates have provided any financial advisory services or participated in any financings involving Cleantek, Raise, or any of their respective associates or affiliates within the past twelve months.

Eight Capital may, in the future, in the ordinary course of business, perform financial advisory or investment banking services for Cleantek, Raise or any of their respective associates or affiliates (the "**Transaction Parties**"). Eight Capital acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may, in the ordinary course of its business, have had and may in the future have positions in the securities of the Transaction parties and, from time to time, may have executed or may execute transactions on behalf of the Transaction parties or clients for which it received or may receive compensation. As an investment dealer, Eight Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Transaction parties or the Transaction. The rendering of this Opinion will not in any way affect Eight Capital's ability to continue to conduct such activities.

Credentials of Eight Capital

Eight Capital is one of Canada's leading independent full-service investment dealers with operations in mergers and acquisitions, corporate finance, equity sales and trading and investment research and a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. The Opinion expressed herein is the opinion of Eight Capital, the form and content of which have been approved for release by a committee of its executives, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

The assessment of fairness, from a financial point of view, must be determined in the context of the Transaction. In connection with rendering our Opinion, we have reviewed or carried out (as applicable), considered and relied upon, among other things, the following:

- Letter of Intent between Cleantek and Raise dated June 18, 2021;
- Arrangement Agreement;
- Voting support agreements;
- Certain other internal financial, operational, corporate and other information prepared or provided by the management of Cleantek and Raise;
- Historical unaudited annual and quarterly financial statements of Cleantek;
- Public filings submitted by Raise to securities commissions or similar regulatory authorities in Canada which are available on SEDAR, including audited annual financial statements, management information circulars, filing statements, material change reports, press releases and interim financial statements;

- Discussions with senior management of Cleantek with respect to the information referred to herein and other issues considered by Eight Capital to be relevant;
- Discussions with senior management of Raise with respect to the information referred to herein and other issues considered by Eight Capital to be relevant;
- Certain public information relating to the business, financial and operating performance and equity trading history of Raise and other selected public companies, to the extent considered by Eight Capital to be relevant;
- Public information with respect to other transactions of a comparable nature considered by Eight Capital to be relevant;
- Various studies relating to the illiquidity and lack of marketability for private companies and associated discounts applied to selected public market statistics in respect of such private companies;
- Selected investment research reports published by equity research analysts and industry sources regarding the oil field services and wastewater disposal sectors; and
- Such other economic, financial market, industry and corporate information, investigations and analyses as Eight Capital considered necessary and appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access by Cleantek or Raise to any information which we requested. Eight Capital has assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, including information relating to Cleantek and Raise, or provided to us as typical of this type of engagement. Eight Capital has not attempted to verify the accuracy or completeness of any such information, data, advice, opinions and representations.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of Cleantek, Raise or any of their respective affiliates or of any of the assets, liabilities or securities of Cleantek, Raise or any of their respective affiliates, and our opinion should not be construed as such. In addition, our opinion is not, and should not be construed as, advice as to the price at which equity securities of Cleantek may trade or be valued at any future date.

With Cleantek's approval, we have relied upon and have assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by Cleantek and its respective affiliates or otherwise obtained pursuant to our engagement and our opinion is conditional upon such completeness, accuracy and fair presentation. Subject to the exercise of professional judgement and except as expressly described herein, we have not been requested to, or attempted to verify independently the completeness, accuracy or fairness of presentation of any of such information. We have not conducted or provided any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of Cleantek, Raise or any of their respective affiliates under any provincial or federal laws relating to bankruptcy, insolvency or similar matters. Without limiting the foregoing, we have not separately met with the independent auditor of Cleantek or Raise in connection with preparing our Opinion and with Cleantek's permission we have assumed the accuracy and fair presentation, and relied upon, among other things, Cleantek's audited financial statements Raise's audited financial statements and the reports of auditors thereon, and the interim unaudited financial statements of each of Cleantek and Raise.

With respect to historical financial data, operating and financial forecasts and budgets and other forward-looking information provided to us concerning Cleantek described under "Scope of Review" and relied upon in our analysis, we have assumed that they have been reasonably prepared on a basis reflecting the most reasonable assumptions, estimates and judgments of management of Cleantek, having regard to its business, plans, financial conditions and future prospects.

In providing our Opinion, we have also assumed that: (i) all of the representations and warranties contained in the Arrangement Agreement are materially correct as of the date hereof; (ii) each of the parties to the Agreement will comply in all material respects with the terms of the Agreement; (iii) any governmental,

regulatory or other consents and approvals necessary for the completion of the Transaction will be waived or satisfied without any adverse effect on the Transaction or the parties thereto; (iv) the Transaction will be completed substantially in accordance with its terms as set forth in the Agreement and without any adverse waiver or amendment of any material term or condition thereof and all applicable laws.

Except as expressly noted above and “Scope of Review”, we have not conducted any investigation concerning the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Cleantek, Raise or any of their respective affiliates.

Cleantek has represented to us, in a certificate of the Chief Executive Officer and the President of Cleantek dated the date hereof, among other things, that the information (financial or otherwise), data, documents and other materials of whatsoever nature or kind provided to us by or on behalf of Cleantek regarding Cleantek and its subsidiaries and their respective assets, including, without limitation, the written information and discussions concerning Cleantek referred to above under the heading “Scope of Review” (collectively, the “**Information**”), are true, complete and correct at the date the Information was provided to us and that, since the date on which the Information was provided to us, there has been no material change, financial or otherwise;

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Transaction or the sufficiency of our Opinion for Cleantek’s purposes.

In rendering our Opinion, Eight Capital expresses no view as to the likelihood that the conditions to the Transaction will be satisfied or waived, or that the Transaction will be implemented within the time frame to be set out in the Arrangement.

Our Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Cleantek, as they are reflected in the Information or otherwise obtained by us from public sources including the materials noted above under “Scope of Review”, and as they were represented to us in our discussions with management of Cleantek and its affiliates and advisors. Our Opinion is conditional on all assumptions being correct.

Our Opinion is provided to the Board of Directors of Cleantek for its exclusive use only in considering the Transaction and may not be relied upon by any other person, used for any other purpose or published or disclosed to any other person without the prior written consent of Eight Capital. Our Opinion is not intended to be and does not constitute a recommendation to the Board of Directors or to any Cleantek shareholder, security holder or creditor. Our Opinion does not address the relative merits of the Transaction compared to any other business strategies or transactions that might be available to Cleantek.

Eight Capital believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying our Opinion. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry this out could lead to undue emphasis on any particular factor or analysis.

Our Opinion is given as of the date hereof and we disclaim any undertaking or obligation to advise any person of any change in any matter or fact affecting our Opinion that may come or be brought to our attention after the date hereof. Without limiting the foregoing, in the event there is any material change in any fact or matter affecting our Opinion after the date hereof, we reserve the right to change or withdraw our Opinion.

Approach to Fairness

In considering the fairness of the consideration to be received pursuant to the Transaction, from a financial point of view, to the Cleantek shareholders, taken as a whole, Eight Capital principally considered and relied upon the following approaches: (i) a comparison of selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Transaction; (ii) a comparison of selected financial multiples of comparable trading public companies (adjusted for a private company discount and a control premium for Cleantek) and the implied value for Cleantek and Raise; (iii) for Raise, an analysis of historical trading and sum of the parts valuation; and (iv) for Cleantek, a discounted cash flow analysis.

Opinion

Based upon and subject to the foregoing and such other matters as we consider relevant, it is our opinion that, as of the date hereof, the consideration to be received by the Cleantek shareholders pursuant to the Arrangement Agreement is fair, from a financial point of view, to Cleantek shareholders.

Yours very truly,

Eight Capital

Eight Capital

APPENDIX G – WHITEHORN CAPITAL FAIRNESS OPINION

(See Attached)

July 11, 2021

Special Committee of the Board of Directors of CleanTek Industries Inc.
3200 – 500, 4th Ave SW
Calgary, Alberta
T2P 2V6

To the Special Committee of the Board of Directors:

Whitehorn Merchant Capital Inc. (“Whitehorn”, “we”, “us”, or “our”) understands that Raise Production Inc. (“Raise”), and CleanTek Industries Inc. (“CleanTek” or the “Company”) propose to enter into an arrangement agreement (the “PAA”) to be dated July 12, 2021 to effect a business combination which would constitute a reverse takeover transaction (the “Transaction”).

As agreed in the PAA, Raise will acquire the shares of CleanTek in a share exchange transaction where CleanTek shareholders will receive 58.3 Raise shares for each CleanTek share. The transaction is conditional upon, among other things, the completion of a private placement offering by CleanTek of subscription receipts at an issue price of \$1.75 per subscription receipt for minimum gross proceeds of \$10MM.

We understand a special committee (the “Special Committee”) of the board of directors (“Board of Directors”) of CleanTek was established to review the Transaction and make recommendations to the Board of Directors. The Special Committee retained Whitehorn to prepare and deliver to the Board Whitehorn’s opinion (the “Fairness Opinion”) as to the fairness of the Transaction from a financial point of view to CleanTek’s shareholders. Whitehorn has not prepared a valuation of the Company, Raise or any of their securities or assets and the Fairness Opinion should not be construed as such.

Whitehorn understands that PillarFour Capital Fund I LP; PillarFour Capital Parallel Fund I LP; Lyle Wood Contracting Ltd.; and Rogers Financial Management Corp., which collectively own approximately 72.4% of CleanTek’s commons shares, as of the date hereof, intend to enter into support agreements with Raise whereby they will agree, subject to the terms and conditions contained therein, to vote in favour of the Transaction.

ENGAGEMENT

A member of the Board contacted Whitehorn regarding a potential assignment on July 1, 2021, and Whitehorn was formally engaged by the Board through an agreement between the Company and Whitehorn (the “Engagement Agreement”) on July 2, 2021. The terms of the Engagement Agreement provide that Whitehorn is to be paid a fee for the delivery of the Fairness Opinion. The fee payable to Whitehorn is not contingent in whole or in part upon the conclusion reached in the Fairness Opinion, nor upon completion of the Transaction. In addition, Whitehorn is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. Whitehorn consents to the inclusion of the Fairness Opinion in its entirety and a summary thereof in the circular to be shared with shareholders of CleanTek and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

CREDENTIALS OF WHITEHORN

Whitehorn is an independent, Western Canadian financial advisory firm that provides business owners and management teams with corporate transaction services, including advice pertaining to mergers & acquisition, sale of business and financing transactions. Whitehorn assists businesses of many sizes across a variety of industries in Western Canada and offers a unique depth of knowledge in capital markets, transaction processes and business valuation. The Fairness Opinion expressed herein represents the opinion of Whitehorn and the form and content herein have been approved for release by its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

INDEPENDENCE OF WHITEHORN

None of Whitehorn or its associates or affiliates is an insider, associate, or affiliate (as those terms are defined in the Securities Act (Alberta)), or a related entity of CleanTek or its respective associates, affiliates, or insiders.

With the exception of a fairness opinion engagement in April 2021, Whitehorn has not provided any financial advisory services or participated in any equity financings involving CleanTek in the last two years.

There are no understandings, agreements, or commitments between Whitehorn and CleanTek or any of their respective associates, affiliates, or insiders with respect to any future business dealings. Whitehorn may, in the future, in the ordinary course of its business, perform financial advisory or corporate finance services for CleanTek or any of their respective associates, affiliates, or insiders. Whitehorn does not believe that any of these relationships affects Whitehorn's independence with respect to the Fairness Opinion.

SCOPE OF REVIEW

In preparing the Fairness Opinion, Whitehorn has, among other things, reviewed and, where it considered appropriate, relied upon certain financial and other information relating to CleanTek and Raise, certain reports and information provided by management of CleanTek and other publicly available information. (collectively, the "Information" as it relates to the Company and the "Raise Information" as it relates to Raise). Appendix A, sets forth the principal documents and key information Whitehorn reviewed, considered and, where it considered appropriate, relied upon.

ASSUMPTIONS AND LIMITATIONS

With the approval of the Special Committee and as provided in the Engagement Agreement, Whitehorn has relied upon and has assumed the completeness, accuracy and fair presentation of all of the financial information (including, without limitation, the historic and projected financial statements of the Company and Raise) and other information, data, advice, opinions or representations obtained from public sources, or provided to it by CleanTek or their subsidiaries or affiliates

The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of the Information and the Raise Information. Subject to the exercise of our professional judgement and except as expressly described herein, Whitehorn has not attempted to verify independently the accuracy or completeness of any of such information, data, advice, opinions, representations, business plans, forecasts or projections. We are not legal, regulatory, accounting or tax experts and have relied on the assessments made by the Company and their advisors with respect to such matters.

CleanTek's management has represented to Whitehorn, in a representation letter dated as at the date hereof that, amongst other things, to the best of the knowledge of CleanTek: (a) the information opinions and representations relating to CleanTek provided to Whitehorn are complete, true and correct in all material respects; (b) since the date the relevant information was provided, there has

been no material change in CleanTek or any of their subsidiaries and no material change has occurred in the information or any part thereof which would reasonably be expected to have a material effect on the Fairness Opinion; and (c) with respect to any portions of the information that constitute forecasts, projections or estimates, such forecasts, projections or estimates were prepared using the assumptions identified therein, which in the belief of CleanTek's management, as the case may be, are reasonable in the circumstances, and are not misleading in any material respect in light of the assumptions used.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company, Raise and their respective subsidiaries and affiliates, as they were reflected in the Information and the Raise Information as they have been represented to Whitehorn in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, Whitehorn made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Whitehorn or any party involved in the Transaction. Whitehorn also assumed that all the conditions required to close the Transaction will be met and the Transaction will close as agreed to in the PAA.

Our analysis must be considered as a whole. Selecting portions of our analysis and of the factors considered, without considering all factors and analysis in connection with the preparation of the Fairness Opinion could create a misleading view of the processes underlying the Fairness Opinion.

The Fairness Opinion has been provided for the use of the Special Committee and the Board of Directors and may not be used by any other person or relied upon by any other person other than the Special Committee and the Board of Directors without the express prior written consent of Whitehorn. The Fairness Opinion is given as of the date hereof and Whitehorn disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Whitehorn's attention after the date hereof. Without limiting the foregoing, Whitehorn will be entitled, at any time prior to the completion of the Transaction, to withdraw, change or supplement its Fairness Opinion, if Whitehorn concludes that there has been a material change in the business and affairs of CleanTek, a change in material fact, an omission to state a material fact, a material change in the factors upon the Fairness Opinion is based, or if Whitehorn becomes aware of any information not previously known by Whitehorn, regardless of the source, which in its opinion would make misleading in any material respect such Fairness Opinion.

APPROACH & METHODOLOGY

Approach to Fairness

In considering the fairness of the Transaction from a financial point of view to the shareholders, Whitehorn considered and performed certain value analyses on the Company and Raise based on methodologies and assumptions that Whitehorn considered appropriate in the circumstances for the purposes of providing the Fairness Opinion. In addition to other methods, Whitehorn utilized a discounted cash flow method, capitalized EBITDA method and the tangible asset value method for CleanTek. In addition to other methods, Whitehorn relied on a build-up of the present value of the cash flows from the licensing business, value of its public listing, tax asset value, and the option value on its HART™ technology to calculate the equity value of Raise.

In arriving at our Fairness Opinion conclusion, we did not attribute any weight to any specific approach or analysis. We made our determination as to fairness of the Transaction to CleanTek from a financial point of view upon reviewing all the information as a whole and developing qualitative judgments based on our experience.

CONCLUSION

Based upon and subject to the foregoing, Whitehorn is of the opinion that, as of the date hereof, that the Transaction is fair from a financial point of view to the Company.

Whitehorn Merchant Capital Inc

Dated: July 11, 2021

APPENDIX A

SCOPE OF REVIEW – LIST OF INFORMATION

The following, among other things, sets forth the principal documents and key information Whitehorn reviewed, considered and, where it considered appropriate, relied upon:

1. The draft Arrangement Agreement to be dated July 12, 2021;
2. The Letter of Intent dated June 18, 2021 between Raise and CleanTek;
3. Interviews and discussions with members of CleanTek's senior management and board members with regard to its current business operations, financial and strategic plans, and future prospects;
4. Current and historical market trading information regarding selected public companies considered relevant;
5. Public information regarding transactions of a comparable nature considered by Whitehorn to be relevant;
6. Publicly available information related to the oil and gas industry in North America; and
7. Such other corporate, industry, and financial markets information, investigations, and analysis as Whitehorn deemed necessary or appropriate in the circumstances.

The following Financial & Tax information for CleanTek:

8. Management's financial statement model for fiscal years ended December 31, 2020 to December 31, 2024;
9. The consolidated, audited financials for the fiscal years ended December 31, 2018 and December 31, 2019;
10. The consolidated, unaudited, monthly reporting package for March 2021 and May 2021;
11. Top 10 customers by revenue in 2018, 2019 and 2020;
12. Fixed asset register dated December 31, 2020;
13. Equipment leases;
14. Banking Agreements;
 - Letter of agreements between Bank of Montreal ("BMO") and Apollo Energy Services Corp. dated April 18, 2017, September 20, 2018 and January 29, 2019;
 - Loan agreement documents between Roynat Inc. ("Roynat") and Horizon Oilfield Solutions Inc. dated April 7, 2014 and March 12, 2019;
 - Lease agreement between Jupiter Resources Inc. ("Jupiter") and CleanTek dated November 18, 2020;
 - Loan agreement between Brian & George Bertram and CleanTek dated October 22, 2019;
 - Loan agreement between Old Kent Road Financial Loan Adminco Ltd. ("OKR") and CleanTek dated August 6, 2019;
15. Forbearance Agreements;
 - Forbearance agreements between Roynat and CleanTek dated December 4, 2020 & June 11, 2021;
 - Forbearance agreement between the BMO and Apollo Energy Services Corp and Apollo Lighting Solutions Inc. dated December 14, 2020 & April 30, 2021;

16. Tax;
 - Corporate income tax returns for CleanTek dated April 6, 2021 for the period ended December 31, 2019;
 - Corporate income tax returns for CleanTek dated March 11, 2020 for the period ended December 31, 2018;
17. Bank / Debt Payout schedule for CleanTek estimated at May 31, 2021; and
18. Aging reports dated March 31, 2021 for accounts payable and accounts receivable.

The following Operating Information for CleanTek:

18. Corporate presentation dated February 2021;
19. HSE overview for CleanTek dated February 2021;
20. Detailed patent portfolio status report dated November 2020;
21. HR Organizational chart as of January 18, 2021;

The following Information for Raise:

27. Managements Corporate Financial Model, dated June 2021;
28. Revenue by customer in 2018, 2019, 2020 and 2021;
29. Corporate income tax returns at December 2019;
30. License Agreement between Raise and Q2 Artificial Lift Services dated, April 20, 2021;
31. Audited annual financial statements for the year ended December 31, 2020;
32. Management's discussion and analysis for the three months and the full year ended March 31, 2021 and December 31, 2020, respectively; and
36. Other relevant publicly available information as filed on the SEDAR Web Site under Raise Production Inc.

APPENDIX H – INFORMATION CONCERNING CLEANTEK INDUSTRIES INC.

Notice to Reader

Unless otherwise specifically noted, all share numbers presented in this Appendix H are after giving effect to the 12:1 consolidation of Cleantek Shares that occurred on August 27, 2021. Capitalized terms used in this Appendix H but not otherwise defined herein have the meanings set forth in the “*Glossary of Terms*” in the Circular.

Corporate Structure

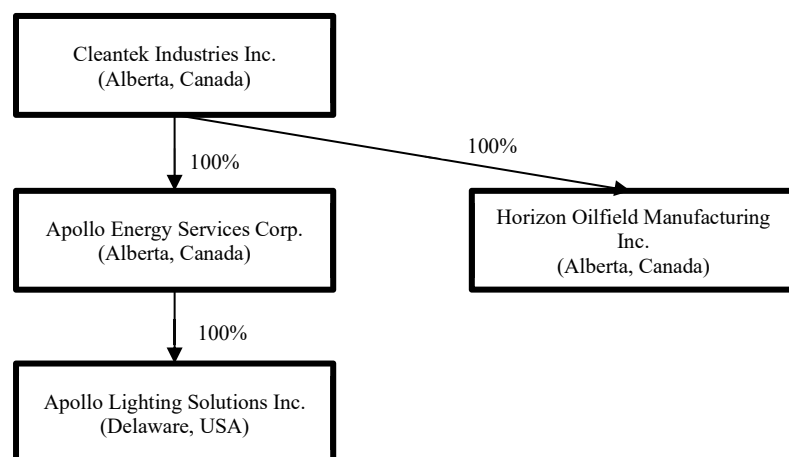
Cleantek was incorporated under the ABCA under the name “Horizon Oilfield Services Inc.” on August 5, 2009. It amended its articles to change its name to “Cleantek Industries Inc.” on December 20, 2017.

Cleantek’s head and registered office is located at Suite 3200, 500 – 4th Ave S.W. Calgary, Alberta T2P 2V6.

Cleantek currently has 28 employees.

Intercorporate Relationships

The following chart identifies Cleantek’s current subsidiaries, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly by Cleantek.



As of December 31, 2020, the following subsidiaries of Cleantek had total assets or operating revenues that exceed 10% of the consolidated assets and operating revenues of Cleantek.

Company	Revenue		Assets	
	\$	%	\$	%
Apollo Energy Services Corp	635,087.00	8	4,512,000.00	20
Apollo Lighting Solutions Inc.	3,254,694.00	43	2,926,000.00	13

General Development of the Business

Cleantek is an environmental technology-based company that provides specialized and fully integrated wastewater treatment/disposal along with Cleantek’s turnkey environmental equipment rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele, providing water treatment/disposal services alongside its lighting division. Cleantek prioritizes people and the environment through its high-performance safety focused culture and experienced technical professionals are committed to providing environmentally friendly cost-effective solutions to its clients.

2018

During 2018, Cleantek completed a convertible debt financing for aggregate proceeds of approximately \$6 million. The proceeds of the convertible debt financing were used for the research and development of the ZeroE technology and the remaining portion was used to grow the fleet of HALO lighting systems.

In October of 2018, Cleantek acquired a 100% interest in Apollo Energy Services Corp. (“**Apollo**”) for an aggregate purchase price of \$5,900,000 (the “**Apollo Acquisition**”), the consideration for which was paid entirely through the issuance of Cleantek Shares. As part of the Apollo Acquisition, Cleantek also acquired Apollo Lighting Solutions Inc. (“**Apollo Lighting**”), Apollo’s subsidiary. As a result of the Apollo Acquisition, Cleantek was able to introduce updated light weight designs of the HALO™ crown-mounted lighting system for lease lighting and increase its U.S. market share by approximately 50%, as the acquisition of Apollo Lighting resulted in Cleantek gaining access to all Apollo Lighting’s U.S. based clients.

Cleantek continued with the R&D stages of its permanent large-scale wastewater treatment/vaporization technology “PZeroE” in 2018. This technology was complementary to Cleantek’s rental division as both services are often provided to the same clients in the same geographical area.

Throughout 2018, Cleantek’s light tower business continued steady utilization, with minimal asset base growth. HALO rentals saw strong continued growth in its operations, with a growing fleet of highly utilized assets. The dehydration rentals for Cleantek’s Cleansteam and DZeroE products saw a strong demand in the Western Canadian basins and high utilization.

2019

Cleantek worked on research, development, and field testing for the PZeroE technology, ending the year with a basic framework and workplan allowing clear visibility on finalizing the PZeroE technology for commercial deployment.

During 2019, Cleantek continued to maintain strong utilization in the lines of business for light tower rentals, with no new assets being added to the fleet of available units for rent. HALO rentals saw continued growth in their operations, with a growing fleet of assets in both the Canadian and U.S. markets. The dehydration rentals for Cleantek’s Cleansteam and DZeroE products saw a slight drop in utilization in Canadian market, and as a result of this market shift management ended the year with plans to deploy units to the U.S. market to bolster demand, while no additional assets were added to the DZeroE fleet.

In December 2019, Cleantek expanded its executive team by hiring Jesse Curlett, as CEO, and Matt Gowanlock, as President.

2020

During 2020, a global oversupply of oil caused a decline in commodity prices, which drove a reduction in drilling and production activity in both Canada and the USA. Cleantek’s profitability was affected by this decline and the resulting highly competitive market for the remaining work in the sector. This was exasperated with the global spread of COVID-19, which affected Cleantek’s operations by further impacting the world’s demand for oil and gas, adding to the already depressed commodity prices. The sharply decreased commodity prices lead to a further and rapid decrease in active drilling rigs in both Canada and the USA, which in turn impacted Cleantek’s utilization and rental rates, reducing top line revenue by upwards of 65% during the peak of the decline.

During 2020, Cleantek moved away from its in-house manufacturing process and began working with strategic vendors, which provided a drastic reduction in Cleantek’s overhead and operating expenses, while still providing Cleantek continued access to produce quality equipment through the strategic vendors. Cleantek’s lines of business were impacted across all product lines by the COVID-19 pandemic and the heavy discount on commodity pricing. As a result, very few new assets were added and Cleantek experienced a significant reduction in revenue. However, by the end of 2020, Cleantek saw market demand increase with a correlating increase in utilization and revenue.

During 2020, Cleantek converted over \$15 million of debt into equity by converting unsecured debt in the form of debentures, accounts payable, and long-term debt to equity at \$0.10 per Cleantek Share. This allowed Cleantek to

improve its balance sheet with regards to its debt service commitments and provided stability as it worked through the global COVID-19 pandemic and market conditions.

During 2020, Cleantek successfully completed the research, development, and engineering of the facility wastewater treatments/vaporization systems “PZeroE” and completed the construction, installation, and commissioning of the first of the PZeroE systems. The PZeroE is currently deployed on location and continued to be in operation providing additional data to Cleantek to further the PZeroE technology.

On November 18, 2020, Cleantek entered an amended contract with Jupiter Resources Inc. for the long term services of two PZeroE systems, for an aggregate estimated operating revenue in excess of \$6 million dollars over the contracted term. The amended contract supplied Cleantek with the required capital to produce and deploy the first of the PZeroE systems that were originally contracted.

2021

On July 12, 2021, Cleantek entered into an Arrangement Agreement with Raise.

On August 27, 2021, Cleantek effected a 12:1 consolidation of the Cleantek Shares that was previously approved by Cleantek Shareholders.

On September 24, 2021, Cleantek entered into a new senior secured credit agreement (the “**Credit Agreement**”) with an established Canadian based lender. The Credit Agreement is comprised of a \$7.5 million senior secured term loan facility (the “**Term Facility**”) and a \$2.5 million senior secured revolving loan facility (the “**Revolving Facility**”), maturing in October 2023. Loans made under the Term Facility and the Revolving Facility will bear interest, at an annual rate equal to the greater of (a) 9.00% and, (b) the TD Prime Rate, plus 6.55%.

During 2021, Cleantek has seen a rise in revenue and equipment utilization across all equipment lines, as the market continued to recover.

DESCRIPTION OF BUSINESS

Cleantek is an environmental technology-based company that provides specialized and fully integrated wastewater treatment/disposal along with its turnkey environmental equipment rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele, providing water treatment/disposal services alongside its lighting division. Cleantek prioritizes people and the environment through its high-performance safety focused culture and experienced technical professionals that are committed to providing environmentally friendly cost-effective solutions to its clients.

Cleantek provides technology-based solutions for increasingly demanding water treatment/disposal sector along with location lighting to provide safe working conditions for 24 hour operations. Cleantek provides its technology & services in some of the most active areas in Canada and the U.S. Its environmental, safety and operational performance have enabled it to establish and maintain a blue-chip client base, including many E&P companies in North America.

Founded in 2010, Cleantek has grown its business from a diesel powered, wastewater treatment/vaporization solutions provider at inception to an integrated waste heat powered, water treatment/vaporisation technology provider. This has been accomplished through both the organic development of specialized equipment and through strategic acquisitions. Cleantek was capitalized in 2010 and began rental and service operations in 2011, with the delivery of its first diesel powered water treatment and dehydration unit. In 2012, Cleantek expanded its initial operations through the development of additional technology by launching the solar hybrid lighting tower line. Over the course of 2013 and 2014, Cleantek organically built-out its Canadian operations, increasing its fleet size to meet the market demand. In 2017, Cleantek extended its water treatment/vaporization operations with the development of the waste heat powered water treatment and vaporization technology “DZeroE”, designed to service water treatment and disposal needs at location during drilling operations, Cleantek’s rental model has allowed it to expand these services and offerings in the U.S. See “*Description of the Business — Environmental Equipment Rental Services*”.

Cleantek began the research and development stages of its permanent large scale wastewater treatment/vaporization technology “PZeroE” in 2018. This technology was complementary to Cleantek’s rental division as both services are often provided to the same clients in the same geographical area. Cleantek completed all research and development,

and field pilot testing throughout 2018-2019, moving into final engineering & design of the commercial PZeroE product line in early 2020. In Q4 of 2020, Cleantek deployed its first full scale PZeroE unit on a long term contracted project, with a second contracted unit planned for construction and deployment in late 2021. This set the foundation of its large-scale permanent wastewater treatment/vaporization business line. See “*Description of the Business — Facility Waste Heat - Wastewater Treatment & Vaporization*”.

Each of Cleantek’s business units have experienced growth from inception and, as a result, Cleantek’s employee headcount has increased from three when it commenced business in 2010 to 28 as at the date hereof. Cleantek has been successful maintaining a team of talented, experienced professionals through the impacts of COVID and the downturn of the market that followed. Since inception, Cleantek has been focused on delivering unparalleled execution of its services while maintaining a key focus on environmental sustainability and an industry leading safety culture. As a result of its efficient operations, Cleantek continues to generate positive Adjusted EBITDA.

As at the date hereof, Cleantek had a fleet of over 200 mobile light tower systems, 120 HALO lighting systems, and a dehydration fleet of over 70 units, with approximately 35% of all equipment currently deployed and staffed with 24-hour service throughout the Canadian and U.S. market, with the balance expected to be deployed following maintenance and refurbishment activities, as market conditions improve.

Cleantek believes the demand for its services offering will increase over the near, medium and long terms as a result of a number of favourable industry trends. While activity has recently improved, supported by a recovery in commodity prices from the lows experienced in early 2020, Cleantek believes there are fundamental supply and demand trends that will benefit it, including expected increases in:

- demand for ESG focused solutions from all sectors;
- client capital drilling programs focused in many of the basins in Canada and the U.S. for 2021; and
- further scrutiny on how the industry handles and disposes of their wastewater streams.

The result of these trends is an expected increase in overall activity, creating an expected increase in the demand for Cleantek’s services.

Cleantek believes that as the industry goes through an expected recovery in 2021 and 2022, demand and pricing for its services and technology offerings will be further enhanced by a reduction in available equipment as a result of:

- lack of sustainable, commercially viable wastewater treatment & disposal options;
- lack of recent industry investment towards new-build equipment;
- a focus by incumbents on capital conservation hindering their ability to capitalize on growth opportunities;
- lack of investments to repair and maintain existing fleets;
- cannibalization of existing parked equipment, rendering it unusable without significant repair and/or investment;
- lack of capital investment, which is required to modernize fleets;
- challenges in connection with hiring skilled labour; and
- increased client focus on well-capitalized, safe and efficient service providers that can meet or exceed their requirements.

Cleantek’s management believes that these factors, combined with Cleantek’s cutting-edge equipment, talented professionals, and safety culture, will enable it to opportunistically deploy its idle capacity following maintenance, rebranding, and refurbishment activities. Cleantek’s management believes new business opportunities in both Canada and the U.S. will become available in the context of a market recovery and through market adoption of the ZeroE technology. Cleantek is positioned to capitalize on these expansion opportunities as and when they become available

with its cutting-edge equipment, proven ability to attract and retain professionals and its track record of deploying of capital with purpose.

Environmental Equipment Rental Services

Environmental equipment rental services involve the deployment of assets in a timely manner, providing clients with the equipment needed on location at any given time. The equipment offered through this business unit is primarily mobile lighting solutions and mobile wastewater treatment/dehydration systems. All equipment provided by Cleantek is serviced in the field by Cleantek's team of field technicians, allowing for greater quality control and operating efficiency.

Cleantek began its environmental equipment rental operations in 2011, following the development and fabrication of its first diesel powered wastewater treatment/dehydration unit "Cleansteam", which was followed by the launch of the solar hybrid lighting systems in 2013. As it continued to develop new technology in 2017, Cleantek added the waste heat powered wastewater treatment/dehydration units "DZeorE" to its growing fleet of equipment. With the continued market penetration, Cleantek looked for accretive acquisitions to expand its offerings and geographical footprint, and in October of 2018 acquired Apollo and its U.S. subsidiary, Apollo Lighting, through an all-share transaction. The Apollo Acquisition included the acquisition of assets consisting of over 20 mobile stadium style lighting systems and over 40 patented HALO lighting units in use throughout Canada and the U.S., giving Cleantek immediate access to the U.S. market and all of Apollo's existing clients.

As at July 31, 2021, Cleantek's environmental rental equipment and services line accounted for 95% of the last three month's revenue. The success of Cleantek's environmental rental equipment line is in part attributable to the reliable, safe, and efficient turnkey services coupled with its environmental cost-effective equipment. Cleantek's dedicated staff ensure the right people and equipment are at the right location on time and in place to operate when required.

Facility Waste Heat - Wastewater Treatment & Vaporization

Facility waste heat - wastewater treatment & vaporization involves the deployment of Cleantek's patented full scale ZeroE system by providing clients with the technology, equipment and professionals to facilitate a turnkey installation and operations on location. This process takes wastewater streams at the point of collection and through a process treats and vaporizes the treated water into the atmosphere.

Cleantek began its facility waste heat - wastewater treatment & vaporization research and development in 2018 following the successful development and deployment of Cleantek's smaller mobile waste heat - wastewater treatment & vaporization unit "DZeroE". In 2020, Cleantek completed its research and development along with the design and engineering required to manufacture the first commercial system, and in September of 2020 it successfully completed the construction and installation the first contracted Facility ZeroE system in Northern Alberta, Canada, providing wastewater treatment and vaporization of the clients produced water from its natural gas production, with a second contracted ZeroE system expected to come online in late Q4 2021.

Cleantek's ZeroE technology provides clients with an alternative in handling their produced water, focused on producers that truck their produced water to third party facilities for processing into disposal injection wells. Through the ZeroE technology, clients can treat and vaporize over 10 million litres of water back to the natural hydrologic cycle per system installed, annually. Cleantek believes this technology offers an environmentally superior, cost-effective water handling solution.

With the current trends on water management combined with benefits of the ZeroE technology, Cleantek expects to grow the facility waste heat - wastewater treatment & vaporization business line dramatically over the following year. Sales efforts are expected to secure additional units under contract by Q4 2021, with anticipated deployments to follow three to four months post contract. Additional opportunities have been identified in multiple geographic areas including the U.S., the EU, and Australia.

As at July 31, 2021, Cleantek's facility waste heat - wastewater treatment & vaporization business line accounted for 0.5% of the last three months' revenue. The beginning successes of Cleantek's facility waste heat - wastewater treatment & vaporization business line is in part attributable to the years of dedicated research and development efforts completed, along with the ability to execute projects in a demanding environment providing reliable, safe and efficient turn key services.

Competitive Conditions

Cleantek believes that it is uniquely positioned in the market as the only company which provides a combination of Environmental Equipment Rental Services and Facility Waste Heat – Wastewater treatment and Vaporization services. As a result, Cleantek does not believe that there are not any material competitors at this time.

Cleantek's Culture

Cleantek believes culture is a competitive advantage and as such it thrives to inspire passion and commitment from the Cleantek's professionals. Cleantek's culture is based on five core values; environmental responsibility, safety, acting with integrity, execution, and teamwork. These values provide the solid foundation of Cleantek's client focused service and business behaviours found throughout.

Since inception, Cleantek has been committed to providing strong execution while providing safe operations for its professionals and its clients. Cleantek's goal of zero recordable incidents is a key objective it strives for as part of its safety focused culture. Cleantek scored 95% in its 2021 certificate of recognition audit and has a constant focus on improvement.

CLEANTEK FINANCING

In connection with the Arrangement, Cleantek entered into an agreement with a syndicate of Agents led by Eight Capital, and including Echelon Wealth Partners, Cormark Securities Inc, and Raymond James Ltd. (the "**Agents**") for a brokered private placement offering of subscription receipts of Cleantek (the "**Subscription Receipts**") on a best-efforts agency basis at a price of \$1.75 per Subscription Receipt for aggregate minimum gross proceeds of \$10,000,000 (the "**Cleantek Financing**"). Each Subscription Receipt is exchangeable into one unit of Cleantek (a "**Cleantek Unit**") without any further action required on the part of the holder of the Subscription Receipt and without payment of any additional consideration, concurrently with closing of the Arrangement and will participate with all other holders of Cleantek Shares in the Arrangement. Each Cleantek Unit is comprised of one Cleantek Share and one half of one Cleantek Share purchase warrant (each whole warrant, a "**Cleantek Financing Warrant**"). Each whole Cleantek Financing Warrant shall entitle the holder thereof to purchase one Cleantek Share at an exercise price of \$2.25 at any time up to 36 months from the closing of the Arrangement; provided that if, at any time prior to the expiry date of the Cleantek Financing Warrants, the volume weighted average trading price of the Resulting Issuer Shares on the TSXV, or other principal exchange on which the Resulting Issuer Shares are listed, is greater than \$2.50 for 10 consecutive trading days, the Resulting Issuer may deliver a notice to holders of Cleantek Financing Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice. The Cleantek Financing closed on September 3, 2021, resulting in gross proceeds of approximately \$10,000,000.

The gross proceeds from the Cleantek Financing are being held in escrow pending completion of the Arrangement, which is expected to close on or around October 28, 2021. If all conditions to the completion of the Arrangement are satisfied on or before November 2, 2021, the net proceeds from the sale of the Subscription Receipts will be released from escrow to Cleantek and each Subscription Receipt will be exchanged for one Cleantek Unit and the holders thereof will participate with all other holders of Cleantek Shares and Cleantek Financing Warrants. If the Arrangement is not completed on or before November 2, 2021, or is terminated at an earlier time, then the purchase price for the Subscription Receipts will be returned to subscribers, together with a pro rata portion of interest earned on the escrowed funds, if any.

The Agents received a cash fee equal to 6% of the gross proceeds raised from the Cleantek Financing and broker warrants in an amount equal to 6% of the number of Subscription Receipts issued in the Cleantek Financing, with each such broker warrant being exercisable into one Cleantek Unit and having a term of 24 months and an exercise price of \$1.75.

The net proceeds from the Cleantek Financing will be used for general corporate purposes, including capex related to the build out of additional ZeroE and HALO lighting units and the repayment of certain existing indebtedness of Cleantek. Completion of the Cleantek Financing was a condition precedent to the completion of the Arrangement.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

A summary of selected financial information of Cleantek for the interim period ended June 30, 2021 and the financial years ended December 31, 2020, 2019 and 2018 is as follows:

(in '000s)	Six month period ended June 30, 2021 ⁽¹⁾	Year ended December 31, 2020 ⁽²⁾	Year ended December 31, 2019 ⁽²⁾	Year ended December 31, 2018 ⁽²⁾
Net Sales or Total Revenue	4,402	7,607	12,327	7,609
Net Loss	(811)	(22,376)	(24,294)	(6,819)
Amounts deferred in connection with the Arrangement	-	-	-	-
Cash Dividends Declared	-	-	-	-
Total Assets	12,997	13,637	23,873	41,974
Total Liabilities	(20,300)	(20,915)	(34,120)	(28,925)
Net Sales or Total Revenue	4,402	7,607	12,327	7,609
Note:				
(1) Unaudited.				
(2) Audited.				

Additional financial information for Cleantek is set out in the financial statements of Cleantek included in Schedules H-1 and H-4 of Appendix H.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis for the three and six months ended June 30, 2021, 2020 and 2019 is attached as Schedule H-1 to this Appendix H, and the Management's Discussion and Analysis for the years ended December 31, 2020, 2019 and 2018 is attached as Schedule H-3 to this Appendix H.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Cleantek includes an unlimited number of Cleantek Shares, an unlimited number of class "B" common shares ("**Class B Shares**"), an unlimited number of class "C" common shares ("**Class C Shares**"), an unlimited number of class "D" common shares ("**Class D Shares**"), an unlimited number of class "E" non-voting common shares ("**Class E Shares**"), an unlimited number of class "F" non-voting common shares ("**Class F Shares**"), an unlimited number of class "G" non-voting common shares ("**Class G Shares**"), an unlimited number of class "H" non-voting common shares ("**Class H Shares**"), an unlimited number of class "I" preferred shares ("**Class I Shares**") and an unlimited number of class "J" non-voting preferred shares ("**Class J Shares**", and together with the Class I Shares, the "**Cleantek Preferred Shares**"). As of the date hereof, 2021, 17,279,644 Cleantek Shares and Nil Cleantek Preferred Shares were issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to the shares in Cleantek's share capital.

Cleantek Shares, Class B Shares, Class C Shares and Class D Shares

The holders of the Cleantek Shares, Class B Shares, Class C Shares and Class D Shares are entitled to: (a) receive notice of, attend and vote at all meetings of shareholders of Cleantek; (b) receive dividends as they may be declared by Cleantek; and (c) participate in the distribution of any remaining property of Cleantek on dissolution subject to the preferred rights of the holders of the Cleantek Preferred Shares in this regard as hereinafter set out.

Class E Shares, Class F Shares, Class G Shares and Class H Shares

The holders of the Class E Shares, Class F Shares, Class G Shares and Class H Shares are entitled to: (a) receive dividends as they may be declared by Cleantek; and (b) participate in the distribution of any remaining property of Cleantek on dissolution subject to the preferred rights of the holders of the Cleantek Preferred Shares. Holders of the Class E Shares, Class F Shares, Class G Shares and Class H Shares are not entitled to receive notice of, attend or vote at meetings of Cleantek shareholders unless otherwise allowed under the provisions of the ABCA.

Class I Shares

(a) Holders of the Class I Shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of Cleantek; (b) Holders of the Class I Shares are entitled to receive dividends according to the terms as set by the Cleantek Board by resolution at the time of issue; (c) the Class I Shares are redeemable and retractable. The terms of redemption and retraction and the redemption value of the Class I Shares is in the discretion of the Cleantek Board and shall be set by resolution at the time of issue; (d) in the event of winding-up or dissolution of Cleantek, the holders of the Class I Shares shall be entitled, out of the assets of Cleantek available for distribution to the shareholders of Cleantek, to the full redemption value per share of the Class I Shares together with the amount of all dividends declared thereon and unpaid, in priority to the holders of the Cleantek Shares, Class B Shares, Class C Shares, Class D Shares, Class E Shares, Class F Shares, Class G Shares, Class H Shares and the Class J Shares, but with no further participation in the assets of Cleantek; and (e) Class I Shares may be issued in series. The terms, conditions, rights and privileges for each series, shall be set at the discretion of the Cleantek Board by resolution. The Cleantek Board may, by resolution, determine and fix the number of such series, the designation, rates, privileges, restrictions and rights and conditions to be attached to the Preferred Shares of any series, the rate of or amount of any dividend, whether cumulative, non-cumulative or partially cumulative, the date or dates and the place or places of payment, the consideration and the terms and conditions of any purchase for cancellation or redemption there, conversion rates, if any, the terms and conditions or any share purchase plan or sinking fund and the restrictions, if any, respecting the payment of dividends on or the payment of capital in respect of any shares ranking prior or equally subordinate to any series of Cleantek Preferred Shares.

Class J Shares

(a) The holders of Class J Shares are not entitled to receive notice of, attend and vote at all meetings of the shareholders of Cleantek; (b) Holders of the Class J Shares are entitled to receive dividends according to the terms as set by the Cleantek Board by resolution at the time of issue; (c) the Class J Shares are redeemable and retractable. The terms of redemption and retraction and the redemption value of the Class J Shares is in the discretion of the Cleantek Board and shall be set by resolution at the time of issue; (d) subject to the rights of the holders of Class I Shares, in the event of the wind-up or dissolution of Cleantek, the Class J Shares are entitled, out of the assets of Cleantek available for distribution to shareholders of Cleantek, to the full redemption value per share of each Class J Share, together with the amount of all dividends declared thereon and unpaid, in priority to the holders of the Cleantek Shares, Class B Shares, Class C Shares, Class D Shares, Class E Shares, Class F Shares, Class G Shares and Class H Shares, but with no further participation in the assets of Cleantek; and (f) Class J Shares may be issued in series. The terms, conditions, rights and privileges for each series, shall be set at the discretion of the Cleantek Board by resolution. The Cleantek Board may, by resolution, determine and fix the number of such series, the designation, rates, privileges, restrictions and rights and conditions to be attached to the Preferred Shares of any series, the rate of or amount of any dividend, whether cumulative, non-cumulative or partially cumulative, the date or dates and the place or places of payment, the consideration and the terms and conditions of any purchase for cancellation or redemption there, conversion rates, if any, the terms and conditions or any share purchase plan or sinking fund and the restrictions, if any, respecting the payment of dividends on or the payment of capital in respect of any shares ranking prior or equally subordinate to any series of Cleantek Preferred Shares.

CONSOLIDATION CAPITALIZATION

Designation of Security	Amount Authorized or to be Authorized	Amount outstanding as of June 30, 2021	Amount Outstanding as of September 27, 2021 prior to giving effect to the Arrangement
Common Shares	Unlimited	17,279,664	17,279,664
Preferred Shares	Unlimited	Nil	Nil

PRIOR SALES

The following table summarizes all Cleantek’s issuances of Cleantek Shares in the 12-month period preceding the date of this Circular:

<u>Date of Issuance</u>	<u>Number of Cleantek Shares Issued</u>	<u>Issuance Price Per Cleantek Share</u>
December 17, 2020	11,252,776	1.20
December 30, 2020	4,433,125	1.20
March 1, 2021	137,167	1.20
March 15, 2021	413,443	1.20
May 31, 2021	87,679	1.20

The following table summarizes all Cleantek’s issuances of Cleantek Options in the 12-month period preceding the date of this Circular:

<u>Date of Issuance</u>	<u>Number of Cleantek Options Issued</u>	<u>Exercise Price Per Cleantek Option</u>
March 3, 2021	1,350,000	\$1.20
June 30, 2021	150,000	\$1.20

The following table summarizes all Cleantek’s issuances of Cleantek Warrants in the 12-month period preceding the date of this Circular:

<u>Date of Issuance</u>	<u>Number of Cleantek Warrants Issued</u>	<u>Exercise Price Per Cleantek Warrant</u>
March 1, 2021	137,167	\$1.20

OPTIONS TO PURCHASE SECURITIES

The following table sets forth certain information in respect of Cleantek Options to purchase Cleantek Shares outstanding at the date hereof.

<u>Group (Number in Group)</u>	<u>Cleantek Shares underlying Options</u>	<u>Exercise Price per Cleantek Share</u>	<u>Market Value of Options⁽¹⁾</u>	<u>Expiration Date</u>
1,350,000	1,350,000	\$1.20	N/A	March 3, 2026
512,500	512,500	\$1.20	N/A	June 30, 2026
Total ⁽¹⁾	1,862,500		N/A	

Note:

(1) The market value of the Cleantek Shares underlying these Cleantek Options on both the date of this Circular and the date of grant is not reasonably ascertainable, given that the Cleantek Shares are not, and have never been, publicly listed or traded.

EXECUTIVE COMPENSATION

Introduction

In this section, “Named Executive Officer” or “NEO” means each of the following individuals:

- Jesse Curlett, Cleantek’s Founder & Chief Executive Officer; and
- Matt Gowanlock, Cleantek’s President and acting Chief Financial Officer.

Overview

Cleantek’s Corporate Governance, Compensation and Nomination Committee (the “**Compensation Committee**”), comprised solely of independent directors, is responsible for setting Cleantek’s overall compensation strategy and

evaluating and making recommendations to the Cleantek Board for the compensation of directors and senior officers on an annual basis.

In developing the compensation strategy, the Compensation Committee uses available data to ensure that compensation is commensurate with the size and the stage of development of Cleantek. The Compensation Committee considers the responsibilities of each NEO and retention of the NEOs, who are essential to the success of Cleantek. Other factors considered are the small number of executive officers, the external market for similar positions and the financial performance of Cleantek. These factors influence both the elements of compensation and the sophistication of the manner of their determination. In addition, Cleantek relies on the flexibility of the executive officers in relation to their receipt of compensation.

The NEO compensation was reduced during the year ended December 31, 2020 as a direct result of reduced revenue due to the effects of the COVID-19 pandemic. No significant events, other than the COVID-19 pandemic, occurred, or compensation policies changed, during the year ended December 31, 2020 that have had a significant effect on the director compensation.

Objectives of Compensation Program

It is the objective of Cleantek's compensation program to attract and retain highly qualified executives and to link incentive compensation to personal and corporate performance and enhancing shareholder value. In evaluating the annual performance of the executive officers, the Compensation Committee considers quantitative objectives including relative shareholder value as well as qualitative aspects of the individual's performance and achievements. However, total annual compensation for each NEO is not tied to certain performance criteria or goals.

Role of Executives in the Compensation Program

The Compensation Committee will receive and review any recommendations of the President and Chief Executive Officer relating to the general compensation structure and programs for Cleantek and the salary and benefit levels of executive officers.

Risks of Compensation Program

The Compensation Committee has considered the implications of the risks associated with Cleantek's compensation practices and it has a significant role in this risk oversight through regular discussions with Cleantek's President and Chief Executive Officer.

Elements of the NEO Compensation Program

Cleantek's compensation is comprised of: (i) base salary and benefits, (ii) a discretionary incentive bonus plan and (iii) incentive stock options under the Cleantek Option Plan.

(i) Base Salaries and Benefits

Salaries for each of the executive officers are reviewed based on corporate and personal performance and on individual levels of responsibility. Salaries for the executive officers are not determined based on a specific formula or comparison with a peer group. The Compensation Committee submits its recommendation to the Cleantek Board as to the salary of the President and Chief Executive Officer. The Compensation Committee considers, and if thought appropriate, approves salaries recommended by the President and Chief Executive officer for the other executive officers of Cleantek. Base salaries are established to be competitive to attract and retain highly qualified executives.

Other components of compensation may include personal benefits as determined by the Compensation Committee that are consistent with the overall compensation strategy. There is no formula for how personal benefits are utilized in the total compensation package. Cleantek does not provide any pension or retirement benefits to its executive officers.

(ii) Incentive Bonus Plan

To align the compensation of the senior executive officers of Cleantek to the performance of Cleantek, the Cleantek Board, on the recommendation of the Compensation Committee, adopted a senior executive bonus plan (the "**Bonus Plan**") pursuant to which a discretionary incentive bonus may be provided from time to time based on the sole discretion of the Cleantek Board.

The Cleantek Board, through the Compensation Committee, reviews the Bonus Plan on an annual basis. The Cleantek Board, through its Compensation Committee, has the authority to make any changes to the Bonus Plan at any time to

consider any extenuating circumstances or to correct any inequities which may have not been foreseen at the time the Bonus Plan was established or at any annual review. No bonuses have been paid to any of the current NEO.

Stock Options

The purpose of the Cleantek Option Plan is to achieve the longer-term objectives of Cleantek; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Cleantek; and to attract and retain in the employ of Cleantek or any of its subsidiaries, as applicable, persons of experience and ability, by providing them with the opportunity to acquire Cleantek Shares, thereby increasing their proprietary interest in Cleantek and encouraging them to remain associated with Cleantek and furnishing them with additional incentive in their efforts on behalf of Cleantek in the conduct of its affairs. Directors, officers, consultants, and employees of Cleantek or its subsidiaries, as applicable, and employees of a person or company which provides management services to Cleantek or its subsidiaries are eligible for selection to participate in the Cleantek Option Plan. The Compensation Committee is responsible for making recommendations to the Cleantek Board regarding the administration of and the awarding of Cleantek Options under the Cleantek Option Plan. The Compensation Committee determines the number of Cleantek Options to be granted to each executive officer based on the level of responsibility and experience in the position. The exercise price of the Cleantek Shares subject to each Cleantek Option is determined by the Cleantek Board, at the time any Cleantek Option is granted. A summary of the terms of the Cleantek Option Plan is included under the heading "*Cleantek Option Plan*" above.

Director and Named Executive Officer Compensation, excluding Compensation Securities

The following table is a summary of compensation (excluding compensation securities) paid, awarded to or earned by the Named Executive Officers and any director who is not a Named Executive Officer for the fiscal years ended December 31, 2020 and 2019.

Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Jesse Curlett Founder, Director & Chief Executive Officer	2020	171,385	Nil	Nil	Nil	12,000	183,385
	2019	180,000	Nil	Nil	Nil	12,000	192,000
Matt Gowanlock President	2020	171,385	Nil	Nil	Nil	12,000	183,385
	2019	52,788	Nil	Nil	Nil	5,075	57,863
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Dale Tremblay Chairman	2020	Nil	Nil	Nil	Nil	9,999	9,999
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Matt Colucci Director	2020	Nil	Nil	Nil	Nil	7,497	7,497
	2019	Nil	Nil	Nil	Nil	Nil	Nil
James Kidd Director	2020	Nil	Nil	Nil	Nil	7,497	7,497
	2019	171,385	Nil	Nil	Nil	12,000	183,385
Chris Lewis Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Phillip Knoll Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Options and Other Compensation Securities

The following table is a summary of all compensation securities paid, awarded to or earned by the Named Executive Officers and any director who is not a Named Executive Officer for the fiscal year ended December 31, 2020.

Compensation Securities							
Name and Position	Type of Compensation Security	Number of compensation securities, number of underlying securities and percentage of class ⁽¹⁾	Date of Issue or Grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Jesse Curlett Founder, Director & Chief Executive Officer	Cleantek Options	350,000 Cleantek Options (350,000 underlying Cleantek Shares) 2.1%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
Matt Gowanlock President	Cleantek Options	350,000 Cleantek Options (350,000 underlying Cleantek Shares) 2.1%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
Dale Tremblay Chairman	Cleantek Options	125,000 Cleantek Options (125,000 underlying Cleantek Shares) 0.75%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
	Cleantek Options	25,000 Cleantek Options (25,000 underlying Cleantek Shares) 0.15%	June 30, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	June 30, 2026
Matt Colucci Director	Cleantek Options	87,500 Cleantek Options (87,500 underlying Cleantek Shares) 0.53%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
	Cleantek Options	25,000 Cleantek Options (25,000 underlying Cleantek Shares) 0.15%	June 30, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	June 30, 2026
James Kidd Director	Cleantek Options	75,000 Cleantek Options (75,000 underlying Cleantek Shares) 0.45%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
	Cleantek Options	25,000 Cleantek Options (25,000 underlying Cleantek Shares) 0.15%	June 30, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	June 30, 2026
Chris Lewis Director	Cleantek Options	37,500 Cleantek Options (37,500 underlying Cleantek Shares) 0.23%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
	Cleantek Options	37,500 Cleantek Options (37,500 underlying Cleantek Shares) 0.23%	June 30, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	June 30, 2026

Compensation Securities							
Name and Position	Type of Compensation Security	Number of compensation securities, number of underlying securities and percentage of class ⁽¹⁾	Date of Issue or Grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Phillip Knoll Director	Cleantek Options	37,500 Cleantek Options (37,500 underlying Cleantek Shares) 0.23%	March 3, 2021	1.20	N/A ⁽²⁾	N/A ⁽²⁾	March 3, 2026
	Cleantek Options	37,500 Cleantek Options (37,500 underlying Cleantek Shares) 0.23%	June 30, 2021	1.25	N/A ⁽²⁾	N/A ⁽²⁾	June 30, 2026

Notes:

- (1) Based on 17,279,644 Cleantek Shares issued and outstanding as of the date of this Circular.
(2) The market value of the Cleantek Shares underlying these Cleantek Options on both the date of this Circular and the date of grant is not reasonably ascertainable, given that the Cleantek Shares are not, and have never been, publicly listed or traded.

Exercise of Compensation Securities by Directors and Named Executive Officers

During the year ended December 31, 2020, no Cleantek Options were exercised by Cleantek's directors and Named Executive Officers.

Terms of Employment Agreements with Named Executive Officers

Jesse Curlett – Founder, Director & Chief Executive Officer

Cleantek has entered into an employment agreement dated December 20, 2019 with Jesse Curlett, Cleantek's Founder, Director and Chief Executive Officer (the "**Curlett Agreement**"). Pursuant to the terms of the Curlett Agreement, Mr. Curlett is paid an annual base salary of \$200,000 and is eligible to earn an annual bonus in the sole discretion of, and based on terms, conditions and objectives established by, the Cleantek Board. Mr. Curlett is also eligible for grants of awards under Cleantek's equity-based long-term incentive plans in effect from time to time. Mr. Curlett is entitled to five weeks of vacation per year.

The terms of the Curlett Agreement provide for termination without cause benefits for Mr. Curlett equal to an amount equivalent to 12 months of his annual base salary in effect on the termination date plus an amount equivalent to the average annual bonus paid to Mr. Curlett in the year immediately preceding the calendar year in which the termination occurs. In the event of a change of control and Mr. Curlett's contemporaneous or subsequent termination, or if Mr. Curlett does not continue to be employed by Cleantek under similar conditions and at a level of responsibility and compensation at least commensurate with the existing level of responsibility and compensation immediately prior to the change of control, Mr. Curlett will be entitled to the same severance compensation that would be payable had his employment been terminated without cause.

Matt Gowanlock – President

Cleantek has entered into an employment agreement dated December 20, 2019 with Matt Gowanlock, Cleantek's President (the "**Gowanlock Agreement**"). Pursuant to the terms of the Gowanlock Agreement, Mr. Gowanlock is paid an annual base salary of \$200,000 and is eligible to earn an annual bonus in the sole discretion of, and based on terms, conditions and objectives established by, the Cleantek Board. Mr. Gowanlock is also eligible for grants of awards under Cleantek's equity-based long-term incentive plans in effect from time to time. Mr. Gowanlock is entitled to five weeks of vacation per year.

The terms of the Gowanlock Agreement provide for termination without cause benefits for Mr. Gowanlock equal to an amount equivalent to 12 months of his annual base salary in effect on the termination date plus an amount equivalent to the average annual bonus paid to Mr. Gowanlock in the year immediately preceding the calendar year in which the termination occurs. In the event of a change of control and Mr. Gowanlock's contemporaneous or subsequent termination, or if Mr. Gowanlock does not continue to be employed by Cleantek under similar conditions and at a level of responsibility and compensation at least commensurate with the existing level of responsibility and

compensation immediately prior to the change of control, Mr. Gowanlock will be entitled to the same severance compensation that would be payable had his employment been terminated without cause.

CLEANTEK OPTION PLAN

The Cleantek Board adopted the Cleantek Option Plan effective February 11, 2021 whereby Cleantek may issue to directors, officers, employees and service providers Cleantek Options to purchase Cleantek Shares. The maximum number of Cleantek Shares that may be reserved for issuance under outstanding Cleantek Options is 10% of the then outstanding Cleantek Shares. As of the date of this Circular, there are 1,500,000 Cleantek Options outstanding under the Cleantek Option Plan.

Under the Cleantek Option Plan, Cleantek Options will be exercisable over periods of up to five years as determined by the Cleantek Board at an exercise price that shall be fixed by Cleantek on the date on which such Cleantek Option is granted, provided that from and after the date that the Cleantek Shares are listed on a stock exchange, such exercise price shall not be less than the price permitted by such exchange. The Cleantek Board, in its sole discretion, shall determine the time during which the Cleantek Options shall vest and the method of vesting, or that no vesting restriction shall exist. In the absence of a determination by the Cleantek Board, the Cleantek Options shall vest as to one third of the number of Cleantek Options granted on the first anniversary of the grant date and as to one third of the number of Cleantek Options granted on the anniversary of the grant date on each of the next two succeeding years thereafter. Notwithstanding the foregoing, vesting of all Cleantek Options shall accelerate and Cleantek Options shall be exercisable immediately prior to the time that a change of control occurs.

If Cleantek shall become merged (whether by plan of arrangement or otherwise) or amalgamated in or with another corporation or entity or shall sell the whole or substantially the whole of its assets and undertaking for shares or securities of another corporation or other entity, Cleantek shall make the provision that, upon the exercise of a Cleantek Option during its unexpired period after the effective date of such merger, amalgamation or sale, the optionee shall receive such number of shares of the continuing successor corporation or other entity in which merger or amalgamation or the securities or shares of the purchasing corporation or other entity as the optionee would have received as a result of such merger, amalgamation or sale if the optionee had purchased the Cleantek Shares immediately prior thereto for the same consideration paid on the exercise of such Cleantek Option. Alternatively, and in lieu of making such provision, in the event of such merger, amalgamation or sale, Cleantek may pay the optionee in cash the difference between the exercise price of all unexercised Cleantek Options held by the optionee and the fair market value of the securities to which the optionee would be entitled upon exercise of all unexercised Cleantek Options.

The Cleantek Board may amend or discontinue the Cleantek Option Plan and the Cleantek Options at any time without approval of the Cleantek Shareholders or any optionee whose Cleantek Option is amended or terminated, provided that, no amendment to the Cleantek Option Plan or Cleantek Options may be made without the consent of the optionee if it adversely alters or impairs any Cleantek Option previously granted to such optionee.

The Cleantek Option Plan contains adjustment provisions with respect to outstanding Cleantek Options in cases of Cleantek Share consolidations and subdivisions.

PRINCIPAL SECURITYHOLDERS

The table below presents information regarding the beneficial ownership of Cleantek Shares by each Person or entity that Cleantek knows will beneficially own 10% or more of the Cleantek Shares. The Cleantek Shares held by the principal shareholder(s) listed below do not entitle such Cleantek Shareholder to different voting rights than those of other holders of the Cleantek Shares.

Shareholder Name	Type of Ownership	Number and percentage of Common Shares owned, controlled or directed ⁽¹⁾
Pillarfour Capital Fund I LP and Pillarfour Capital Parallel Fund I LP ⁽²⁾	Cleantek Shares	7,041,578 (42.3%)
Lyle Wood Contracting Ltd.	Cleantek Shares	3,069,964 (18.4%)
Rogers Financial Management Corp.	Cleantek Shares	1,932,093 (11.6%)

Notes:

(1) Based on 17,276,644 Cleantek Shares issued and outstanding as of the date of this Circular.

(2) Pillarfour Capital Fund I LP controls 5,874,241 (35.3%) Cleantek Shares and Pillarfour Capital Parallel Fund I LP controls 1,167,337 (7.0%) Cleantek Shares.

To the knowledge of Cleantek, other than as set forth above: (i) as of the date of this Circular, there is no other Person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Cleantek Shares.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Cleantek has not acquired any assets or services or provided any assets or services in any transaction completed within 5 years before the date of this Circular, or in any proposed transaction, involving any non-arm's length parties (within the meaning of applicable TSXV regulations).

LEGAL PROCEEDINGS

Cleantek and its Subsidiaries are involved in five legal proceedings as of the date hereof:

On December 23, 2020, Kristine Curlett filed an Alberta Human Rights Complaint (the "**Complaint**") against Cleantek. The Complaint alleges that Ms. Curlett's employment was terminated based on protected grounds on September 9, 2020, including family status, gender, mental disability and physical disability. She is seeking damages of \$50,000 or such other amount as may be proven for mental anguish and pain and suffering, and back wages including all bonus and benefits from December 5, 2019 to September 9, 2020, and back wages including all bonuses and benefits from September 9, 2020. Cleantek's response was submitted on March 9, 2021, and the complaint is currently awaiting assignment to a conciliation officer.

On March 19, 2021, Jesse Curlett and Cleantek commenced a defamation claim against Faisal Bhanji. The claim for defamation results from Faisal Bhanji's creation of a defamatory website, as well as his placing harassing calls against Mr. Curlett and Cleantek employees, and other similar conduct. Faisal Bhanji was noted in default on May 3, 2021. An injunction was pronounced against Faisal Bhanji on July 22, 2021. The claim seeks \$225,000 in damages for defamation and a hearing to determine the amount of damages to be awarded to Mr. Curlett and Cleantek is expected in the near future.

C&M Oilfield Rentals LLC filed a claim against Apollo Lighting Solutions, claiming unfair competition, including false and misleading advertising HALO lighting systems. A service of process was issued on December 10, 2020, with a timeline of response within 21 days of the service date.

C&M Oilfield Rentals filed a claim against Apollo Lighting and Cleantek, claiming patent infringement of U.S. Patent No. 10,976,016. A Service of Process was issued on June 24, 2021 with a timeline of response within 21 days of the service date.

On August 20, 2021, Josh Curlett, Cleantek's former CEO, filed a wrongful dismissal claim against Cleantek, claiming that he was wrongfully terminated by Cleantek, with a timeline of response within 20 days from the service date.

As of the date hereof, Cleantek is not aware of any other legal proceedings in which it is involved.

MATERIAL CONTRACTS

Other than the Arrangement Agreement and the Agency Agreement and those contracts entered into in the Ordinary Course of business, there is no material contract which Cleantek has entered into during the previous two financial years before the date of this Circular, entered into prior to such date but which is still in effect, or to which Cleantek is or will become a party to on or prior to the Effective Date.

**SCHEDULE H-1 TO APPENDIX H – MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE
THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

(See Attached)



Management's Discussion and Analysis
For the three and six months ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

September 30, 2021 - The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for CLEANTEK Industries Inc. ("Cleantek" or "the Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the three and six month periods ended June 30, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2021 and the audited consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

The condensed consolidated interim financial statements of Cleantek have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except where indicated otherwise. This MD&A and the unaudited condensed consolidated interim financial statements of Cleantek have been prepared by management and approved by the board of directors as of September 30, 2021. Unless otherwise indicated, all dollar amounts presented herein are in thousands of Canadian dollars.

Cleantek, headquartered in Calgary, Alberta, is an innovative, technology-based equipment solutions company that designs, engineers and rents patented clean-energy lighting and dehydration products for clients in the upstream and midstream segments of the energy industry as well as the commercial construction industry in Western Canada and the United States.

READER ADVISORIES

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

COMPANY OVERVIEW AND STRATEGY

Cleantek is an environmental technology-based company that provides specialized and fully integrated wastewater treatment/disposal along with our turnkey environmental equipment rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele, providing water treatment/disposal services alongside our lighting division. Cleantek prioritizes people and the environment through our high-performance safety focused culture and experienced technical professionals are committed to providing environmentally friendly cost-effective solutions to its clients.

Cleantek provides technology-based solutions for an increasingly demanding water treatment/disposal sector along with increasing demand for location lighting to provide safe working conditions for 24 hour operations. Cleantek provides its technology and services in some of the most active areas in Canada and the USA. Its environmental, safety and operational performance have enabled it to establish and maintain a blue-chip client base including many exploration and production companies in North America.

As the market continues its shift towards environmental, social and governance ("ESG") response initiatives, Cleantek will leverage its technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization service offering along with a strong forecasted utilization of our environmental equipment rental solutions.

GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

For the 6 months ended June 30, 2021, the Company's net loss was \$811 (2020 - \$11,792). At June 30, 2021, the Company had net current liabilities of \$16,272 (December 31, 2020 - \$16,805) which includes the current portions of lease liabilities, long-term debt and convertible notes. At June 30, 2021, the Company has shareholders' deficiency of \$7,303 (December 31, 2020 - \$7,278).

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

Throughout 2020 and 2021, the Company was not in compliance with certain financial and reporting covenants of its Roynat Capital Term Facility and its Bank of Montreal revolving Debt Facility and missed required principal and interest payments on its Roynat Capital Term Facility. There are forbearance agreements in place for the Roynat Capital Term Facility and the Bank of Montreal Debt Facility which expire on January 15, 2022 and October 31, 2021, respectively. In addition, the OKR Financial term loan and the Company's Term Credit facility as well as promissory notes to a minority shareholder and vendor and related party remain outstanding and overdue. These breaches of covenants, among other non-compliances with long-term debt agreements including missed principal and interest payments, resulted in these long-term debts being classified as current liabilities.

Subsequent to June 30, 2021, the Company:

- Completed a private placement on August 31, 2021 for gross proceeds of \$10,000 to be held in escrow pending the completion of a reverse takeover of a TSX-Venture entity;
- Issued convertible notes in September 2021 for gross proceeds of \$450; and
- Completed a new loan and revolving facility on September 24, 2021 for a non-revolving facility up to \$7,500 and a revolving line of credit up to \$2,500.

The above noted events and conditions indicate that material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. The Company is working with its secured lenders, to seek restructuring of its remaining unsecured debt and to raise additional capital, however, there is no assurance that the Company will be able to maintain the support of its secured or unsecured lenders or at terms that are favorable to the Company, or that the recapitalization plan will be successfully completed.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company not be able to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying condensed consolidated interim financial statements. Any such adjustments could be material.

The *Going concern* section above should be read in conjunction with the *Consolidated liquidity and capital resources*, and *Subsequent events* sections in the MD&A.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian \$000's, except per share amounts and percentages)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Revenue	1,945	1,275	53	4,402	4,534	(3)
Gross profit	922	414	123	2,351	2,248	5
Gross profit %	47	32	46	53	50	8
Net loss	(627)	(2,286)	(73)	(811)	(11,792)	(93)
Net loss per share - basic and diluted (\$)	\$-	\$(0.20)	(99)	\$-	\$(1.05)	(100)
EBITDA ⁽¹⁾	472	(660)	(172)	1,147	(7,838)	(115)
Adjusted EBITDA ⁽¹⁾	(39)	(329)	(88)	786	358	120
Total assets	12,997	14,619	(11)	12,997	14,619	(11)
Working capital deficiency ⁽¹⁾	16,272	16,953	(4)	16,272	16,953	(4)
Non-current debt ⁽¹⁾	1,193	15,162	(92)	1,193	15,162	(92)
Total non-current liabilities	1,465	15,571	(91)	1,465	15,571	(91)

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

2020

In 2020, COVID-19 caused a global oversupply of oil caused a decline in commodity prices, which drove a reduction in drilling and production activity in both Canada and the USA. Cleantek's profitability was affected by this decline. Furthermore, the global oversupply of oil and weakened commodity prices further increased competition for work in the sector in an already highly competitive market. This was exasperated with the global spread of COVID-19, which affected Cleantek's operations by further impacting the world's demand for oil and gas, adding to the already depressed commodity prices. The sharply decreased commodity prices lead to a further and rapid decrease in active drilling rigs in both Canada and the US, which in turn impacted Cleantek's utilization and rental rates, reducing top-line revenue by upwards of 65% during the peak of the decline.

During 2020, Cleantek moved away from its in-house manufacturing process and began working with strategic vendors, which allowed a drastic reduction in Cleantek's overhead and operating expenses, while still providing Cleantek continued access to produce quality equipment through its strategic vendors. Cleantek's lines of business were impacted across all product lines by the COVID-19 pandemic and the heavy discount on commodity pricing. As a result, very few new assets were added and Cleantek experienced a significant reduction in revenue. However, by the end of 2020, Cleantek saw market demand increase with a correlating increase in utilization and revenue.

During 2020, Cleantek successfully completed the research, development and engineering of its PZeroE system and completed the construction, installation and commissioning of its first of the facility wastewater treatments/vaporization systems ("ZeroE" technology). The PZeroE is currently deployed on location and continues to be in operation providing additional data to Cleantek to further the ZeroE technology.

On November 18, 2020, Cleantek entered into an amended contract with Jupiter Resources Inc. for the long-term services of two PZeroE systems, for an aggregate estimated operating revenue in excess of \$6,000 over the contracted term. The amended contract allowed Cleantek to produce and deploy the first of the two PZeroE systems.

In December 2020, pursuant to agreements with unsecured convertible note holders, lenders and creditors of the Company, the Company issued 190,688,173 Class A common shares at \$0.10 per common share



to convert and settle in full liabilities with a carrying amount of \$19,069. Converting this debt into equity, allowed Cleantek to strengthen its balance sheet with regards to its debt services commitments and provides stability as it works through the global COVID-19 pandemic and market conditions.

2021

As the world takes steps to recover from the impact of COVID-19, the global economic slowdown and the global oversupply of crude oil, commodity prices have held to an average close of approximately WTI US\$64 per barrel of crude and NYMEX natural gas prices with an average close of US\$3.45/mmbtu with prices topping US\$5.40/mmbtu, driving an increase in drilling and production activity across Canada and the USA. Cleantek is currently seeking to take advantage of this increased drilling and production with higher equipment utilization driving an increase in revenue and profits.

OUTLOOK

Cleantek's ability to continue to grow its business and generate improvements in financial performance depends on the execution of its strategy to build, own and operate a portfolio of ZeroE, waste to energy, wastewater treatment and vaporization infrastructure projects throughout North America and globally including:

- The contemplated reverse takeover of Raise Production Inc. and Cleantek becoming a public company;
- Seeking to take advantage of increased drilling and production with higher equipment utilization driving an increase in revenue and profits;
- Leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization service offering along with a strong forecasted utilization of our environmental equipment rental solutions;
- Executing Cleantek's strategy to build, own and operate a portfolio of ZeroE, waste to energy, wastewater treatment and vaporization infrastructure projects throughout North America and globally;
- Securing additional contracted projects to develop and construct additional ZeroE projects;
- Optimization and expansion of existing ZeroE produced water processing facilities;
- Securing and optimizing long-term contracts for ZeroE service to provide stable, low-risk cash flows;
- Securing a strong pipeline of environmental equipment rental agreements through developed partnerships and vertically integrated operations;
- Diversification of Cleantek industries to de-risk the Company's inbound revenue streams;
- Integrating talent, systems and processes across its acquired projects to create efficiencies and best-in-class operations;
- Continued growth of project portfolio via strategic acquisitions and consolidation opportunities; and
- Capturing expansion in both ZeroE wastewater vaporization and environmental equipment markets.

The Company is uniquely positioned with the prospect to capture expansion in both ZeroE wastewater vaporization and environmental equipment markets. Wastewater and vaporization opportunities in the oil and gas, municipal grey water, and manufacturing wastewater industries and a growing awareness regarding the disadvantages of downhole injection could increase the for Cleantek's ZeroE products.

RESULTS OF OPERATIONS

Revenue

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Rentals	1,908	1,275	50	4,329	4,534	(5)
Facility dehydration	37	-	-	73	-	-
Total revenue	1,945	1,275	53	4,402	4,534	(3)

Cleantek's 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 its customers in the upstream and midstream segments of the energy industry as well as the commercial construction industry in Western Canada and the United States.

Revenue for the second quarter of 2021 increased to \$1,945 compared to \$1,275 for the same period in the prior year. Revenue for first half of 2021 were \$4,402 compared to \$4,534 for the same period in 2020. General equipment utilization remained lower in the first quarter of 2021 compared to 2020 due to the continued recovery of the market. Utilization remained strong in the second quarter of 2021 compared to the same period in the prior year as a result of strong commodity prices and an increase in drilling activities. The activities in the second quarter of 2020 were subject to the initial impacts of COVID-19 and a global oversupply of oil that caused a decline in commodity prices and drilling activity.

Direct operating expenses

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Direct operating expenses	1,023	861	19	2,051	2,286	(10)

Direct operating expenses 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.

Direct operating expenses of \$1,023 for the second quarter of 2021 increased compared to \$861 for the second quarter of 2020. Direct operating expenses of \$2,051 for the first half of 2021 decreased compared to \$2,286 for the same period in 2020. Direct operating expenses increased in the second quarter from a year ago primarily as a result of consistent equipment utilization. The direct operating expenses in the second quarter of 2020 were subject to drastic cost cutting initiatives from Cleantek, combined with low equipment utilization in response to the initial impacts of COVID-19 and a global oversupply of oil caused a decline in commodity prices and drilling activity.

Gross profit

(Canadian \$000's, except percentage)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Gross profit	922	414	123	2,351	2,248	5
% of revenue	47	32	46	53	50	8

Management considers gross profit a key metric in analyzing operational efficiency and performance and the Company's ability to generate cash flow. Cleantek's gross profit is measured as revenue less direct operating expenses.

Cleantek's gross margin increased to 47% in the second quarter of 2021 from 32% in the second quarter of 2020. Cleantek's gross margin increased to 53% in the first half of 2021 from 50% in the same period in the prior year. General equipment utilization remained strong in the second quarter of 2021 compared to the same period in the prior year primarily due to stronger commodity prices and an increase in drilling activities. The activities in the second quarter of 2020 were subject to the initial impacts of COVID19 and a global oversupply of oil caused a decline in commodity prices and drilling activity.

General and administrative expenses

	Three months ended June 30			Six months ended June 30		
(Canadian \$000's)	2021	2020	% Change	2021	2020	% Change
General and administrative expenses	1,004	740	36	1,640	2,040	(20)

General and administrative expenses consist of salaries and wages and related benefit costs, professional and consulting fees and other general and administrative expenses.

General and administrative expenses for the second quarter of 2021 increased to \$1,004 compared to \$740 for the second quarter of 2020. In the first half of 2021, general and administrative expenses decreased to \$1,640 compared to \$2,040 for the same period in 2020. General and administrative expenses in the second quarter of 2020 were subject to drastic cost cutting initiatives from Cleantek, combined with low equipment utilization in response to the initial impacts of COVID-19 and a global oversupply of oil caused a decline in commodity prices and drilling activity.

Depreciation and amortization

	Three months ended June 30			Six months ended June 30		
(Canadian \$000's)	2021	2020	% Change	2021	2020	% Change
Total depreciation and amortization	712	409	74	1,499	1,546	(3)

Depreciation is recognized on property and equipment and right-of-use assets. Amortization is recognized on the intangible assets including brands, and customer contracts and stakeholder relationships.

Depreciation and amortization expense in the second quarter of 2021 increased to \$712 compared to \$409 in the same period in the prior year. In the first half of 2021, depreciation and amortization expense decreased to \$1,499 compared to \$1,546 in the same period in the prior year due to depreciation and amortization calculated on a lower asset base following the March 2020 impairment of long-lived assets. Depreciation and amortization rates remained consistent in these periods.

Research expense (recovery)

	Three months ended June 30			Six months ended June 30		
(Canadian \$000's)	2021	2020	% Change	2021	2020	% Change
Research expense (recovery)	(688)	(122)	464	(688)	(855)	(20)

Research expense includes specific research and development costs expensed in net income (loss), including research and development expenditure not meeting intangible asset or property and equipment recognition criteria. Research recovery includes government grants and other subsidies including the Canadian government's Scientific Research and Experimental Development Tax Incentive Program ("SRED") recognized in net income (loss).

Research recovery in the second quarter of 2021 increased to \$688 compared to \$122 in the same period in the prior year. In the first half of 2021, research recovery decreased to \$688 compared to \$855 in the same period in the prior year. The increase in the second quarter of 2021 relates mainly due to SRED

refunds received in 2021 relating to fiscal 2019. For the first half of 2021, research recovery is lower than the same period in 2020 as the SRED refunds received in 2020 were higher and included 2017 and 2018 SRED claims. In 2021, research and development remains ongoing for the ZeroE technology.

Share-based payments expense

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Stock options	177	31	471	327	69	374
Common shares issued as part of directors' compensation	-	-	-	-	1	(100)
Escrowed common shares at acquisition in exchange for employment services	-	422	(100)	-	949	(100)
Total share-based payments expense	177	453	(61)	327	1,019	(68)

Cleantek has equity-settled incentive programs and payment plans for the granting of additional shares.

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.

Included in certain legacy employee contracts were restricted share units ("RSUs"). The RSUs were granted on the employee's commencement date and vested over a service period. The remaining outstanding RSUs of the Company were redeemed in 2019.

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. 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. Cleantek common shares were issued to vendors party to the Apollo Energy acquisition and placed in escrow as part of executive employment agreements with two vendors transitioning to positions with Cleantek.

The share-based payments expense in the second quarter of 2021 decreased to \$177 compared to \$453 for the same period in 2020 due to no share-based payments expense recognized in 2021 relating to the Apollo Energy acquisition escrowed shares offset by stock option grants in 2021 and the resulting share-based payment expense. With the remaining Apollo Energy acquisition escrowed common shares released in 2020, there is no further share-based payment expense to be recognized in 2021. In January 2021, the Company terminated and cancelled all 705,000 of the granted and outstanding stock options of the Company at January 1, 2021. In March 2021 and May 2021, the Company granted 16,200,000 and 1,800,000 stock options to officers, employees and directors of the Company at an exercise price of \$0.10 per common share.

The share-based payments expense in the first half of 2021 decreased to \$327 compared to \$1,019 for the same period in 2020 due to no share-based payments expense recognized in 2021 relating to the Apollo Energy acquisition escrowed shares offset by new stock option grants in 2021 and the resulting share-based payment expense, as described above.

Impairment expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
(Canadian \$000's)	2021	2020	Change	2021	2020	Change
Impairment of non-financial assets						
Impairment of property and equipment	-	-	-	-	4,465	(100)
Impairment of intangible assets	-	-	-	-	2,504	(100)
Impairment of right-of-use assets	-	-	-	-	1,063	(100)
Total impairment of non-financial assets	-	-	-	-	8,032	(100)
Total impairment expense	-	-	-	-	8,032	(100)

At June 30, 2021, there were no indicators 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 impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test using a value in use method, based on a discounted cash flow model on its non-financial assets within its Rentals cash generating unit at March 31, 2020 and recognized a total impairment of \$8,032 during the six months period ended June 30, 2020 allocated to the categories in the table above.

Finance costs, net

	Three months ended			Six months ended		
	June 30		%	June 30		%
(Canadian \$000's)	2021	2020	Change	2021	2020	Change
Finance costs, net	476	1,217	(61)	954	2,408	(60)

Finance costs, net consist primarily of the interest expense recognized on bank debt, long-term debt and convertible notes, the interest component of lease liability payments, debt renewal and other lending fees, loss on the fair value adjustment of derivative convertible note liabilities, loss on conversion of convertible note liabilities, accretion of the decommissioning offset by interest income.

Cleantek recognized finance costs, net of \$476 in the second quarter of 2021 compared to \$1,217 in the same period in 2020. Cleantek recognized finance costs, net of \$954 in the first half of 2021 compared to \$2,408 for the first half of 2020. These decreases are due to significantly lower debt levels in the current year following the conversion of accounts payable, debt and convertible notes into equity in December 2020.

Other (income) expenses

	Three months ended			Six months ended		
	June 30		%	June 30		%
(Canadian \$000's)	2021	2020	Change	2021	2020	Change
(Gain) loss on disposal of long-lived assets	(3)	(81)	(96)	3	(101)	(103)
Foreign exchange (gain) loss	(40)	84	(148)	(78)	(49)	59

In 2021, the Company recognized insignificant (gains) losses on fewer dispositions of long-lived assets compared to the periods in the prior year.

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated working capital as well as realized (gain) loss on the settlement of foreign denominated

working capital. The foreign exchange gains recognized in 2021 are due to the strengthened Canadian dollar in the current year.

Income taxes

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Current tax expense (recovery)	-	-	-	-	-	-
Deferred tax expense (recovery)	(89)	-	-	(495)	-	-
Total tax expense (recovery)	(89)	-	-	(495)	-	-

Income taxes consist of current and deferred income taxes.

The Company recognized deferred tax recovery of \$89 for the second quarter of 2021 and \$495 for the first half of 2021, respectively. The Company did not recognize any income tax provisions for these periods in 2020.

The Company did not incur current taxes due to the Company's tax loss position. Due to the Company's significant unrecognized deferred tax assets, no deferred tax expense is recognized in 2021 or 2020 due to valuation allowance taken against unrecognized tax. Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered through deductions against available future taxable income.

Net loss

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
Net loss for the period	627	2,286	(73)	811	11,792	(89)

The net loss for the second quarter of 2021 decreased to \$627 compared to \$2,286 for the second quarter of 2020. The higher net loss in the prior year was mainly due to the impact of COVID-19 on 2020 operations and higher finance costs in servicing the Company's higher debt levels in 2020 which have been explained in the detail above.

In the first half of 2021, the net loss decreased to \$811 compared to \$11,792 for the same period in 2020. The net loss in the prior year was significantly higher due to the impact of COVID-19 on 2020 operations, higher finance costs in servicing the Company's debt, the impact of an \$8,032 impairment expense recognized at March 31, 2020 as well as a deferred tax recovery in 2021 which have been explained in the detail above.

EBITDA and Adjusted EBITDA

(Canadian \$000's)	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
EBITDA ⁽¹⁾	472	(660)	(172)	1,147	(7,838)	(115)
Adjusted EBITDA ⁽¹⁾	(39)	(329)	(88)	786	358	120

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense and unusual or non-recurring items. EBITDA and adjusted EBITDA are non-GAAP measure as defined in the non-GAAP measures section of this MD&A.

Cleantek's EBITDA of \$472 in the second quarter of 2021 increased from negative EBITDA of \$660 in the second quarter of the prior year mainly due to higher revenue driven by stronger equipment utilization and improved gross margins, which have been explained in the detail above.

Cleantek's EBITDA of \$1,147 in the first half of 2021 increased from negative EBITDA of \$7,838 in the same period in the prior year mainly due to the significant impairment expense recognized at March 31, 2020, which have been explained in the detail above.

Cleantek's adjusted negative EBITDA of \$39 in the second quarter of 2021 improved from the adjusted negative EBITDA of \$329 in the second quarter of 2020 due to improved EBITDA in the current year offset by a higher research recovery and lower share-based payments expense in the current year, which have been explained in the detail above.

Cleantek's adjusted EBITDA of \$786 in the first half of 2021 increased from the adjusted EBITDA of \$358 the same period in the prior year mainly due to improved EBITDA in 2021 as well as lower research recovery offset by lower share-based payments expense, which have been explained in the detail above.

CAPITAL EXPENDITURES

	Three months ended			Six months ended		
		June 30	%		June 30	%
<i>(Canadian \$000's)</i>	2021	2020	Change	2021	2020	Change
Additions to property and equipment	77	-	-	214	573	(63)
Additions to intangible assets	21	-	-	63	-	-
Additions to right-of-use assets	-	-	-	-	-	-
Total capital expenditures	98	-	-	277	573	(52)

Capital expenditures include additions to property and equipment and intangible assets.

In 2021, Cleantek had capital expenditures that included upgrades to the ZeroE facility, capital spares for the HALO units and office equipment.

In 2020, Cleantek limited material capital expenditures to the construction of its commercial ZeroE facility produced water dehydration technology that was constructed throughout 2020 and deployed to location in September of 2020.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended June 30, 2021 as well as the previous seven quarters:

<i>(Canadian \$000's, except per share amounts and percentages)</i>	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Revenue	1,945	2,457	1,777	1,296	1,275	3,259	2,882	2,831
Gross profit	922	1,429	646	471	414	1,834	1,086	1,751
Gross profit %	47	58	36	36	32	56	38	62
Net loss	(627)	(184)	(9,232)	(1,352)	(2,286)	(9,506)	(19,157)	(1,998)
Net loss per share								
- basic and diluted (\$)	\$(0.00)	\$(0.00)	\$(0.25)	\$(0.12)	\$(0.20)	\$(0.85)	\$(1.71)	\$(0.18)
EBITDA ⁽¹⁾	472	675	(448)	359	(660)	(7,178)	(16,467)	16
Adjusted EBITDA ⁽¹⁾	(39)	825	(166)	(456)	(329)	687	(672)	287
Total assets	12,997	13,956	13,637	14,342	14,619	16,572	23,873	42,009
Working capital deficiency ⁽¹⁾	16,272	16,358	16,805	17,957	16,953	16,002	16,886	12,367
Non-current debt ⁽¹⁾	1,193	1,250	1,170	15,492	15,162	14,522	13,478	15,695
Total non-current liabilities	1,465	1,611	1,937	15,901	15,571	14,931	13,887	16,462

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at June 30, 2021 and December 31, 2020.

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 capital structure of Cleantek consists of the following:

(\$ thousands)	June 30 2021	December 31 2020
Current assets	(2,563)	(2,173)
Current liabilities	18,835	18,978
Working capital deficit or net current liabilities	16,272	16,805
Long-term debt – non-current	676	694
Convertible notes – non-current	-	-
Lease liabilities – non-current	517	476
Shareholders' deficit	(7,303)	(7,278)
	10,162	10,697

Debt and credit facilities

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

(Canadian \$000's)	June 30 2021	December 31 2020
Long-term debt		
Credit facilities	9,071	9,339
Loans payable	2,983	3,009
Promissory notes	1,333	300
	13,387	12,648
Current portion of long-term debt		
Credit facilities	(9,071)	(9,339)
Loans payable	(2,307)	(2,315)
Promissory notes	(1,333)	(300)
	(12,711)	(11,954)
Non-current portion of long-term debt		
Credit facilities	-	-
Loans payable	676	694
Promissory notes	-	-
	676	694

Credit facilities

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Credit facilities		
Roynat Capital Term Facility	2,915	2,996
Bank of Montreal Debt Facility	6,156	6,343
	9,071	9,339
Current portion of credit facilities	(9,071)	(9,339)
Non-current portion of credit facilities	-	-

Roynat Capital Term Facility

The Company has a term facility with Roynat Capital ("Term Facility") repayable in monthly instalments of \$nil (2019 – \$201) plus interest over a five-year term. The lender has provided a principal repayment 'holiday' during the months of July, August and September annually. Interest is charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum. The variable component of the rate averages 1.18% in 2021 (2020 – 2.45%) and the original maturity date was on July 15, 2020. The loan is 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 is subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios.

The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2019. As a result of the non-compliance with its covenants, subsequent to the December 31, 2019 year end the Company received an event of default notice from the lender. Pursuant to an amendment letter dated January 16, 2020, the lender required a minimum capital injection of \$600, interest-only payments for the period from December 2019 to March 2020 and one monthly installment of \$2,914 on April 15, 2020. The payment of \$2,915 has been extended until January 15, 2022 and the Company has negotiated interest-only payments, at the beginning of each month, on the outstanding amount. The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2020 due to missed principal payments in December 2020.

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. The forbearance agreement matured on March 31, 2021 and the Company was required to make interest-only payments until this time. The amounts owing under this agreement are subject to an increased rate of interest of the Canadian variable rate plus 7.5% per annum. In accordance with the 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.

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

The lender did not waive previous and forecasted breaches of the 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. As of the report date of these condensed consolidated interim financial statements, the Credit facility principal balance remains outstanding.

Bank of Montreal Debt Facility

The Company has a demand revolving debt facility of \$7,000 with the Bank of Montreal ("Debt Facility") that allows the Company to make draws for the purpose of capital expenditures only. Each individual draw is amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Debt Facility. Upon settlement of an individual draw, the Company can redraw on that credit becoming available in accordance with the 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 financial covenants include a debt service covenant and debt to tangible net worth covenant calculated every quarter based on a twelve-month trailing amount. The Debt Facility is secured by the assets of the Company.

At December 31, 2019, the Company was not in compliance with its financial and non-financial and reporting covenants. As a result of the non-compliance, the facility is currently in special loans with the lender, principal payments have been suspended, only interest payments are being made and, accordingly, the balance has been classified as current.

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

On April 30, 2021, the Company agreed to an amendment and extension to the forbearance agreement dated December 14, 2020 with its Canadian lender with regards to its Debt Facility, until June 30, 2021. Additionally, the amendment entailed the payment of \$50 on each of April 30, 2021, May 25, 2021 and June 25, 2021.

In August 2021, the Company agreed further amendments and extensions to its forbearance agreements until October 31, 2021. As of the report date of these condensed consolidated interim financial statements, the Debt Facility remains outstanding.

Loans payable

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Loans payable		
Loans payable - Related parties	325	325
Term loan payable - OKR Financial	1,460	1,460
Term Credit	500	500
Term loan payable – Customer rental unit	676	687
Term loan payable – Other	22	37
	2,983	3,009
Current portion of loans payable	(2,307)	(2,315)
Non-current portion of loans payable	676	694



Loans payable - Related parties

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

At June 30, 2021, \$325 of this short term loan remains outstanding (December 31, 2020 - \$325).

Term loan - OKR Financial

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial") to provide short term financing against Cleantek's fiscal 2017 and 2018 estimated Scientific Research and Experimental Development (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 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 loan to prepay all or any portion of the 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 rank 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.

In June 2020, the Company reached an agreement with the lender to extend the maturity of the \$1,000 loan to April 30, 2021, and in August 2020, an agreement was reached to also extend the maturity of the remaining \$460 loan to April 30, 2021. The interest rate payable for the two loans remains the same and is calculated at 2.15% per month.

In May 2021, the Company received \$876 in Scientific Research and Experimental Development Tax Incentive Program claim refunds for the year ended December 31, 2019.

At June 30, 2020, the \$1,460 term loan is outstanding (December 31, 2020 - \$1,460).

In August 2021, the Company executed an amendment and extension to the OKR Financial term loan payable, extending the maturity date to November 15, 2021 and revising the interest rate and form of repayment. As of the report date of these financial statement, this term loan remains outstanding and overdue.

Term Credit

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("Term Credit"). The term credit is secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit accrues interest at 12% per annum, which shall be increased by 2% per annum if a default has occurred. This instrument is due for repayment on or before April 30, 2020. The credit agreement provides the option to convert all or a portion of the outstanding balance into Class A common shares of the Company at the rate of \$5.50 per share.

At June 30, 2021, the \$500 Term Credit is outstanding and overdue (December 31, 2020 - \$500).

At the report date of these condensed consolidated interim financial statements, the Term Credit remains outstanding and its settlement is being negotiated. No assurance can be obtained that the plan will occur and on terms favorable to the Company.

Term loan – Customer rental unit

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. In November 2020, this 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 was advanced by the customer to Cleantek pursuant to the arrangement and upon full installation and commissioning of this unit.

Under the terms of this agreement, the 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 loan and accrued interest payable until such time as the 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 this arrangement, the rental unit as well as the Company's ZeroE™ technology is subject to a lien.

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

During the six months ended June 30, 2021, \$73 of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, \$51 interest expense was recognized on the outstanding loan and included in finances costs, net in net loss and \$62 of the rental income invoiced to the customer was applied to the outstanding loan, including \$11 to the principal balance.

At June 30, 2021, \$676 (December 31, 2020 - \$687) is payable on the rental unit loan.

Promissory notes

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Promissory note		
Promissory note – Minority shareholder	300	300
Promissory note – Vendor	1,033	-
	1,333	300
Current portion of promissory note	(1,333)	(300)
Non-current portion of promissory note	-	-

Promissory note – Minority shareholder

On November 1, 2017, a \$300 promissory note was executed between the Company and a minority shareholder ("New 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 New Note matures on November 1, 2019 and bears interest at 8.5% per annum. All terms of the New Note remain the same, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term of the note.

At June 30, 2021, the \$300 promissory note remains overdue and outstanding (December 31, 2020 - \$300).

As of the report date of these condensed consolidated interim financial statements, the promissory note remains outstanding and is being renegotiated with the lender. No assurance can be obtained that this plan will occur and on terms favorable to the Company.

Promissory note – Vendor and related party

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. This promissory note is non-interest bearing; is repayable at \$5 per month; and the note matures on the earlier of a change of control, a liquidity event or on such earlier date as the Company has the financial liquidity to pay the principal amount.

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

Convertible debentures

Convertible notes are comprised of the following:

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Convertible notes – Liability portion		
Convertible debentures	1,053	647
Total convertible notes – Liability portion	1,053	647
Current portion of convertible notes		
Convertible debentures	(1,053)	(647)
	(1,053)	(647)
Non-current portion of convertible notes		
Convertible debentures	-	-
	-	-

Convertible debentures

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Liability portion		
<i>Non-derivative convertible debentures</i>		
January 2020 notes, due on demand	662	647
February 2021 notes, due on demand –		
Related parties	391	-
	1,053	647

January 2020 notes, due on demand

	Number of notes	Liability component	Equity component	Total note
<i>(Canadian \$000's, except number of notes)</i>				
<i>Non-derivative convertible debentures – January 2020 notes, due on demand</i>				
At January 1, 2020	-	-	-	-
Issuance of January 2020 notes	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647
Accrued interest	-	15	-	15
	109,091	662	-	662

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of \$600. These convertible debentures have an annual interest rate of 20% per annum,

payable as 8% in Cleantek Class A common shares and 12% in cash. The debentures are convertible into common shares at \$5.50 per common share and are due on demand.

February 2021 notes, due on demand – Related parties

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

In February 2021, the Company obtained financing through the issuance of 380 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder, for total proceeds of \$380, representing a subscription price of \$1,000.00 per debenture, due on demand by the holder. These convertible debentures have 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 debenture is convertible into 10,000 units, each unit consisting of one Class A common share of the Company and one warrant to purchase a Class A common share of the Company at \$0.10 per share by September 30, 2023.

Share capital

Cleantek had the following outstanding common shares and equity instruments at June 30, 2021 and December 31, 2020:

<i>(thousands)</i>	June 30 2021	December 31 2020
Common shares	207,355,736	202,153,637
Warrants	5,446,000	-
Stock options	18,000,000	705,000
Total outstanding securities	230,801,736	202,858,637

Share issuances

On March 1, 2021, the Company completed a common share subscription of 1,646,000 common shares at \$0.10 per common share for gross proceeds of \$165. Each share includes a Warrant which shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$0.10 at any time up to March 1, 2023

Share conversions and Transfer from equity portion of convertible notes

In the six month period ended June 30, 2021, pursuant to agreements with certain creditors of the Company, the Company issued 3,556,099 Class A common shares at \$0.10 per common share to settle \$355 of accounts payable.

Subsequent events

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares.

In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum of \$10,000. This private placement was closed on August 31, 2021 and the proceeds are held in escrow subject to completion of the Raise reverse takeover.



On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares.

The equity instruments of Cleantek are presented on a pre-consolidation basis in this MD&A, except for the table below at September 30, 2021 or as otherwise indicated.

On September 30, 2021, the Company had the following outstanding common shares and equity instruments outstanding:

(thousands)	September 30 2021 ⁽¹⁾
Common shares	17,279,644
Warrants	453,834
Stock options	1,500,000
Total outstanding securities	19,233,478

(1) On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares. The equity instruments outstanding at September 30, 2021 are presented on a post-consolidation basis.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Cleantek was established for the purposes of contributing to a greener economy through the reduction of burning fossil fuels and increased water recycling through waste heat water treatment and vaporization technology, operating and developing sustainable infrastructure, and fulfilling the Company's ESG values.

The Company places great emphasis on providing a safe and secure working environment for all employees, contractors and consultants, and recognizes the importance of operating in a sustainable manner. The Company has a strong commitment to safety and sustainability in its business operations and the identification, elimination or control of workplace hazards; promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of and abusive and harassing conduct; and ethical business conduct and legal compliance. Cleantek's executive team places the highest priority on the health and safety of its staff and third parties at its sites, as well as the preservation of the environment. The Company's corporate culture is built around supporting these priorities, as reflected in its well-established practices and policies. Cleantek's high safety standards include active monitoring of all field workers, performing environmental, health and safety ("EHS") audits and using third parties and implementing safety processes from employee training in compliance with operational processes and procedures to emergency preparedness. By extension, the Company incorporates its EHS standards into its subcontractor selection qualifications to ensure that its commitment to high EHS standards is shared by its subcontractors and stakeholders.

The Board of Directors also maintains a focus on safety and sustainability working with management to fulfill its oversight responsibilities relating to operating in a safe, environmentally and socially responsible (sustainable) manner and ensuring the integrity of policies and practices with respect to: workforce and public safety in Company activities and at its operating sites; and sustainability in Company activities with respect to people (wellbeing), planet (environmental) and prosperity (community and innovation) considerations ensuring that there are appropriate processes in place to facilitate identification of various safety and sustainability risks that may arise from the Company's operations and related mitigation and possible resulting consequential risks to the Company, its subsidiaries and directors, officers and employees; assessing whether the Company's safety and sustainability policies are effective, properly implemented and comply with applicable legislation and industry standards; reviewing corporate safety

and sustainability activities and performance; reviewing the Company's method of communicating (internally and externally) safety and sustainability policies, practises and procedures; reviewing and assessing the sufficiency of resources to the Company's safety and sustainability program; ensuring that appropriate reporting procedures are established relating to safety and sustainability matters by management to ensure adequate reports are made to the chair of the Safety and Sustainability Committee on a regular basis; reviewing insurable risks related to safety and sustainability issues; evaluating adequacy of insurance coverage.

The Company has also adopted a Whistleblower Policy for individuals to report complaints and concerns regarding, among other things, accounting, internal accounting controls and auditing matters.

RISK ASSESSMENT

There are a number of risks facing Cleantek. Some of the risks are common to all businesses while others are specific to a sector.

Many of these risks are outside of the Company's control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, Cleantek's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Cleantek takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation

The general and specific risks to which the Company is exposed to as well as the business risks with regards to the Raise reverse takeover as described in the *Subsequent events should* are detailed in the *Risk assessment* section of the 2020 annual MD&A.

FINANCIAL RISKS

Cleantek defines financial risk as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on the Company's cash flows.

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 June 30, 2021, the 5 largest customers accounted for 40% of the Company's accounts receivable (December 31, 2020 – 40%) of the Company's accounts receivable and the largest 5 customers accounted for 36% of its revenue for the six months ended June 30, 2021 (year ended December 31, 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:

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Current (0 to 30 days from invoice date)	1,146	1,322
31 to 60 days past due	53	32
61 to 90 days past due	23	12
Over 90 days past due	93	73
Trade receivables and other	1,315	1,439
Provision for doubtful accounts	(41)	(41)
Total accounts receivable	1,274	1,398

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

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
At beginning of year	41	169
Increase in provision	-	86
Write-off provision	-	(214)
At end of period	41	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 \$1,169 at June 30, 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, long-term debt and convertible notes.

Cleantek mitigates this risk through efforts to maintain the support of its lenders and through the issuance of additional capital. In 2020, demand for the Company's services has been significantly impacted by COVID 19 and the impact of deteriorating commodity prices on the Company's customers, primarily in the oil and gas industry. As a result, the Company's available funding and cash flow from operating activities are not forecasted to be enough to fund its operating, investing and financing activities, including current portions of long-term debt, convertible notes and lease liabilities, see *Going concern* above.

The expected timing of cash outflows relating to financial liabilities at June 30, 2021 are outlined in the *Commitments and contingencies* section below.

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 June 30, 2021, the Company is exposed to interest rate risk with respect to its Roynat Capital Term Facility and Bank of Montreal Debt Facility. For the six months ended June 30, 2021, a 1% change to the interest rate would have resulted in a \$45 impact on net income (loss).

The interest rate on CLEANTEK's long-term debt loans payable and promissory notes and convertible notes 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 June 30, 2021 and December 31, 2020, a 1% change in the value of the U.S. dollar would have the following impact on net loss and other comprehensive loss:

	June 30 2021	December 31 2020
(Canadian \$000's)		
Impact to net loss	4	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.

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

Cleantek's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020, 2019 and 2018. There were no new or amended accounting standards or interpretations issued during the three and six months ended June 30, 2021 that are expected to have a material impact on our condensed consolidated interim financial statements.

A summary of significant accounting policies can be found in note 3 to the annual consolidated financial statements for the for the years ended December 31, 2020, 2019 and 2018.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in note 2 to the annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018. There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2020.

DISCLOSURE AND INTERNAL CONTROLS

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law.

In preparation for completing a reverse takeover of a TSX-Venture listed entity and readying Cleantek as a venture reporting issuer, the Company has commenced a process to strengthen its control systems and internal control environment.

It should be noted that a control system, including Cleantek's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

RELATED PARTY TRANSACTIONS

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

<i>(Canadian \$000's)</i>	June 30 2021	December 31 2020
Long-term receivables⁽¹⁾		
<i>Loans receivable</i>		
Loans to shareholders and former executives	547	540
Accounts payables and accrued liabilities		
Law firm related to the Company through a director	72	1,117
Long-term debt⁽¹⁾		
<i>Loans payable</i>		
Loans payable - Related parties	325	325
<i>Promissory notes</i>		
Promissory note – Minority shareholder	300	300
Promissory note – Vendor and related party	1,033	-
	1,658	625
Convertible notes – Liability portion⁽¹⁾		
<i>Convertible debentures</i>		
February 2021 notes, due on demand – Related parties	380	-

(1) Includes current and non-current portion.

Loans receivable – Related parties

Loans to shareholders and former executives

In May 2018, the Company advanced \$500 to two shareholders who were officers of the Company and who had significant influence at the time. The 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.

The Company has the related party commitments and contingencies as disclosed in the *Commitments and contingencies* section below.

COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities at June 30, 2021 are outlined in the table below:

	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾⁽³⁾				Total ⁽¹⁾
(Canadian \$000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	4,715	4,715	-	-	-	4,715
Long-term debt						
Credit facilities	9,071	9,071	-	-	-	9,071
Loans payable	2,983	2,307	676	-	-	2,983
Promissory notes	1,333	1,333	-	-	-	1,333
Convertible notes	1,053	1,053	-	-	-	1,053
	19,155	18,479	676	-	-	19,155
Lease liabilities and other commitments						
Lease liabilities	873	437	660	43	4	1,144
Other property lease commitments ⁽⁴⁾	-	257	191	143	-	591
	873	694	851	186	4	1,735

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

(2) Financial liabilities exclude interest portion due to demand and variable term features. See Consolidated liquidity and capital above for Cleantek's debt and credit facilities and convertible notes.

(3) Lease liabilities include principal and interest portions.

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

Related party guarantee

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

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

At December 31, 2018, Cerberus had loans outstanding amounting to \$436 to which the guarantee applies. In 2019, the lender commenced actions against Cerberus and has commenced action to enforce the



guarantee by the Company. The Company has filed a statement of defense and has not accrued a provision for this claim.

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

Litigation and claims

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

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, and accrued interest and damages. At June 30, 2021, the principal balance of the term loan payable by the Company and included in debt is \$325 (December 31, 2020 - \$325). The Company has filed a statement of defense and counter claim.

SUBSEQUENT EVENTS

Announcement of reverse takeover of Raise Production Inc., taking Cleantek public and equity financing

Reverse takeover of Raise

On July 12, 2021, Cleantek announced that they entered into an arrangement agreement with Raise Production Inc. ("Raise" - TSXV: RPC) whereby Cleantek effectively completes a reverse takeover of Raise and becomes a public Company.

Pursuant to this business combination, Raise will acquire each issued and outstanding common share of Cleantek in exchange for the issuance of 58.3 Raise common shares at a deemed issue price of \$0.03 per Raise share. Following completion of this transaction but prior to the completion of any concurrent private placement as discussed below, shareholders of Raise will hold approximately 15% of the resulting reporting issuer with shareholders of Cleantek holding the remaining approximately 85%.

In certain circumstances, Cleantek will be required to pay Raise a \$2,500 termination fee if the Raise reverse takeover is not completed.

Cleantek brokered private placement

In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum of \$10,000. This private placement was closed on August 31, 2021 and the proceeds are held in escrow subject to completion of the Raise reverse takeover.

Each subscription receipt will be exchangeable into one unit of Cleantek (each, a "Unit"), concurrently with closing of the reverse takeover transaction and will participate with all other holders of Cleantek common shares in the reverse takeover. Each Unit shall be comprised of one Cleantek common share and one half of one Cleantek common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the resulting reporting issuer on the TSX-V, or other principal exchange on which the shares are listed, is greater than \$3.50 for 10 consecutive trading days, the resulting reporting issuer may deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice.

The gross proceeds from the private placement will be held in escrow pending the completion of the reverse takeover, which is expected to close on or around October 31, 2021.

If all conditions to the completion of the reverse takeover are satisfied on or before October 31, 2021, the net proceeds from the sale of the subscription receipts will be released from escrow to Cleantek and each subscription receipt will be exchanged for one Unit and the holders thereof will participate with all other holders of Cleantek common shares and Warrants in the reverse takeover.

2021 Extension to forbearance agreements

Bank of Montreal Debt Facility

On August 9, 2021, the Company agreed to a further extension to this forbearance agreement with its lender until October 31, 2021. This extension entails the following additional obligations and covenants:

- Payment of \$300 on August 9, 2021;
- Payment of \$200 on August 10, 2021;
- Payment of \$200 on September 10, 2021;
- Payment of \$200 on October 10, 2021;
- Providing a fully executed, definitive agreement between Raise Productions Inc and Cleantek (see Announcement of reverse takeover above); and
- Completion of an equity financing raising a minimum of \$10,000 by August 31, 2021, with funds held in escrow subject to the Raise reverse takeover.

As of the report date of these consolidated financial statements, Cleantek is in compliance with the respective August and September 2021 payments and have executed a definitive agreement with Raise dated July 12, 2021, and completed an equity financing raising a minimum of \$10,000 by August 31, 2021.

Roynat Term Facility

On July 21, 2021, the Company agreed a further extension to these forbearance agreements with respect to the Roynat Term Facility until the earlier of the occurrence of an event of default or January 15, 2022.

2019 SRED refund received and OKR Financial term loan amendment

On August 9, 2021, the Company executed an amendment and extension to the OKR Financial term loan payable. The amendment revises:

- The maturity date to November 15, 2021;
- The interest rate from an equivalent annual interest rate of 29.08% to 18.0%, effective January 1, 2020, up to a maximum amount of \$750; and
- The form of repayment of the loan and accrued interest from 100% in cash to either of the following at the option of Cleantek:
 - Issuing to the lender units, commensurate with the August 31, 2021 private placement, comprising one Cleantek common share and one half of one Cleantek common share purchase warrant to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; or
 - Repayment in cash.

August 27, 2021 share consolidation

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares. No



adjustments have been made to historical numbers, but subsequent events have been adjusted to reflect the share consolidation.

The equity instruments of Cleantek are presented on a pre-consolidation basis in these condensed consolidated interim financial statements.

September 2021 convertible debentures issue

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of \$450. These convertible debentures have a monthly interest rate of 5% and are convertible into common shares of the Company at \$0.10 per common share (on a pre-consolidation basis) and are due on October 31, 2021.

New loan and revolving facility

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

- A non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance; and
- A revolving line of credit up to \$2,500, in one or more loan advances.

The credit facility agreement is 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.

The initial loan advances are subject to conditions including discharges from certain lenders in respect of existing outstanding debt of Cleantek and the completion of the Raise reverse takeover and concurrent \$10,000 equity financing.

The term facility may only be used to refinance existing debt and to finance certain capital expenditures of Cleantek and the revolving facility may be used to finance equipment purchases and general working capital and corporate requirements of Cleantek.

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

The credit facilities are secured by the assets of the Company and its subsidiaries.

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

ADDITIONAL INFORMATION

Additional information regarding Cleantek and its business and operations can be obtained by contacting the Company at Cleantek Industries Inc., Suite 3200, 500 – 4th Avenue SW, Calgary, Alberta, Canada T2P 2V6 or by e-mail at info@cleantekinc.com. Additional information related to Cleantek is available on www.cleantekinc.com and on the Company's SEDAR profile at www.sedar.com.

NON-GAAP MEASUREMENTS

Cleantek uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by International Financial Report Standards ("IFRS"). The following terms: "EBITDA", "adjusted EBITDA", "working capital" and "non-current debt" are not recognized measures under IFRS and may not be comparable to that reported by other companies. Cleantek believes that, in addition to measures prepared in accordance with IFRS, the non-GAAP measurements provide useful information to evaluate the Company's performance and ability to generate cash, profitability and meet financial commitments.

These non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for certain non-cash items, including share-based compensation, impairment, and loss or gain on disposal of assets as well as unusual or non-recurring items.

The following table provides a reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA, to the applicable IFRS measurements for Cleantek:

	Three months ended			Six months ended		
	2021	June 30 2020	% Change	2021	June 30 2020	% Change
<i>(Canadian \$000's)</i>						
Net loss	(716)	(2,286)	(69)	(1,306)	(11,792)	(89)
Tax expense (recovery)	-	-	-	-	-	-
Depreciation and amortization	712	409	74	1,499	1,546	(3)
Finance costs, net	476	1,217	(61)	954	2,408	(60)
EBITDA	472	(660)	(172)	1,147	(7,838)	(115)
Research	(688)	(122)	464	(688)	(855)	(20)
Share-based compensation	177	453	(61)	327	1,019	(68)
Impairment expense of non-financial assets	-	-	-	-	8,032	(100)
Transaction costs	-	-	-	-	-	-
Adjusted EBITDA	(39)	(329)	(88)	786	358	120

Working capital

Working capital (or also referred to as net current assets/liabilities) for Cleantek is calculated as current assets less current liabilities per the statement of financial position. The following table provides a reconciliation of working capital, a non-GAAP measure to the applicable IFRS measurements for the Company:

	June 30 2021	December 31 2012
<i>(Canadian \$000s)</i>		
Current assets	(2,563)	(2,173)
Current liabilities	18,835	18,978
Working capital deficit	16,272	16,805

Non-current debt

Management considers non-current debt in analyzing the Company's capital structure. Cleantek's capital structure consists of working capital, non-current debt and shareholders' equity. Non-current debt measures the long-term borrowings of the Company excluding deferred tax and provision and excluding any current portions of borrowings. Non-current debt for Cleantek is calculated as the non-current portions of long-term debt, convertible notes and lease liabilities. The following table provides a reconciliation of non-current debt, a non-GAAP measure to the applicable IFRS measurements for the Company:

(Canadian \$000s)	June 30 2021	December 31 2020
Long-term debt – non-current portion	676	694
Convertible notes – non-current portion	-	-
Lease liabilities – non-current portion	517	476
Non-current debt	1,193	1,170

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as: "anticipates", "believes", "continues", "estimates", "could", "expects", "intends", "may", "objective", "ongoing", "plans", "will", "projects", "should", or similar expressions suggesting future outcomes or events. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- The contemplated reverse takeover of Raise Production Inc. and Cleantek becoming a public company;
- Estimating operating revenue in excess of \$6,000 over the contracted term with Jupiter Resources Inc. for the long-term services of two PZeroE systems;
- Seeking to take advantage of increased drilling and production with higher equipment utilization driving an increase in revenue and profits;
- Leveraging Cleantek's technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization service offering along with a strong forecasted utilization of our environmental equipment rental solutions;
- Executing Cleantek's strategy to build, own and operate a portfolio of ZeroE, waste to energy, wastewater treatment and vaporization infrastructure projects throughout North America and globally;
- Securing additional contracted projects to develop and construct additional ZeroE projects;
- Optimization and expansion of existing ZeroE produced water processing facilities;
- Securing and optimizing long-term contracts for ZeroE service to provide stable, low-risk cash flows;
- Securing a strong pipeline of environmental equipment rental agreements through developed partnerships and vertically integrated operations;
- Diversification of Cleantek industries to de-risk the Company's inbound revenue streams;
- Integrating talent, systems and processes across its acquired projects to create efficiencies and best-in-class operations;
- Continued growth of project portfolio via strategic acquisitions and consolidation opportunities; and
- Capturing expansion in both ZeroE wastewater vaporization and environmental equipment markets.



Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cleantek. These include, but are not limited to, risks associated with renewable energy sources, such as market competition, volatility of prices, currency fluctuations, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external sources.

Although management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date hereof for the purposes of providing the readers with Cleantek's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from forward-looking statements previously disclosed by the Company for a period that is not yet complete, Cleantek will provide disclosure on such events and the anticipated impact of such events.

**SCHEDULE H-2 TO APPENDIX H – INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

(See Attached)



Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2021 and 2020

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

Unaudited (Canadian \$000's)	Note	June 30 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents		1,169	597
Accounts receivable		1,274	1,398
Prepays, deposits and other receivables		120	178
Total current assets		2,563	2,173
Non-current assets			
Property and equipment	3	9,009	10,219
Intangible assets	4	524	499
Right-of-use assets		354	206
Long-term receivables	12	547	540
Total non-current assets		10,434	11,464
Total assets		12,997	13,637
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		4,715	6,078
Current portion of long-term debt	5	12,711	11,954
Current portion of convertible notes	6	1,053	647
Current portion of lease liabilities		356	299
Total current liabilities		18,835	18,978
Non-current liabilities			
Long-term debt	5	676	694
Lease liabilities		517	476
Provisions		56	56
Deferred tax		216	711
Total non-current liabilities		1,465	1,937
Total liabilities		20,300	20,915
Shareholders' equity (deficit)			
Share capital	7	52,228	51,708
Contributed surplus		1,407	1,080
Accumulated other comprehensive income		80	141
Accumulated deficit		(61,018)	(60,207)
Total shareholder's equity (deficit)		(7,303)	(7,278)
Total liabilities and shareholders' equity (deficit)		12,997	13,637
Going concern	2		
Commitments and contingencies	14		
Subsequent events	15		

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

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

<i>(Canadian \$000's, except per share amounts)</i>	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Revenue	9	1,945	1,275	4,402	4,534
Direct operating expenses		1,023	861	2,051	2,286
Gross profit		922	414	2,351	2,248
Other expenses					
General and administrative		1,004	740	1,640	2,040
Depreciation and amortization	3,4	712	409	1,499	1,546
Research expense (recovery)		(688)	(122)	(688)	(855)
Share-based compensation	8	177	453	327	1,019
Impairment	3	-	-	-	8,032
Finance costs, net	10	476	1,217	954	2,408
(Gain) loss on disposal of long-lived assets		(3)	(81)	3	(101)
Foreign exchange (gain) loss		(40)	84	(78)	(49)
		1,638	2,700	3,657	14,040
Loss before income taxes		(716)	(2,286)	(1,306)	(11,792)
Income tax (recovery) expense					
Current		-	-	-	-
Deferred		(89)	-	(495)	-
		(89)	-	(495)	-
Net loss		(627)	(2,286)	(811)	(11,792)
Loss per share (\$)					
Basic and diluted	11	\$-	\$(0.20)	\$-	\$(1.05)

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

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

<i>(Canadian \$000's)</i>	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Net loss		(627)	(2,286)	(811)	(11,792)
Other comprehensive loss					
Foreign currency translation gain (loss)		(34)	(143)	(61)	149
Total comprehensive loss		(661)	(2,429)	(872)	(11,643)

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

Cleantek Industries Inc.

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

<i>(Canadian \$000's, except common shares in 000's)</i>		Number of Class A Common Shares	Share capital	Convertible notes	Contributed surplus	AOCI ⁽¹⁾	Accumulated deficit	Total
Note								
At January 1, 2020		11,196	25,573	520	1,312	179	(37,831)	(10,247)
Net loss for the period		-	-	-	-	-	(11,792)	(11,792)
Share-based compensation expense		-	-	-	1,019	-	-	1,019
Share issuance – in kind		4	37	-	-	-	-	37
Shares issued as part of directors' compensation		1	1	-	(1)	-	-	-
Shares held in escrow and released pursuant to acquisition employment services agreements		178	981	-	(981)	-	-	-
Foreign currency translation gain		-	-	-	-	149	-	149
At June 30, 2020		11,379	26,592	520	1,349	328	(49,623)	(20,834)
At January 1, 2021		202,154	51,708	-	1,080	141	(60,207)	(7,278)
Net loss for the period		-	-	-	-	-	(811)	(811)
Share-based compensation expense	8	-	-	-	327	-	-	327
Share issuance – cash	7	1,646	165	-	-	-	-	165
Share conversions	7	3,556	355	-	-	-	-	355
Foreign currency translation loss		-	-	-	-	(61)	-	(61)
At June 30, 2021		207,356	52,228	-	1,407	80	(61,018)	(7,303)

(1) Accumulated other comprehensive income (loss)

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

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

		Three months ended June 30		Six months ended June 30	
(Canadian \$000's)	Note	2021	2020	2021	2020
Cash (used in)/provided by:					
Operating activities					
Net loss		(627)	(2,286)	(811)	(11,792)
Adjustments for:					
Depreciation and amortization	3,4	712	409	1,499	1,546
Share-based compensation expense	8	177	453	327	1,019
Impairment	3	-	-	-	8,032
Finance costs	10	476	1,217	954	2,408
(Gain) loss on disposal of long-lived assets		(3)	(81)	3	(101)
Deferred income tax expense (recovery)		(89)	-	(495)	-
Changes in non-cash working capital	13	514	1,313	(302)	1,443
Net cash flow from (used in) operating activities		1,160	1,025	1,175	2,555
Investing activities					
Additions to property and equipment	3	(77)	-	(214)	(573)
Additions to intangible assets	4	(21)	-	(63)	-
Proceeds on disposal of long-lived assets		45	3	45	3
Net cash flow used in operating activities		(53)	3	(232)	(570)
Financing activities					
Repayment of long-term debt – credit facilities	5	(183)	(169)	(247)	(465)
Repayment of long-term debt - term loans and notes	5	(26)	-	(38)	-
Proceeds from convertible notes - debentures	6	-	-	380	600
Repayments of lease liabilities		(81)	(383)	(135)	(320)
Payments of cash interest		(222)	(248)	(435)	(520)
Proceeds from issuance of share capital	7	-	-	165	-
Net cash flow from financing activities		(512)	(800)	(310)	(705)
Increase (decrease) in cash and cash equivalents		595	228	633	1,280
Effect of foreign exchange		(76)	(143)	(61)	149
on cash and cash equivalents					
Cash and cash equivalents, beginning of period		650	1,555	597	211
Cash and cash equivalents, end of period		1,169	1,640	1,169	1,640

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

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

1. REPORTING ENTITY

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

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

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

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.

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

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

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance and basis of measurement

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2020, 2019, 2018. These condensed consolidated interim financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual consolidated financial statements at December 31, 2020, 2019, 2018 and for the years ended December 31, 2020, 2019 and 2018.

These condensed consolidated interim financial statements have been approved by the Board of Directors on September 30, 2021.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

b) Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

For the 6 months ended June 30, 2021, the Company's net loss was \$811 (2020 - \$11,792). At June 30, 2021, the Company had net current liabilities of \$16,272 (December 31, 2020 - \$16,805) which includes the current portions of lease liabilities, long-term debt and convertible notes. At June 30, 2021, the Company has shareholders' deficiency of \$7,303 (December 31, 2020 - \$7,278).

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

Throughout 2020 and 2021, the Company was not in compliance with certain financial and reporting covenants of its Roynat Capital Term Facility (notes 5 and 15) and its Bank of Montreal revolving Debt Facility (notes 5 and 15) and missed required principal and interest payments on its Roynat Capital Term Facility. There are forbearance agreements in place for the Roynat Capital Term Facility and the Bank of Montreal Debt Facility which expire on January 15, 2022 and October 31, 2021, respectively. In addition, the OKR Financial term loan (notes 5 and 15) and the Company's Term Credit facility (note 5) as well as promissory notes to a minority shareholder and vendor and related party (note 5) remain outstanding and overdue. These breaches of covenants, among other non-compliances with long-term debt agreements including missed principal and interest payments, resulted in these long-term debts being classified as current liabilities.

Subsequent to June 30, 2021 (note 15), the Company:

- Completed a private placement on August 31, 2021 for gross proceeds of \$10,000 to be held in escrow pending the completion of a reverse takeover of a TSX-Venture entity;
- Issued convertible notes in September 2021 for gross proceeds of \$450; and
- Completed a new loan and revolving facility on September 24, 2021 for a non-revolving facility up to \$7,500 and a revolving line of credit up to \$2,500.

The above noted events and conditions indicate that material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. The Company is working with its secured lenders, to seek restructuring of its remaining unsecured debt and to raise additional capital, however, there is no assurance that the Company will be able to maintain the support of its secured or unsecured lenders or at terms that are favorable to the Company, or that the recapitalization plan will be successfully completed.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company not be able to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying condensed consolidated interim financial statements. Any such adjustments could be material.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

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

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

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

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

d) Use of estimates, judgements and assumptions

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

There have been no significant changes to the use of estimates, judgements or assumptions since December 31, 2020, as detailed in note 2 of the annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

3. 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	-	56	-	-	56
Impact of foreign exchange	-	(142)	-	-	(142)
At December 31, 2020	5,721	29,853	125	472	36,171
Additions	-	177	31	6	214
Dispositions	-	(83)	(22)	-	(105)
At June 30, 2021	5,721	29,947	134	478	36,280
Accumulated depreciation and impairment					
At January 1, 2020	5,721	13,144	138	849	19,852
Depreciation	-	2,757	16	78	2,851
Dispositions	-	(415)	(236)	(543)	(1,194)
Impairment (note 21)	-	4,170	207	88	4,465
Impact of foreign exchange	-	(22)	-	-	(22)
At December 31, 2020	5,721	19,634	125	472	25,952
Depreciation	-	1,412	5	1	1,418
Dispositions	-	(77)	(22)	-	(99)
At June 30, 2021	5,721	20,969	108	473	27,271
Carrying amount					
At December 31, 2020	-	10,219	-	-	10,219
At June 30, 2021	-	8,978	26	5	9,009

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

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

Impairment

At June 30, 2021, there were no indicators 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 impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test using a value in use method, based on a discounted cash flow model on its non-financial assets within its Rentals cash generating unit at March 31, 2020 and recognized a total impairment of \$8,032 during the six months period ended June 30, 2020. The total impairment expense was allocated to the following categories:

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

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- \$1,063 impairment expense of ROU assets intangible assets.

4. INTANGIBLE ASSETS

<i>(Canadian \$000's)</i>	Patents	Halo development	ZeroE development	Customer relationships	Trade names	Total
Cost						
At January 1, 2020	2,030	293	1,722	1,252	459	5,756
Additions	-	-	510	-	-	510
At December 31, 2020	2,030	293	2,232	1,252	459	6,266
Additions	-	-	63	-	-	63
At June 30, 2021	2,030	293	2,295	1,252	459	6,329
Accumulated amortization and impairment						
At January 1, 2020	662	293	1,722	374	133	3,184
Amortization	17	-	11	34	17	79
Impairment	1,351	-	-	844	309	2,504
At December 31, 2020	2,030	293	1,733	1,252	459	5,767
Amortization	-	-	38	-	-	43
At June 30, 2021	-	-	1,771	-	-	5,810
Carrying amount						
At December 31, 2020	-	-	499	-	-	499
At June 30, 2021	-	-	524	-	-	524

Impairment

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

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

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5. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Long-term debt		
Credit facilities	9,071	9,339
Loans payable	2,983	3,009
Promissory notes	1,333	300
	13,387	12,648
Current portion of long-term debt		
Credit facilities	(9,071)	(9,339)
Loans payable	(2,307)	(2,315)
Promissory notes	(1,333)	(300)
	(12,711)	(11,954)
Non-current portion of long-term debt		
Credit facilities	-	-
Loans payable	676	694
Promissory notes	-	-
	676	694

Credit facilities

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Credit facilities		
Roynat Capital Term Facility	2,915	2,996
Bank of Montreal Debt Facility	6,156	6,343
	9,071	9,339
Current portion of credit facilities	(9,071)	(9,339)
Non-current portion of credit facilities	-	-

Roynat Capital Term Facility

The Company has a term facility with Roynat Capital ("Term Facility") repayable in monthly instalments of \$nil (2019 – \$201) plus interest over a five-year term. The lender has provided a principal repayment 'holiday' during the months of July, August and September annually. Interest is charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum. The variable component of the rate averages 1.18% in 2021 (2020 – 2.45%) and the original maturity date was on July 15, 2020. The loan is 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 is subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios.

The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2019. As a result of the non-compliance with its covenants, subsequent to the December

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31, 2019 year end the Company received an event of default notice from the lender. Pursuant to an amendment letter dated January 16, 2020, the lender required a minimum capital injection of \$600, interest-only payments for the period from December 2019 to March 2020 and one monthly installment of \$2,914 on April 15, 2020. The payment of \$2,915 has been extended until January 15, 2022 and the Company has negotiated interest-only payments, at the beginning of each month, on the outstanding amount. The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2020 due to missed principal payments in December 2020.

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. The forbearance agreement matured on March 31, 2021 and the Company was required to make interest-only payments until this time. The amounts owing under this agreement are subject to an increased rate of interest of the Canadian variable rate plus 7.5% per annum. In accordance with the 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 (note 6) and \$165 through a share subscription on March 1, 2021 (note 7).

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

The lender did not waive previous and forecasted breaches of the 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. As of the report date of these condensed consolidated interim financial statements, the Credit facility principal balance remains outstanding.

Bank of Montreal Debt Facility

The Company has a demand revolving debt facility of \$7,000 with the Bank of Montreal ("Debt Facility") that allows the Company to make draws for the purpose of capital expenditures only. Each individual draw is amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Debt Facility. Upon settlement of an individual draw, the Company can redraw on that credit becoming available in accordance with the 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 financial covenants include a debt service covenant and debt to tangible net worth covenant calculated every quarter based on a twelve-month trailing amount. The Debt Facility is secured by the assets of the Company.

At December 31, 2019, the Company was not in compliance with its financial and non-financial and reporting covenants. As a result of the non-compliance, the facility is currently in special loans with the lender, principal payments have been suspended, only interest payments are being made and, accordingly, the balance has been classified as current.

On December 14, 2020, the Company signed a forbearance agreement with its Debt Facility lender with an outstanding principal amount owing at December 31, 2020 of \$6,295. Under the terms of the forbearance agreement, the Company's monthly blended payments are reduced to \$50 per month with the remaining balance due on April 15, 2021. The amounts owing under this agreement are subject to an increased rate of interest beginning on December 1, 2020 to the lenders prime rate plus 3% per annum. In

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accordance with the covenants of this agreement, the Company was required to provide its audited "ASPE" financial statements for fiscal 2019 by December 15, 2020. The Company did not meet this covenant. The lender did not waive previous and forecasted breaches of the Debt Facility and forbearance agreements. As a result of the non-compliance with its financial and reporting covenants, the Company's debt facilities have been classified as current.

On April 30, 2021, the Company agreed to an amendment and extension to the forbearance agreement dated December 14, 2020 with its Canadian lender with regards to its Debt Facility, until June 30, 2021. Additionally, the amendment entailed the payment of \$50 on each of April 30, 2021, May 25, 2021 and June 25, 2021.

In August 2021, the Company agreed further amendments and extensions to its forbearance agreements until October 31, 2021 (note 15). As of the report date of these condensed consolidated interim financial statements, the Debt Facility remains outstanding.

Loans payable

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Loans payable		
Loans payable - Related parties	325	325
Term loan payable - OKR Financial	1,460	1,460
Term Credit	500	500
Term loan payable – Customer rental unit	676	687
Term loan payable – Other	22	37
	2,983	3,009
Current portion of loans payable	(2,307)	(2,315)
Non-current portion of loans payable	676	694

Loans payable - Related parties

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

At June 30, 2021, \$325 of this short term loan remains outstanding (December 31, 2020 - \$325).

Term loan - OKR Financial

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial") to provide short term financing against Cleantek's fiscal 2017 and 2018 estimated Scientific Research and Experimental Development (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 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 loan to prepay all or any portion of the 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 rank second in priority behind Cleantek's senior lender credit facilities.

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

In June 2020, the Company reached an agreement with the lender to extend the maturity of the \$1,000 loan to April 30, 2021, and in August 2020, an agreement was reached to also extend the maturity of the remaining \$460 loan to April 30, 2021. The interest rate payable for the two loans remains the same and is calculated at 2.15% per month.

In May 2021, the Company received \$876 in Scientific Research and Experimental Development Tax Incentive Program claim refunds for the year ended December 31, 2019.

At June 30, 2020, the \$1,460 term loan is outstanding (December 31, 2020 - \$1,460).

In August 2021, the Company executed an amendment and extension to the OKR Financial term loan payable, extending the maturity date to November 15, 2021 and revising the interest rate and form of repayment. As of the report date of these financial statement, this term loan remains outstanding and overdue.

Term Credit

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("Term Credit"). The term credit is secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit accrues interest at 12% per annum, which shall be increased by 2% per annum if a default has occurred. This instrument is due for repayment on or before April 30, 2020. The credit agreement provides the option to convert all or a portion of the outstanding balance into Class A common shares of the Company at the rate of \$5.50 per share.

At June 30, 2021, the \$500 Term Credit is outstanding and overdue (December 31, 2020 - \$500).

At the report date of these condensed consolidated interim financial statements, the Term Credit remains outstanding and its settlement is being negotiated. No assurance can be obtained that the plan will occur and on terms favorable to the Company.

Term loan – Customer rental unit

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. In November 2020, this 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 was advanced by the customer to Cleantek pursuant to the arrangement and upon full installation and commissioning of this unit.

Under the terms of this agreement, the 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 loan and accrued interest payable until such time as the 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 this arrangement, the rental unit as well as the Company's ZeroE™ technology is subject to a lien.

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

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During the six months ended June 30, 2021, \$73 of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, \$51 interest expense was recognized on the outstanding loan and included in finances costs, net in net loss and \$62 of the rental income invoiced to the customer was applied to the outstanding loan, including \$11 to the principal balance.

At June 30, 2021, \$676 (December 31, 2020 - \$687) is payable on the rental unit loan.

Promissory notes

	June 30 2021	December 31 2020
(Canadian \$000's)		
Promissory note		
Promissory note – Minority shareholder	300	300
Promissory note – Vendor	1,033	-
	1,333	300
Current portion of promissory note	(1,333)	(300)
Non-current portion of promissory note	-	-

Promissory note – Minority shareholder

On November 1, 2017, a \$300 promissory note was executed between the Company and a minority shareholder ("New 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 New Note matures on November 1, 2019 and bears interest at 8.5% per annum. All terms of the New Note remain the same, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term of the note.

At June 30, 2021, the \$300 promissory note remains overdue and outstanding (December 31, 2020 - \$300).

As of the report date of these condensed consolidated interim financial statements, the promissory note remains outstanding and is being renegotiated with the lender (note 2). No assurance can be obtained that this plan will occur and on terms favorable to the Company.

Promissory note – Vendor and related party

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. This promissory note is non-interest bearing; is repayable at \$5 per month; and the note matures on the earlier of a change of control, a liquidity event or on such earlier date as the Company has the financial liquidity to pay the principal amount.

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

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6. CONVERTIBLE NOTES

Convertible notes are comprised of the following:

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Convertible notes – Liability portion		
Convertible debentures	1,053	647
Total convertible notes – Liability portion	1,053	647
Current portion of convertible notes		
Convertible debentures	(1,053)	(647)
	(1,053)	(647)
Non-current portion of convertible notes		
Convertible debentures	-	-
	-	-

Convertible debentures

	June 30 2021	December 31 2020
<i>(Canadian \$000's)</i>		
Liability portion		
<i>Non-derivative convertible debentures</i>		
January 2020 notes, due on demand	662	647
February 2021 notes, due on demand –		
Related parties	391	-
	1,053	647

January 2020 notes, due on demand

	Number of notes	Liability component	Equity component	Total note
<i>(Canadian \$000's, except number of notes)</i>				
<i>Non-derivative convertible debentures – January 2020 notes, due on demand</i>				
At January 1, 2020	-	-	-	-
Issuance of January 2020 notes	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647
Accrued interest	-	15	-	15
	109,091	662	-	662

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of \$600. These convertible debentures have an annual interest rate of 20% per annum, payable as 8% in Cleantek Class A common shares and 12% in cash. The debentures are convertible into common shares at \$5.50 per common share and are due on demand.

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February 2021 notes, 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 notes, due on demand				
At January 1, 2021	-	-	-	-
Issuance of February 2021 notes	380	380	-	380
Accrued interest	-	11	-	11
At June 30, 2021	380	391	-	391

In February 2021, the Company obtained financing through the issuance of 380 secured subordinated convertible debentures to existing shareholders of the Company holding significant influence, including the Company's largest shareholder, for total proceeds of \$380, representing a subscription price of \$1,000.00 per debenture, due on demand by the holder. These convertible debentures have 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 debenture is convertible into 10,000 units, each unit consisting of one Class A common share of the Company and one warrant to purchase a Class A common share of the Company at \$0.10 per share by September 30, 2023.

7. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

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

a) Issued share capital

		June 30 2021		December 31 2020
(Canadian \$000's, except number of shares)	Number of shares	Amount	Number of shares	Amount
Common shares – Class "A" voting				
At beginning of year ⁽¹⁾	202,153,637	51,708	11,196,356	25,573
Share issuances – cash	1,646,000	165	-	-
Share issuances – in kind	-	-	3,713	37
Shares issued as part of directors' compensation	-	-	151	1
Shares held in escrow and released pursuant to acquisition employment services agreements	-	-	265,244	1,459
Share conversions	3,556,099	355	190,688,173	24,638
Share issue costs, net of tax	-	-	-	-
At end of period	207,355,736	52,228	202,153,637	51,708

(1) Excludes Cleantek common shares issued on acquisition of Apollo Energy on October 18, 2018 and held in escrow subject to executive employment agreements (see note 8). These Cleantek common shares issued and held in escrow are only reflected as outstanding common shares of the Company upon release from escrow. At January 1, 2020, 265,244 Cleantek common shares issued on Apollo Energy acquisition remain held in escrow. These shares were released from escrow in 2020.

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Share issuances

On March 1, 2021, the Company completed a common share subscription of 1,646,000 common shares at \$0.10 per common share for gross proceeds of \$165. Each share includes a Warrant which shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$0.10 at any time up to March 1, 2023

Share conversions

In the six month period ended June 30, 2021, pursuant to agreements with certain creditors of the Company, the Company issued 3,556,099 Class A common shares at \$0.10 per common share to settle \$355 of accounts payable.

8. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

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

Stock option plan (equity-settled)

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

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

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

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

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

As part of the Apollo Energy Services Corp. acquisition in October 2018, 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.

In March 2019, one of the vendors and an executive of Cleantek resigned from the Company and forfeited 173,906 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 91,338 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.

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

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

b) Stock options

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

		June 30 2021 Weighted average exercise price		December 31 2020 Weighted average exercise price
<i>(Canadian \$, except number of stock options)</i>	Number of stock options		Number of stock options	
Stock options				
Outstanding at beginning of year	705,000	5.50	630,000	5.50
Cancelled	(705,000)	5.50	-	-
Granted	18,000,000	0.10	100,000	5.50
Forfeited	-	-	(25,000)	5.50
Outstanding at end of period	18,000,000	0.10	705,000	5.50
Weighted average remaining life		4.9 years		3.3 years
Exercisable at end of period	-	-	296,668	5.50

Pursuant to the Company's stock option plan, the Board of Directors terminated and cancelled all 705,000 of the granted and outstanding stock options of the Company on January 1, 2021. In accordance with IFRS 2, *Share-based payments*, stock options cancelled is treated as an acceleration of vesting and the amount that otherwise would have been recognized for services received over the remainder of the vesting period is recognized immediately in net loss. Accordingly, the Company recognized \$91 of accelerated share-based payment expense.

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

	Six months ended June 30 2021	Year ended December 31 2020
Share price on grant date	\$0.10	\$0.65
Exercise price	\$0.10	\$5.50
Expected life (years)	5	5
Expected volatility	95%	51%
Risk-free interest rate	0.25%	1.60%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
Weighted average fair value per stock option	\$0.07	\$0.30

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.

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For the six months ended June 30, 2021, \$327 (2020 - \$69) of share-based payment expense related to stock options was recognized in net loss, including the \$91 accelerated share-based payment expense for the cancelled stock options.

c) Common shares issued in exchange for services rendered

During the six month period ended June 30, 2020, the Company issued 151 Cleantek common shares with a fair value of \$5.50 per common share to members of the Board of Directors as compensation for services rendered in their capacity as directors of Cleantek.

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

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

	June 30 2021	December 31 2020
<i>(Number of escrowed shares)</i>		
Escrowed common shares		
Outstanding at beginning of year	-	265,244
Released from escrow	-	(265,244)
Outstanding at end of period	-	-

For the six months ended June 30, 2021, \$nil (2020 - \$949) of share-based payment expense related to these escrowed common shares was recognized in net loss.

e) Share-based compensation expense

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

	Three months ended June 30		Six months ended June 30	
<i>(Canadian \$000's)</i>	2021	2020	2021	2020
Stock options	177	31	327	69
Common shares issued as part of directors' compensation	-	-	-	1
Escrowed common shares at acquisition in exchange for employment services	-	422	-	949
Total share-based compensation expense	177	453	327	1,019

9. REVENUE

	Three months ended June 30		Six months ended June 30	
<i>(Canadian \$000's)</i>	2021	2020	2021	2020
Rentals	1,908	1,275	4,329	4,534
Facility dehydration (note 5)	37	-	73	-
Total revenue	1,945	1,275	4,402	4,534
Consisting of:				
Canadian operations	974	504	2,504	2,274
U.S. operations	971	771	1,898	2,260

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

10. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
(Canadian \$000's)	2021	2020	2021	2020
Interest expense on long-term debt	295	269	553	1,332
Interest expense and financing costs of convertible notes ⁽¹⁾	92	425	174	48
Interest on lease liabilities	19	31	39	49
Debt renewal and other lending fees	74	59	195	139
Loss on fair value adjustment of derivative convertible note liabilities	-	437	-	847
Interest income	(4)	(4)	(7)	(7)
Total finance costs, net	476	1,217	954	2,408

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

11. LOSS PER SHARE AMOUNTS

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

	Three months ended June 30		Six months ended June 30	
(Canadian \$000's, except common shares in number and loss per share in \$)	2021	2020	2021	2020
Net loss attributable to shareholders	(627)	(2,286)	(811)	(11,792)
Weighted average common shares outstanding – basic and diluted	206,303,880	11,280,067	204,946,862	11,241,174
Loss per share – basic and diluted	\$-	\$(0.20)	\$-	\$(1.05)

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

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

12. RELATED PARTY BALANCES AND TRANSACTIONS

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

<i>(Canadian \$000's)</i>	Note	June 30 2021	December 31 2020
Long-term receivables⁽¹⁾			
<i>Loans receivable</i>			
Loans to shareholders and former executives		547	540
		547	540
Accounts payables and accrued liabilities			
Law firm related to the Company through a director		72	1,117
Long-term debt⁽¹⁾			
<i>Loans payable</i>			
Loans payable - Related parties	5	325	325
<i>Promissory notes</i>			
Promissory note – Minority shareholder	5	300	300
Promissory note – Vendor and related party	5	1,033	-
		1,658	625
Convertible notes – Liability portion⁽¹⁾			
<i>Convertible debentures</i>			
February 2021 notes, due on demand – Related parties	6	380	-

(1) Includes current and non-current portion.

The Company has the following related party commitments and contingencies:

Commitments and contingencies

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

Loans receivable – Related parties

Loans to shareholders and former executives

In May 2018, the Company advanced \$500 to two shareholders who were officers of the Company and who had significant influence at the time. The 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.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

13.SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended June 30		Six months ended June 30	
(Canadian \$000's)	2021	2020	2021	2020
Net changes in non-cash working capital:				
Accounts receivable	577	1,688	124	1,894
Prepays, deposits and other receivables	248	(35)	58	(47)
Long term receivables	(3)	(4)	(7)	(7)
Accounts payable and accrued liabilities	(308)	(336)	(477)	(397)
	514	1,313	(302)	1,443
Related to:				
Operating activities	514	1,313	(302)	1,443

14.COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The expected timing of cash outflows relating to financial liabilities, lease liabilities and other commitments at June 30, 2021 are outlined in the table below:

	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾⁽³⁾				Total ⁽¹⁾
(Canadian \$000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	4,715	4,715	-	-	-	4,715
Long-term debt						
Credit facilities	9,071	9,071	-	-	-	9,071
Loans payable	2,983	2,307	676	-	-	2,983
Promissory notes	1,333	1,333	-	-	-	1,333
Convertible notes	1,053	1,053	-	-	-	1,053
	19,155	18,479	676	-	-	19,155
Lease liabilities and other commitments						
Lease liabilities	873	437	660	43	4	1,144
Other property lease commitments ⁽⁴⁾	-	257	191	143	-	591
	873	694	851	186	4	1,735

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

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

(3) Lease liabilities include principal and interest portions.

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

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

Related party guarantee

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

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

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

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

Litigation and claims

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

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, and accrued interest and damages. At June 30, 2021, the principal balance of the term loan payable (see note 5) by the Company and included in debt is \$325 (December 31, 2020 - \$325). The Company has filed a statement of defense and counter claim.

15.SUBSEQUENT EVENTS

Announcement of reverse takeover of Raise Production Inc., taking Cleantek public and equity financing

Reverse takeover of Raise

On July 12, 2021, Cleantek announced that they entered into an arrangement agreement with Raise Production Inc. ("Raise" - TSXV: RPC) whereby Cleantek effectively completes a reverse takeover of Raise and becomes a public Company.

Pursuant to this business combination, Raise will acquire each issued and outstanding common share of Cleantek in exchange for the issuance of 58.3 Raise common shares at a deemed issue price of \$0.03 per Raise share. Following completion of this transaction but prior to the completion of any concurrent private placement as discussed below, shareholders of Raise will hold approximately 15% of the resulting reporting issuer with shareholders of Cleantek holding the remaining approximately 85%.

In certain circumstances, Cleantek will be required to pay Raise a \$2,500 termination fee if the Raise reverse takeover is not completed.

Cleantek brokered private placement

In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

of \$10,000. This private placement was closed on August 31, 2021 and the proceeds are held in escrow subject to completion of the Raise reverse takeover.

Each subscription receipt will be exchangeable into one unit of Cleantek (each, a "Unit"), concurrently with closing of the reverse takeover transaction and will participate with all other holders of Cleantek common shares in the reverse takeover. Each Unit shall be comprised of one Cleantek common share and one half of one Cleantek common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the resulting reporting issuer on the TSX-V, or other principal exchange on which the shares are listed, is greater than \$3.50 for 10 consecutive trading days, the resulting reporting issuer may deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice.

The gross proceeds from the private placement will be held in escrow pending the completion of the reverse takeover, which is expected to close on or around October 31, 2021.

If all conditions to the completion of the reverse takeover are satisfied on or before October 31, 2021, the net proceeds from the sale of the subscription receipts will be released from escrow to Cleantek and each subscription receipt will be exchanged for one Unit and the holders thereof will participate with all other holders of Cleantek common shares and Warrants in the reverse takeover.

2021 Extension to forbearance agreements

Bank of Montreal Debt Facility

On August 9, 2021, the Company agreed to a further extension to this forbearance agreement with its lender until October 31, 2021. This extension entails the following additional obligations and covenants:

- Payment of \$300 on August 9, 2021;
- Payment of \$200 on August 10, 2021;
- Payment of \$200 on September 10, 2021;
- Payment of \$200 on October 10, 2021;
- Providing a fully executed, definitive agreement between Raise Productions Inc and Cleantek (see Announcement of reverse takeover above); and
- Completion of an equity financing raising a minimum of \$10,000 by August 31, 2021, with funds held in escrow subject to the Raise reverse takeover.

As of the report date of these consolidated financial statements, Cleantek is in compliance with the respective August and September 2021 payments and have executed a definitive agreement with Raise dated July 12, 2021, and completed an equity financing raising a minimum of \$10,000 by August 31, 2021.

Roynat Term Facility

On July 21, 2021, the Company agreed a further extension to these forbearance agreements with respect to the Roynat Term Facility (see note 5) until the earlier of the occurrence of an event of default or January 15, 2022.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

2019 SRED refund received and OKR Financial term loan amendment

On August 9, 2021, the Company executed an amendment and extension to the OKR Financial term loan payable (see note 5). The amendment revises:

- The maturity date to November 15, 2021;
- The interest rate from an equivalent annual interest rate of 29.08% to 18.0%, effective January 1, 2020, up to a maximum amount of \$750; and
- The form of repayment of the loan and accrued interest from 100% in cash to either of the following at the option of Cleantek:
 - Issuing to the lender units, commensurate with the August 31, 2021 private placement, comprising one Cleantek common share and one half of one Cleantek common share purchase warrant to purchase one Cleantek common share at an exercise price of \$2.25 per any time up to 36 months from the closing of the reverse takeover; or
 - Repayment in cash.

August 27, 2021 share consolidation

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares. No adjustments have been made to historical numbers, but subsequent events have been adjusted to reflect the share consolidation.

The equity instruments of Cleantek are presented on a pre-consolidation basis in these condensed consolidated interim financial statements.

September 2021 convertible debentures issue

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of \$450. These convertible debentures have a monthly interest rate of 5% and are convertible into common shares of the Company at \$0.10 per common share (on a pre-consolidation basis) and are due on October 31, 2021.

New loan and revolving facility

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

- A non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance; and
- A revolving line of credit up to \$2,500, in one or more loan advances.

The credit facility agreement is 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.

The initial loan advances are subject to conditions including discharges from certain lenders in respect of existing outstanding debt of Cleantek and the completion of the Raise reverse takeover and concurrent \$10,000 equity financing.

The term facility may only be used to refinance existing debt and to finance certain capital expenditures of Cleantek and the revolving facility may be used to finance equipment purchases and general working capital and corporate requirements of Cleantek.

Cleantek Industries Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the three and six month periods ended June 30, 2021 and 2020

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

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

The credit facilities are secured by the assets of the Company and its subsidiaries.

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



Corporate Information

OFFICERS

Matt Gowanlock
President

Jesse Curlett
Chief Executive Officer

Wael Ghaith
Vice-President, Finance

BOARD OF DIRECTORS

Dale Tremblay
Chairman

Matt Colucci

James Kidd

Jesse Curlett

Phillip Knoll

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LAWYERS

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Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

INVESTOR RELATIONS INFORMATION

Matt Gowanlock
President

Jesse Curlett
Chief Executive Officer

**SCHEDULE H-3 TO APPENDIX H – MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

(See Attached)



Management's Discussion and Analysis
For the years ended December 31, 2020, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

September 30, 2021 - The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for CLEANTEK Industries Inc. ("Cleantek" or "the Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the years ended December 31, 2020, 2019 and 2018 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

The consolidated financial statements of Cleantek have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. This MD&A and the audited consolidated financial statements of Cleantek have been prepared by management and approved by the board of directors as of September 30, 2021.

Cleantek, headquartered in Calgary, Alberta, is an innovative, technology-based equipment solutions company that designs, engineers and rents patented clean-energy lighting and dehydration products for clients in the upstream and midstream segments of the energy industry as well as the commercial construction industry in Western Canada and the United States.

READER ADVISORIES

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

COMPANY OVERVIEW AND STRATEGY

Cleantek is an environmental technology-based company that provides specialized and fully integrated wastewater treatment/disposal along with our turnkey environmental equipment rental solutions. Cleantek leverages its patented technology and industry expertise to provide equipment to service a diverse range of clientele, providing water treatment/disposal services alongside our lighting division. Cleantek prioritizes people and the environment through our high-performance safety focused culture and experienced technical professionals are committed to providing environmentally friendly cost-effective solutions to its clients.

Cleantek provides technology-based solutions for an increasingly demanding water treatment/disposal sector along with increasing demand for location lighting to provide safe working conditions for 24 hour operations. Cleantek provides its technology and services in some of the most active areas in Canada and the USA. Its environmental, safety and operational performance have enabled it to establish and maintain a blue-chip client base including many exploration and production companies in North America.

As the market continues its shift towards environmental, social and governance ("ESG") response initiatives, Cleantek will leverage its technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization service offering along with a strong forecasted utilization of our environmental equipment rental solutions.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

For the year ended December 31, 2020, the Company's net loss was \$22,376 (2019 - \$24,294; and 2018 - \$6,819). At December 31, 2020, the Company had net current liabilities of \$16,805 (December 31, 2019 - \$16,886; and December 31, 2018 - \$9,298) which includes the current portions of lease liabilities, long-term debt and convertible notes. At December 31, 2020, the Company has shareholders' deficiency of \$7,278 (December 31, 2019 - \$10,247; and December 31, 2018 - shareholders' equity of \$13,049).

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

Throughout 2020, the Company was not in compliance with certain financial and reporting covenants of its Roynat Capital Term Facility and its Bank of Montreal revolving Debt Facility and missed required principal and interest payments on its Roynat Capital Term Facility. There are forbearance agreements in place for the Roynat Capital Term Facility and the Bank of Montreal Debt Facility which expire on January 15, 2022 and October 31, 2021, respectively. In addition, the OKR Financial term loan and the Company's Term Credit Facility as well as promissory note to a minority shareholder remains outstanding and overdue. These breaches of covenants, among other non-compliances with long-term debt agreements including missed principal and interest payments, resulted in these long-term debts being classified as current liabilities.

Subsequent to December 31, 2020, the Company:

- Issued convertible notes in February 2021 for gross proceeds of \$380;
- Completed a common share subscription in March 2021 for gross proceeds of \$165;
- Completed a private placement on August 31, 2021 for gross proceeds of \$10,000 to be held in escrow pending the completion of a reverse takeover of a TSX-Venture entity;
- Issued convertible notes in September 2021 for gross proceeds of \$450; and
- Completed a new loan and revolving facility on September 24, 2021 for a non-revolving facility up to \$7,500 and a revolving line of credit up to \$2,500.

The above noted events and conditions indicate that material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. The Company is working with its secured lenders, to seek restructuring of its remaining unsecured debt and to raise additional capital, however, there is no assurance that the Company will be able to maintain the support of its secured or unsecured lenders or at terms that are favorable to the Company, or that the recapitalization plan will be successfully completed.

These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company not be able to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

The *Going concern* section above should be read in conjunction with the *Consolidated liquidity and capital resources*, and *Subsequent events* sections in the MD&A.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Canadian \$000's, except per share amounts and percentages)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Revenue	7,607	12,327	(38)	12,327	7,609	62
Gross profit	3,365	7,224	(53)	7,224	4,117	75
Gross profit %	44	59	(25)	59	54	8
Net loss	(22,376)	(24,294)	(8)	(24,294)	(6,819)	256
Net loss per share - basic and diluted (\$)	\$(1.27)	\$(2.18)	(42)	\$(2.18)	\$(0.69)	216
EBITDA ⁽¹⁾	(7,927)	(15,273)	(48)	(15,273)	(932)	1,539
Adjusted EBITDA ⁽¹⁾	(264)	1,430	(118)	1,430	190	653
Capital expenditures	2,156	3,331	(35)	3,331	7,526	(56)
Total assets	13,637	23,873	(43)	23,873	41,974	(43)
Working capital deficiency ⁽¹⁾	16,805	16,886	-	16,886	9,298	82
Non-current debt ⁽¹⁾	1,170	13,478	(91)	13,478	14,713	(8)
Total non-current liabilities	1,937	13,887	(86)	13,887	15,480	(10)

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

2018

During 2018, Cleantek completed convertible debt financings for aggregate proceeds of \$6,450. The proceeds of the convertible debt financings were used for the research and development of the Company's ZeroE technology, there was also a portion used to grow the fleet of HALO lighting systems.

On October 18, 2018, Cleantek acquired all the issued and outstanding common shares of Apollo Energy Services Corp., a privately-owned company based in Calgary, and its wholly-owned subsidiary, Apollo Lighting Solutions Inc. with operations in Texas and Pennsylvania, USA (together "Apollo Energy"), in exchange for 1,078,409 Cleantek common shares issued for total consideration of \$5,931. Apollo Energy design and operate crown-mounted rig lighting systems for the oil and gas industry. The Cleantek common shares were valued at \$5.50 per common share using the share price of Cleantek on the acquisition date. As a result of the Apollo Energy acquisition, Cleantek was able to introduce updated lightweight designs of the HALO™ crown-mounted lighting system for lease lighting and increased its US market share by approximately 50%, as the acquisition of Apollo Energy resulted in Cleantek gaining access to all of Apollo Lighting Solutions Inc.'s US-based clients.

Cleantek continued with the research and development stages of its permanent large-scale wastewater treatment/vaporization technology ("PZeroE") in 2018. This technology was complementary to Cleantek's rental division as both services are often provided to the same clients in the same geographical area with great growth potential.

Throughout 2018, Cleantek's light tower business continued steady utilization, with minimal asset base growth. HALO rentals saw strong continued growth in its operations, with a growing fleet of highly utilized assets. The dehydration rentals for Cleantek's Cleansteam and DZeroE products saw a strong demand and high utilization in the Western Canadian basins.

2019

Cleantek worked on research, development and field testing for the PZeroE technology, ending the year with a basic framework and workplan allowing clear visibility on finalizing the PZeroE technology for commercial deployment. In 2019, Cleantek continued to maintain strong utilization in the light tower rentals



lines of business, with no new assets being added to the fleet of available units for rent. HALO rentals saw continued growth in its operations, with a growing fleet of assets in the Canadian and US markets. The dehydration rentals for Cleantek's Cleansteam and DZeroE products saw a slight drop in utilization in the Canadian market and, as a result of this market shift, management ended the year with plans to deploy units to the US market to bolster demand, while no additional assets were added to the DZeroE fleet.

In 2019, the Company recognized impairment on specific items of property and equipment related to ZeroE dehydration and Halo lighting systems as well as intangible assets related to the Company's Halo development and older versions of ZeroE development that became obsolete and was scrapped due to changes in the technology, concept used to construct and design of these developments as well as rental assets that were deemed end-of-life with no expectation of generating future cash flows. In addition, these impairments as well as the impact of market uncertainty on Cleantek's current and future financial results were identified as impairment indicators at December 31, 2019. Accordingly, the Company performed an impairment test on the remaining non-financial assets of the Company and recognized further impairment expense of property and equipment, intangible assets as well as full impairment of the goodwill acquired in the Apollo Energy acquisition.

In December 2019, Cleantek expanded its executive team by hiring Jesse Curlett, as CEO, and Matt Gowanlock, as President.

2020

In 2020, COVID-19 caused a global oversupply of oil caused a decline in commodity prices, which drove a reduction in drilling and production activity in both Canada and the USA. Cleantek's profitability was affected by this decline. Furthermore, the global oversupply of oil and weakened commodity prices further increased competition for work in the sector in an already highly competitive market. This was exasperated with the global spread of COVID-19, which affected Cleantek's operations by further impacting the world's demand for oil and gas, adding to the already depressed commodity prices. The sharply decreased commodity prices lead to a further and rapid decrease in active drilling rigs in both Canada and the US, which in turn impacted Cleantek's utilization and rental rates, reducing top-line revenue by upwards of 65% during the peak of the decline.

During 2020, Cleantek moved away from its in-house manufacturing process and began working with strategic vendors, which allowed a drastic reduction in Cleantek's overhead and operating expenses, while still providing Cleantek continued access to produce quality equipment through its strategic vendors. Cleantek's lines of business were impacted across all product lines by the COVID-19 pandemic and the heavy discount on commodity pricing. As a result, very few new assets were added and Cleantek experienced a significant reduction in revenue. However, by the end of 2020, Cleantek saw market demand increase with a correlating increase in utilization and revenue.

During 2020, Cleantek successfully completed the research, development and engineering of its PZeroE system and completed the construction, installation and commissioning of its first of the facility wastewater treatments/vaporization systems ("ZeroE" technology). The PZeroE is currently deployed on location and continues to be in operation providing additional data to Cleantek to further the ZeroE technology.

On November 18, 2020, Cleantek entered into an amended contract with Jupiter Resources Inc. for the long-term services of two PZeroE systems, for an aggregate estimated operating revenue in excess of \$6,000 over the contracted term. The amended contract allowed Cleantek to produce and deploy the first of the two PZeroE systems.

In December 2020, pursuant to agreements with unsecured convertible note holders, lenders and creditors of the Company, the Company issued 190,688,173 Class A common shares at \$0.10 per common share to convert and settle in full liabilities with a carrying amount of \$19,069. Converting this debt into equity,



allowed Cleantek to strengthen its balance sheet with regards to its debt services commitments and provides stability as it works through the global COVID-19 pandemic and market conditions.

OUTLOOK

Cleantek's ability to continue to grow its business and generate improvements in financial performance depends on the execution of its strategy to build, own and operate a portfolio of ZeroE, waste to energy, wastewater treatment and vaporization infrastructure projects throughout North America and globally including:

- Securing additional contracted projects to develop and construct additional ZeroE projects;
- Optimization and expansion of existing ZeroE produced water processing facilities;
- Securing and optimizing long-term contracts for ZeroE service to provide stable, low-risk cash flows;
- Secure a strong pipeline of environmental equipment rental agreements through developed partnerships and vertically integrated operations;
- Diversification of industries to de-risk our inbound revenue streams;
- Integration of talent, systems and processes across its acquired projects to create efficiencies and best-in-class operations; and
- Continued growth of project portfolio via strategic acquisitions and consolidation opportunities.

The Company is uniquely positioned with the prospect to capture expansion in both ZeroE wastewater vaporization and environmental equipment markets. Wastewater and vaporization opportunities in the oil and gas, municipal grey water, and manufacturing wastewater industries and a growing awareness regarding the disadvantages of downhole injection could increase the for Cleantek's ZeroE products.

RESULTS OF OPERATIONS

Revenue

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Rentals	7,588	12,327	(38)	12,327	7,609	62
Facility dehydration	19	-	-	-	-	-
Total revenue	7,607	12,327	(38)	12,327	7,609	62

Cleantek's 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 its customers in the upstream and midstream segments of the energy industry as well as the commercial construction industry in Western Canada and the United States.

In 2020, revenue decreased to \$7,607 compared to \$12,327 in the prior year as demand for the Company's services has been significantly impacted by COVID-19 and the impact of deteriorating commodity prices on the Company's customers, primarily in the oil and gas industry. As a result, the Company's rentals equipment were under-utilized in 2020. As Cleantek entered the first quarter of 2020, the Company's equipment rentals continued to see high utilization and a corresponding increase in revenue. In March 2020, the market experienced a substantial decline in commodity prices coupled with the impacts of COVID-19. Due to impacts of these events, the North American rig count went from approximately 1,060 rigs in February 2020 to a low of 275 active rigs in July 2020, ending the year at 426 active rigs. With the substantial drop in drilling activity, Cleantek suffered a reduction in revenues throughout the last 3 quarters of 2020.

In 2019, revenue increased to \$12,327 compared to \$7,609. Cleantek experienced growth in revenue from 2018 to 2019 mainly due to full year revenue from newly acquired Apollo Energy and the expansion of the Company's rental fleet driven by the addition of 48 HALO systems and the high utilization of the Company's HALO products. Cleantek acquired Apollo Energy in October 2018 growing the Company's operations with crown-mounted rig lighting systems for the oil and gas industry.

Direct operating expenses

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Direct operating expenses	4,242	5,103	(17)	5,103	3,492	46

Direct operating expenses 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.

Direct operating expenses of \$4,242 in 2020 decreased from \$5,103 in 2019. As Cleantek entered the second quarter of 2020, the rental equipment business unit was starting to suffer the impacts of COVID-19 with diminishing market activity and low utilization rates of all product lines. With the diminished equipment utilization, direct costs in turn were reduced by 17% in 2020. This decline is not proportionate to the reduction in revenue in 2020 due to a larger component of fixed costs compared to variable costs.

Direct operating expenses of \$5,103 in 2019 increased from \$3,492 in 2018. Cleantek experienced growth with the expansion of its rental fleet driven by the addition of 48 HALO systems throughout 2019. With the growth in the HALO asset base coupled with the high utilization of product lines, expenses related to servicing and operating the growing fleet increased by 46%.

Gross profit

(Canadian \$000's, except percentage)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Gross profit	3,365	7,224	(53)	7,224	4,117	75
% of revenue	44	59	(25)	59	54	8

Management considers gross profit a key metric in analyzing operational efficiency and performance and the Company's ability to generate cash flow. Cleantek's gross profit is measured as revenue less direct operating expenses.

Cleantek's gross margin decreased to 44% in 2020 from 59% in 2019, mainly due to the impacts of COVID-19 on the Company's 2020 revenues and margins suffering due to pricing pressures and no corresponding decrease in fixed direct operating costs. Cleantek's June 2020 daily revenues suffered a 75% reduction compared to January 2020 daily revenues.

Cleantek experienced a strong gross profit margin of 59% in 2019 growing it from 54% in 2018 due to the high utilization of the rentals business unit.

General and administrative expenses

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
General and administrative expenses	4,291	5,995	(28)	5,995	3,836	56

General and administrative expenses consist of salaries and wages and related benefit costs, professional and consulting fees and other general and administrative expenses.

Cleantek's general and administrative expenses decreased to \$4,291 compared to \$5,995 in 2019. With diminished revenues in 2020 due to the impacts of COVID-19 as described above, management took steps to reduce head count and streamline the business by shutting down the manufacturing shop and laying off approximately 65% of staff, reducing general and administrative expenses by 28% in 2020.

In 2019, Cleantek's general and administrative expenses increased to \$5,995 or by 56% compared to \$3,836 in the prior year, mainly due to additional costs associated with the Company's expanded business operations in 2019 as well as the full-year impact and associated general and administrative costs of Apollo Energy acquired in October 2018.

Depreciation and amortization

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Depreciation of property and equipment	3,342	3,975	(16)	3,975	3,028	31
Depreciation of right-of-use assets	250	752	(67)	752	657	14
Amortization of intangible assets	11	372	(97)	372	105	254
Total depreciation and amortization	3,603	5,099	(29)	5,099	3,790	35

Depreciation is recognized on property and equipment and right-of-use assets. Amortization is recognized on the intangible assets including brands, and customer contracts and stakeholder relationships.

Depreciation and amortization expense in 2020 decreased to \$3,603 compared to \$5,099 in the prior year, due to depreciation and amortization calculated on significantly lower carrying amounts of property and equipment, intangible assets and right-of use assets following specific impairment of the Company's

assets in late 2019 as well impairment resulting from impairment tests triggered by impairment indicators as at December 31, 2019 and March 31, 2020.

Depreciation and amortization expense in 2019 increased to \$5,099 compared to \$3,790 in the prior year, due to depreciation and amortization calculated on a higher asset base in 2019 following the acquisition of Apollo Energy in October 2018 and the expansion of the Company's rental fleet driven by the addition of 48 HALO systems in 2019.

Research expense (recovery)

	Year ended December 31			Year ended December 31		
(Canadian \$000's)	2020	2019	% Change	2019	2018	% Change
Research expense (recovery)	(1,811)	532	(440)	532	-	-

Research expense includes specific research and development costs expensed in net income (loss), including research and development expenditure not meeting intangible asset or property and equipment recognition criteria. Research recovery includes government grants and other subsidies including the Canadian government's Scientific Research and Experimental Development Tax Incentive Program ("SRED") recognized in net income (loss).

In 2020, net research recovery of \$1,811 include SRED refunds received in 2020 of \$1,044 and \$1,214 for the fiscal 2017 and 2018 SRED claims, respectively.

In 2019, net research expense was \$532 as the Company increased its research and development budget for the ZeroE facility produced water dehydration technology in attempts to shorten time frames to commercialize this technology.

Share-based payments expense

	Year ended December 31			Year ended December 31		
(Canadian \$000's)	2020	2019	% Change	2019	2018	% Change
Stock options	94	131	(28)	131	516	(75)
RSUs	-	80	(100)	80	49	63
Common shares issued as part of directors' compensation	1	83	(99)	83	78	6
Escrowed common shares at acquisition in exchange for employment services	1,133	412	175	412	249	65
Total share-based payments expense	1,228	706	74	706	892	(21)

Cleantek has equity-settled incentive programs and payment plans for the granting of additional shares.

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.

Included in certain legacy employee contracts were restricted share units ("RSUs"). The RSUs were granted on the employee's commencement date and vested over a service period. The remaining outstanding RSUs of the Company were redeemed in 2019.

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. 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. Cleantek common shares were issued to vendors party

to the Apollo Energy acquisition and placed in escrow as part of executive employment agreements with two vendors transitioning to positions with Cleantek.

The share-based payments expense in 2020 of \$1,228 and the increase in 2020 from the \$706 recognized in 2019 relate mainly to services rendered to Cleantek in 2020 by vendors party to the Apollo Energy acquisition having received Cleantek common shares in escrow for those services. The reduction in share-based payments expense in 2019 compared to 2018 is mainly due to a significant number of stock options forfeited in 2019 upon employee exits offset by the costs recognized for the services rendered to Cleantek by Apollo Energy vendors in exchange for Cleantek common shares.

Impairment expense

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Impairment of non-financial assets						
Impairment of property and equipment	4,465	9,596 ⁽¹⁾	(53)	9,596 ⁽¹⁾	-	-
Impairment of intangible assets	2,504	2,624 ⁽²⁾	(5)	2,624 ⁽²⁾	-	-
Impairment of right-of-use assets	1,063	-	-	-	-	-
Impairment of goodwill	-	3,245	(100)	3,245	-	-
Total impairment of non-financial assets	8,032	15,465	(48)	15,465	-	-
Impairment of financial assets						
Impairment of accounts receivable	214	-	-	-	-	-
Total impairment of financial assets	214	-	-	-	-	-
Total impairment expense	8,246	15,465	(47)	15,465	-	-

(1) Includes \$7,588 of impairment expense of property and equipment recognized for specific circumstances in 2019 and \$2,008 of impairment expense due to impairment test at December 31, 2019.

(2) Includes \$1,971 of impairment expense of intangible assets recognized for specific circumstances in 2019 and \$653 of impairment expense due to impairment test at December 31, 2019.

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.

Goodwill is tested for impairment at least annually or as events occur that could result in impairment.

For the purposes of impairment testing, property and equipment, intangible assets, ROU assets and goodwill are allocated to the Company's CGUs being Rentals and Facility dehydration at December 31, 2020 and Rentals CGU only at March 31, 2020, December 31, 2019 and 2018.

Impairment for specific circumstances

2019

During the year-ended December 31, 2019, the Company recognized impairment on specific items of property and equipment and intangible assets that became obsolete and was scrapped:

- \$7,588 impairment expense of property and equipment includes \$5,721 for assets under construction related to ZeroE dehydration and Halo lighting systems, with no expectation of generating future cash flows due to changes in the technology, concept used to construct and design of these developments, and \$1,867 for rental assets that were deemed end-of-life with no expectation of generating future cash flows due to changes in the technology; and

- \$1,971 impairment expense of intangible assets includes \$249 and \$1,722 of specific impairments related to the Company's Halo development and older versions of ZeroE development, respectively, with no expectation of generating future cash flows due to changes in the technology, concept used to construct and design of these developments.

Impairment at the end of each reporting period and annual goodwill impairment tests

Indications of impairment at December 31, 2020, March 31, 2020 and December 31, 2019 and 2018

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 impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test on its non-financial assets within its Rentals CGU at March 31, 2020.

At December 31, 2019, the Company identified the impairment recognized on specific items of property and equipment and intangible assets that became obsolete and was scrapped in 2019 as well as the impact of market uncertainty on Cleantek's current and future financial results as indicators of impairment. Accordingly, the Company performed an impairment test on the remaining non-financial assets within its Rentals CGU at December 31, 2019.

At December 31, 2018, there were no indicators 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.

Impairment tests including annual goodwill test

In performing its impairment tests, the Company used a value in use method, based on a discounted cash flow model. Projected cash flows cover a multi-year period and are based on future expected outcomes taking into account existing contracts, past experience and management's expectation of future market conditions and a post-tax discount rate based on the Company's weighted average cost of capital, adjusted for any specific risks (March 31, 2020 – 24.08%; December 31, 2019 – 24.08%). The primary source of cash flow information was the Company's budgets, forecasts and strategic plan developed based on management's best estimates including asset utilization, industry demand, pricing for available rental equipment, costs to maintain and service equipment and terminal multiples.

March 31, 2020

At March 31, 2020, the Company completed impairment tests for the Rentals CGU and recognized \$7,953 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.

December 31, 2019

At December 31, 2019, the Company completed impairment tests for the Rentals CGU and recognized \$5,906 total impairment expense of non-financial assets:

- \$2,008 impairment expense of property and equipment;

- \$653 impairment expense of intangible assets; and
- \$3,245 impairment of Goodwill acquired as part of the Apollo Energy acquisition in 2018 and relating to the Company's Rentals CGU was impaired in full as the recoverable amount for this CGU was lower than its carrying amount.

The estimated recoverable amount of \$18,000 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 \$619 decrease of impairment; and
- Discount rate increase of 1% will result in a \$417 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, 2020, the Company recognized a \$214 impairment of its accounts receivables (2019 - \$nil; and 2018 - \$nil).

Finance costs, net

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Interest expense on long-term debt	1,124	832	35	832	1,111	(25)
Interest expense and financing costs of convertible notes ⁽¹⁾	1,978	1,672	18	1,672	252	563
Interest on lease liabilities	77	117	(34)	117	67	75
Debt renewal and other lending fees	49	139	(65)	139	74	88
Loss on fair value adjustment on debt modification	81	-	-	-	-	-
Loss on fair value adjustment of derivative convertible note liabilities	1,745	1,398	25	1,398	662	111
Loss on inducement to convert convertible notes	5,496	-	-	-	-	-
Loss on conversion of convertible notes	-	-	-	-	22	(100)
Accretion of decommissioning and restoration provision	-	-	-	-	-	-
Interest income	(15)	(15)	-	(15)	(21)	(29)
Total finance costs, net	10,535	4,143	154	4,143	2,167	91

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

Finance costs, net consist primarily of the interest expense recognized on bank debt, long-term debt and convertible notes, the interest component of lease liability payments, debt renewal and other lending fees, loss on the fair value adjustment of derivative convertible note liabilities, loss on conversion of convertible note liabilities, accretion of the decommissioning offset by interest income.

Cleantek recognized finance costs, net of \$10,535 in 2020 compared to \$4,143 in 2019, mainly due to a \$5,496 loss recognized on inducing holders of convertible notes to convert those notes to common shares of Cleantek, higher average debt levels in 2020 as well as higher interest rates in 2020 and the associated

costs with servicing those liabilities. Finance costs, net in 2020 includes a \$1,745 loss on fair value adjustment of derivative convertible note (2019 - \$1,398; 2018 - \$662).

Cleantek finance costs, net increased to \$4,143 in 2019 compared to \$2,167 due to higher average debt levels in 2019 resulting from the full-year impact in 2019 of convertible debentures issued in 2018, additional debt financing in 2019 and the associated costs with servicing this debt as well as a \$1,398 loss on fair value adjustment of derivative convertible note liabilities (2018 - \$662).

Other (income) expenses

	Year ended December 31			Year ended December 31		
(Canadian \$000's)	2020	2019	% Change	2019	2018	% Change
(Gain) loss on disposal of long-lived assets	(624)	(192)	225	(192)	84	(329)
Foreign exchange (gain) loss	(38)	(9)	322	(9)	7	(229)
Transaction costs	-	-	-	-	230	(100)

In 2020, the Company recognized a net \$624 gain on the disposal of long-lived assets including property and equipment and right-of use assets being retired, decommissioned or replaced (2019 - \$192 gain; and \$2018 - \$84 loss).

Foreign exchange (gain) loss arises from exchange differences resulting from the translation of foreign denominated working capital as well as realized (gain) loss on the settlement of foreign denominated working capital. In 2020, Cleantek recognized a \$38 foreign exchange gain on the translation of US dollar denominated working capital balances as the Canadian dollar strengthened during the year (2019 - \$9 gain as the Canadian dollar strengthened; and 2018 - \$7 loss as the US dollar strengthened).

Income taxes

	Year ended December 31			Year ended December 31		
(Canadian \$000's)	2020	2019	% Change	2019	2018	% Change
Current tax expense (recovery)	9	176	(95)	176	47	274
Deferred tax expense (recovery)	302	(397)	(176)	(397)	(117)	239
Total tax expense (recovery)	311	(221)	(241)	(221)	(70)	216

Income taxes consist of current and deferred income taxes.

In 2020, the Company did not incur significant current tax due to the Company's tax loss position (2019 - \$176; 2018 - \$47).

As Cleantek

The Company has significant unrecognized deferred tax assets as the Company only recognizes deferred tax assets to the extent that it is probable that the assets can be recovered through deductions against available future taxable income. Deferred tax expense of \$302 in 2020 (2019 - \$397 recovery; and 2018 - \$117 recovery) is recognized to the extent that unrecognized tax assets become available to offset deferred tax liabilities recognized.

At December 31, 2020, the Company has \$7.4 million (December 31, 2019 - \$6.3 million) in tax pools available for use as deductions against future taxable income mainly due to non-capital losses, SRED and investment tax credits carried forward.

Net loss

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Net loss for the period	(22,376)	(24,294)	(8)	(24,294)	(6,719)	256

The net loss of \$22,376 in 2020 is mainly due to high finance costs, net of \$10,535 in servicing the Company's debt, the impact of an \$8,246 impairment expense as well as the impact of COVID-19 on 2020 operations, which have been explained in the detail above.

The net loss of \$24,294 in 2019 includes a \$15,465 impairment expense and \$4,143 of finance costs, net, which have been explained in the detail above.

EBITDA and Adjusted EBITDA

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
EBITDA ⁽¹⁾	(7,927)	(15,273)	(48)	(15,273)	(932)	1,539
Adjusted EBITDA ⁽¹⁾	(264)	1,430	(118)	1,430	190	653

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cashflow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is measured as EBITDA adjusted for share-based payment expense and unusual or non-recurring items. EBITDA and adjusted EBITDA are non-GAAP measure as defined in the non-GAAP measures section of this MD&A.

Cleantek's negative EBITDA of \$7,927 in 2020 decreased from negative \$15,273 in 2019 mainly due to significantly higher impairment in 2019, higher gains on disposition of long-lived assets in 2020 and a research recovery in 2020, which have been explained in the detail above.

Cleantek's negative EBITDA of \$15,273 in 2019 increased from the negative EBITDA of \$932 in 2018 mainly due to the significant impairment expense in 2019, which have been explained in the detail above.

Cleantek's adjusted negative EBITDA of \$264 in 2020 decreased from the adjusted EBITDA of \$1,430 in 2019 mainly due to significantly lower revenues in 2020 compared to the prior year as well as the effect of lower gross margins, which have been explained in the detail above.

Cleantek's adjusted EBITDA of \$1,430 in 2019 increased from the adjusted EBITDA of \$190 in 2018 mainly due to increased revenues in 2018, including full-year revenue from Apollo Energy acquired in late 2019, as well as improved gross margins in 2019, which have been explained in the detail above.

CAPITAL EXPENDITURES

(Canadian \$000's)	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
Additions to property and equipment	1,646	3,228	(43)	3,228	7,339	(56)
Additions to intangible assets	510	103	329	103	187	(45)
Total capital expenditures	2,156	3,331	(35)	3,331	7,526	(56)
Acquisitions	-	-	-	-	5,931	(100)

Capital expenditures include additions to property and equipment and intangible assets.

Acquisitions include the Company's investment in Apollo Energy in October 2018.

In 2020, Cleantek limited material capital expenditures to the construction of its commercial ZeroE facility produced water dehydration technology that was constructed throughout 2020 and deployed to location in September of 2020.

In 2019, Cleantek experienced further growth with the expansion of its rental fleet driven by the addition of 48 HALO systems throughout 2019, along with the development of the Company's ZeroE facility produced water dehydration technology.

Throughout 2018, Cleantek added to its HALO fleet with 20 new units as well as capital spent on its production of DZeroE units and the development of its PZeroE technology. In October 2018, Cleantek acquired Apollo Energy in exchange for 1,078,409 Cleantek common shares issued, valued at \$5.50 per common share using the share price of Cleantek on the acquisition date, for total consideration of \$5,931.

SUPPLEMENTAL QUARTERLY INFORMATION

The table below summarizes Cleantek's quarterly financial and operational highlights for the three months ended December 31, 2020 as well as the previous seven quarters:

(Canadian \$000's, except per share amounts and percentages)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Revenue	1,777	1,296	1,275	3,259	2,882	2,831	3,083	3,531
Gross profit	646	471	414	1,834	1,086	1,751	2,054	2,333
Gross profit %	36	36	32	56	38	62	67	66
Net loss	(9,232)	(1,352)	(2,286)	(9,506)	(19,157)	(1,998)	(1,803)	(1,336)
Net loss per share								
- basic and diluted (\$)	\$(0.25)	\$(0.12)	\$(0.20)	\$(0.85)	\$(1.71)	\$(0.18)	\$(0.16)	\$(0.12)
EBITDA ⁽¹⁾	(448)	359	(660)	(7,178)	(16,467)	16	462	716
Adjusted EBITDA ⁽¹⁾	(166)	(456)	(329)	687	(672)	287	916	899
Total assets	13,637	14,342	14,619	16,572	23,873	42,009	41,838	43,244
Working capital deficiency ⁽¹⁾	16,805	17,957	16,953	16,002	16,886	12,367	10,450	10,887
Non-current debt ⁽¹⁾	1,170	15,492	15,162	14,522	13,478	15,695	16,088	14,804
Total non-current liabilities	1,937	15,901	15,571	14,931	13,887	16,462	16,855	15,571

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

SUPPLEMENTAL ANNUAL INFORMATION

The table below summarizes Cleantek's annual financial and operational highlights for the year ended December 31, 2020 as well as the previous two years:

(Canadian \$000's, except per share amounts and percentages)	Year ended December 31		
	2020	2019	2018
Revenue	7,607	12,327	7,609
Gross profit	3,365	7,224	4,117
Gross profit %	44	59	54
Net loss	(22,376)	(24,294)	(6,819)
Net loss per share - basic and diluted (\$)	\$(1.27)	\$(2.18)	\$(0.69)
EBITDA ⁽¹⁾	(7,927)	(15,273)	(932)
Adjusted EBITDA ⁽¹⁾	(264)	1,430	190
Capital expenditures	2,156	3,331	7,526
Total assets	13,637	23,873	41,974
Working capital deficiency ⁽¹⁾	16,805	16,886	9,298
Non-current debt ⁽¹⁾	1,170	13,478	14,713
Total non-current liabilities	1,937	13,887	15,480

(1) Non-GAAP measure as defined in the Non-GAAP measures of this MD&A.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

The following discussion relates to the consolidated position of liquidity and capital of Cleantek as at December 31, 2020, 2019 and 2018.

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 capital structure of Cleantek consists of the following:

(thousands)	December 31 2020	December 31 2019	December 31 2018
Current assets	(2,173)	(3,347)	(4,147)
Current liabilities	18,978	20,233	13,445
Working capital deficit or net current liabilities	16,805	16,886	9,298
Long-term debt – non-current	694	2,791	5,892
Convertible notes – non-current	-	9,770	7,129
Lease liabilities – non-current	476	917	1,692
Shareholders' deficit	(7,278)	(10,247)	13,049
	10,697	20,117	37,060

Debt and credit facilities

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

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018
Short-term debt			
Bank debt	-	-	377
Long-term debt			
Credit facilities	9,339	9,688	8,519
Loans payable	3,009	5,704	3,995
Promissory notes	300	300	300
	12,648	15,692	12,814
Current portion of long-term debt			
Credit facilities	(9,339)	(9,688)	(5,996)
Loans payable	(2,315)	(2,913)	(626)
Promissory notes	(300)	(300)	(300)
	(11,954)	(12,901)	(6,922)
Non-current portion of long-term debt			
Credit facilities	-	-	2,523
Loans payable	694	2,791	3,369
Promissory notes	-	-	-
	694	2,791	5,892

Bank debt

The Company had a revolving line of credit with a Canadian bank, authorized to a maximum of \$1,000 at the bank's prime rate plus 1%. The balance of the loan at December 31, 2018 was \$377 and \$409 at January 1, 2018, which was paid out in full and the facility closed in 2019.

Credit facilities

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018
Credit facilities			
Roynat Capital Term Facility	2,996	2,914	4,590
Bank of Montreal Debt Facility	6,343	6,774	3,932
Deferred financing costs	-	-	(3)
	9,339	9,688	8,519
Current portion of credit facilities	(9,339)	(9,688)	(5,996)
Non-current portion of credit facilities	-	-	2,523

Roynat Capital Term Facility

The Company has a term facility with Roynat Capital ("Term Facility") repayable in monthly instalments of \$nil (2019 – \$201; and 2018 - \$201) plus interest over a five-year term. The lender has provided a principal repayment 'holiday' during the months of July, August and September annually. Interest is charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum (2019 and 2018 – 5.0%). The variable component of the rate averaged 2.45% in 2020 (2019 – 2.53%; and 2018 – 2.25%) and the original maturity date was on July 15, 2020. The loan is 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 is subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios.

The Company was in compliance with the financial covenants at December 31, 2018, but not with respect to its non-financial covenant with respect to filing annual consolidated financial statements for the year ended December 31, 2018 no later than 90 days following the fiscal period end.

The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2019. As a result of the non-compliance with its covenants, subsequent to the December 31, 2019 year end the Company received an event of default notice from the lender. Pursuant to an amendment letter dated January 16, 2020, the lender required a minimum capital injection of \$600, interest-only payments for the period from December 2019 to March 2020 and one monthly installment of \$2,914 on April 15, 2020. The payment of \$2,915 has been extended until January 15, 2022 and the Company has negotiated interest-only payments, at the beginning of each month, on the outstanding amount. The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2020 due to missed principal payments in December 2020.

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. The forbearance agreement matured on March 31, 2021 and the Company was required to make interest-only payments until this time. The amounts owing under this agreement are subject to an increased rate of interest of the Canadian variable rate plus 7.5% per annum. As a result, the Company recognized an \$81 fair value loss on the debt modification in December 2020 included in finance costs, net in net loss.

In accordance with the 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 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. As of the report date of these consolidated financial statements, the Term Facility principal balance remains outstanding.

Bank of Montreal Debt Facility

The Company has a demand revolving debt facility of \$7,000 with the Bank of Montreal ("Debt Facility") that allows the Company to make draws for the purpose of capital expenditures only. Each individual draw is amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Debt Facility. Upon settlement of an individual draw, the Company can redraw on that credit becoming available in accordance with the 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 financial covenants include a debt service covenant and debt to tangible net worth covenant calculated every quarter based on a twelve-month trailing amount. The Debt Facility is secured by the assets of the Company.

At December 31, 2018, the Company was in compliance with its financial and non-financial and reporting covenants.

At December 31, 2019, the Company was not in compliance with its financial and non-financial and reporting covenants. As a result of the non-compliance, the facility is currently in special loans with the lender, principal payments have been suspended, only interest payments are being made and, accordingly, the balance has been classified as current.

On December 14, 2020, the Company signed a forbearance agreement with its Debt Facility lender with an outstanding principal amount owing at December 31, 2020 of \$6,343 (December 31, 2019 - \$6,774; and December 31, 2018 - \$3,932). Under the terms of the forbearance agreement, the Company's monthly blended payments are reduced to \$50 per month with the remaining balance due on April 15, 2021. The amounts owing under this agreement are subject to an increased rate of interest beginning on December 1, 2020 to the lenders prime rate plus 3% per annum. In accordance with the covenants of this agreement, the Company was required to provide its audited "ASPE" financial statements for fiscal 2019 by December 15, 2020. The Company did not meet this covenant. The lender did not waive previous and forecasted breaches of the Debt Facility and forbearance agreements. As a result of the non-compliance with its financial and reporting covenants, the Company's debt facilities have been classified as current.

In April 2021 and August 2021, the Company agreed further amendments and extensions to its forbearance agreement until October 31, 2021. As of the report date of these consolidated financial statements, the Debt Facility remains outstanding.

Loans payable

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Loans payable			
Loans payable - Related parties	325	3,679	3,904
Term loan payable - OKR Financial	1,460	1,460	-
Term Credit	500	500	-
Term loan payable – Customer rental unit	687	-	-
Term loan payable – Other	37	65	91
	3,009	5,704	3,995
Current portion of loans payable	(2,315)	(2,913)	(626)
Non-current portion of loans payable	694	2,791	3,369

Loans payable - Related parties

In 2018, as part of the Apollo Energy acquisition, the Company assumed all of Apollo Energy's liabilities, including a term loan of \$4,054 owing to one of the former owners of Apollo Energy and a Cleantek shareholder following the acquisition. This unsecured term loan was repayable at \$50 per month and bore interest at a rate of 7% per annum. At December 31, 2020, \$nil of this term loan remains outstanding (December 31, 2019 – \$3,354; and December 31, 2018 - \$3,904). On December 31, 2020, pursuant to an agreement with the holder of this term loan, the Company converted the \$3,609 outstanding principal and accrued interest balance into Cleantek Class A common shares at \$0.10 per common share. Accordingly, the Company issued 36,087,300 Class A common shares to settle the \$3,354 outstanding principal and \$255 accrued interest in full.

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

At January 1, 2018, \$50 was due to Cerberus Equity Group Ltd. ("Cerberus"), a company controlled by a previous officer of the Company and shareholder who had significant influence. The short term loan was non-interest bearing with no fixed terms of repayment and was settled in 2018.

At January 1, 2018, \$8 was due to a director and shareholder of the Company. The payable was non-interest bearing with no fixed terms of repayment and was settled in 2018.



Term loan - OKR Financial

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial") to provide short term financing against Cleantek's fiscal 2017 and 2018 estimated Scientific Research and Experimental Development (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 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 loan to prepay all or any portion of the 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 rank 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.

In June 2020, the Company reached an agreement with the lender to extend the maturity of the \$1,000 loan to April 30, 2021, and in August 2020, an agreement was reached to also extend the maturity of the remaining \$460 loan to April 30, 2021. The interest rate payable for the two loans remains the same and is calculated at 2.15% per month.

At December 31, 2020, the \$1,460 term loan is outstanding (December 31, 2019 - \$1,460).

In August 2021, the Company executed an amendment and extension to the OKR Financial term loan payable, extending the maturity date to November 15, 2021 and revising the interest rate and form of repayment. As of the report date of these consolidated financial statement, this term loan remains outstanding and overdue.

Term Credit

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("Term Credit"). The term credit is secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit accrues interest at 12% per annum, which shall be increased by 2% per annum if a default has occurred. This instrument is due for repayment on or before April 30, 2020. The credit agreement provides the option to convert all or a portion of the outstanding balance into Class A common shares of the Company at the rate of \$5.50 per share.

At December 31, 2020, the \$500 Term Credit is outstanding and overdue (December 31, 2019 - \$500).

At the report date of these consolidated financial statements, the Term Credit remains outstanding and its settlement is being negotiated. No assurance can be obtained that the plan will occur and on terms favorable to the Company.

Term loan – Customer rental unit

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. In November 2020, this 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 was advanced by the customer to Cleantek pursuant to the arrangement and upon full installation and commissioning of this unit.

Under the terms of this agreement, the 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 loan and accrued interest payable until such time as the 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 this arrangement, the rental unit as well as the Company's ZeroE™ technology is subject to a lien.

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

During the year ended December 31, 2020, \$19 of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, \$3 interest expense was recognized on the outstanding loan and included in finances costs, net in net loss and \$16 of the rental income invoiced to the customer was applied to the outstanding loan, including \$13 to the principal balance.

At December 31, 2020, \$687 is payable on the rental unit loan.

Term loan – Factoring facility

In March 2019, the Company obtained additional financing through a factoring facility with Bibby Financial Services (Canada) Inc. with a maximum of \$ 1,750. The funds are advanced at 80% of net eligible accounts receivable, which is defined as accounts receivable with aging of less than 90 days, with recourse back to the Company at 120 days. Pricing will be based on a discount rate of 0.35% for the first 30 days that each receivable is not paid in full; and an additional 0.35% for each 30 days thereafter, that each receivable is not paid in full. The agreement has a term of 12 months with a 6-month bank buyout clause. The funds were used to retire the revolving line of credit with the Bank of Nova Scotia (see Bank debt above). This agreement was terminated effective June 7, 2019. In July 2019, the \$392 balance outstanding and \$33 termination fee plus legal costs and interest were repaid in full.

Promissory notes

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Promissory note			
Promissory note – Minority shareholder	300	300	300
Current portion of promissory note	(300)	(300)	(300)
Non-current portion of promissory note	-	-	-

Promissory note – Minority shareholder

On November 1, 2017, a \$300 promissory note was executed between the Company and a minority shareholder ("New 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 New Note matures on November 1, 2019 and bears interest at 8.5% per annum. All terms of the New Note remain the same, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term of the note.

At December 31, 2020, the \$300 promissory note remains overdue and outstanding (December 31, 2019 and 2018 - \$300). Interest expense of \$27 is included in net loss for the year ended December 31, 2020 (2019 – \$26).

As of the report date of these consolidated financial statements, the promissory note remains outstanding and is being renegotiated with the lender. No assurance can be obtained that this plan will occur and on terms favorable to the Company.

Convertible notes

Cleantek's convertible notes are comprised of the following:

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Convertible notes – Liability portion			
Convertible debentures	647	9,770	6,499
Convertible promissory notes	-	1,309	1,260
Total convertible notes – Liability portion	647	11,079	7,759
Current portion of convertible notes			
Convertible debentures	(647)	-	-
Convertible promissory notes	-	(1,309)	(630)
	(647)	(1,309)	(630)
Non-current portion of convertible notes			
Convertible debentures	-	9,770	6,499
Convertible promissory notes	-	-	630
	-	9,770	7,129
Convertible notes – Equity portion			
Convertible debentures	-	448	316
Convertible promissory notes	-	72	72
	-	520	388

Convertible debentures

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Liability portion			
<i>Derivative convertible debentures</i>			
May 2018 notes, due 2025	-	6,060	4,662
<i>Non-derivative convertible debentures</i>			
November 2018 notes, due 2025	-	1,714	1,538
Other 2018 and 2019 notes, due 2021 to 2022	-	1,996	299
January 2020 notes, due on demand	647	-	-
	647	9,770	6,499
Equity portion			
November 2018 notes, due 2025	-	285	285
Other 2018 and 2019 notes, due 2021 to 2020	-	163	31
	-	448	316

May 2018 notes, due 2025 – 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 notes, due 2025				
At January 1, 2018	-	-	-	-
Issuance of May 2018 notes, due 2025	727,727	4,000	-	4,000
Loss on fair value adjustment of liability	-	662	-	662
At December 31, 2018	727,727	4,662	-	4,662
Loss on fair value adjustment of liability	-	1,398	-	1,398
At December 31, 2019	727,727	6,060	-	6,060
Loss on fair value adjustment of liability	-	1,745	-	1,745
Conversion of notes to common 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 debentures were convertible at \$5.50 per Class A common share, subject to adjustment in certain circumstances. The conversion price may be adjusted so that the amount of Class A common 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. The Company entered into an agreement with the debenture holder which specified certain protocols regarding the election of directors, the voting of shares and other governance related matters.

In December 2020, pursuant to an agreement with the holder of these convertible debentures, the Company converted the \$8,449 outstanding principal and accrued interest balances on these notes into Cleantek Class A common shares at \$0.10 per common share. Accordingly, the Company issued 84,493,040 Class A common shares to settle the \$7,805 convertible debenture note liability and \$644 accrued cash interest up to the date of conversion in full.

November 2018 notes, due 2025 – 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 notes, due 2025				
At January 1, 2018	-	-	-	-
Issuance of November 2018 notes, due 2025	363,636	1,589	411	2,000
Transaction costs	-	(79)	(21)	(100)
Deferred tax liability	-	-	(105)	(105)
In-kind interest	-	24	-	24
Amortization of transaction costs	-	1	-	1
Accretion of discount	-	3	-	3
At December 31, 2018	363,636	1,538	285	1,823
In-kind interest	-	140	-	140
Amortization of transaction costs	-	12	-	12
Accretion of discount	-	24	-	24
At December 31, 2019	363,636	1,714	285	1,999
In-kind interest	-	155	-	140
Amortization of transaction costs	-	66	-	66
Accretion of discount	-	29	-	29
Conversion of notes to common shares	(363,636)	(1,964)	(285)	(2,249)
At December 31, 2020	-	-	-	-

On November 2, 2018, the Company issued additional unsecured subordinated convertible debentures for gross proceeds of \$2,000 to an investor, maturing in 2025. The net aggregate proceeds were \$1,900, after brokerage fees of \$100. The broker used a portion of these fees to purchase \$55 of convertible promissory

notes. The debentures were convertible at \$5.50 per Class A common voting 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 these convertible debentures revising the terms of conversion inducing earlier conversion, the Company converted these notes and accrued interest up to the date of conversion into 23,185,182 Cleantek Class A common shares at \$0.10 per common share.

As a result, a loss of \$1,964 from the early conversion 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 convertible debenture liability portion, the \$285 transfer from the equity portion and the \$1,964 loss recorded from the early conversion.

Other 2018 and 2019 notes, due 2021 to 2022 – Converted in December 2020

<i>(Canadian \$000's, except number of notes)</i>	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – Other 2018 and 2019 notes, due 2021 to 2022				
At January 1, 2018	-	-	-	-
Issuance of other 2018 notes	45,000	392	58	450
Transaction costs	-	(103)	(15)	(118)
Deferred tax liability	-	-	(12)	(12)
Amortization of transaction costs	-	8	-	8
Accretion of discount	-	2	-	2
At December 31, 2018	45,000	299	31	330
Issuance of other 2019 notes	180,892	1,634	175	1,809
Transaction costs	-	(34)	(4)	(38)
Deferred tax liability	-	-	(39)	(39)
Amortization of transaction costs	-	44	-	44
Accretion of discount	-	53	-	53
At December 31, 2019	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 notes to common 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 debentures were convertible at \$10 per Class A common voting share and interest at 20% per annum. Interest was payable in cash on outstanding convertible debentures amounting to \$1,200, in Class A common voting shares on outstanding convertible debentures amounting to \$430 and 50% in cash and 50% in Class A common shares on outstanding convertible debentures amounting to \$629.

In December 2020, pursuant to the debenture agreement as well as a modification, amendment, compromise or arrangement of rights agreement with the debenture holder majority, holders of these convertible debentures holding not less than 50% of these notes, agreed to amend the terms of conversion inducing earlier conversion of these notes 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 common share. Following this agreement, the Company exercised its right to early convert these convertible debentures and accrued interest up to the date of conversion into 27,355,182 Cleantek Class A common shares.

As a result, the Company recognized a \$2,236 loss on the inducement to convert these notes. Accordingly, the Company issued 27,355,182 Class A common shares to settle the \$4,403 convertible debenture notes liability component and \$477 accrued interest in full.

As a result, a loss of \$2,236 from the early conversion was recorded and included in finance costs in net loss.

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 convertible debenture liability portion, the \$163 transfer from the equity portion and the \$2,236 loss recorded from the early conversion.

January 2020 notes, due on demand

<i>(Canadian \$000's, except number of notes)</i>	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – January 2020 notes, due on demand				
At December 31, 2019 and 2018 and January 1, 2018	-	-	-	-
Issuance of January 2020 notes	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of \$600. These convertible debentures have an annual interest rate of 20% per annum, payable as 8% in Cleantek Class A common shares and 12% in cash. The debentures are convertible into common shares at \$5.50 per common share and are due on demand.

Convertible promissory notes

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018
Liability portion			
Non-derivative convertible promissory notes			
Promissory notes convertible at \$5.50	-	1,309	1,260
Equity portion			
Promissory notes convertible at \$5.50	-	72	72

Promissory notes convertible at \$5.50

<i>(Canadian \$000's, except number of notes)</i>	Number of notes	Liability component	Equity component	Total note
Non-derivative promissory notes convertible at \$5.50				
At January 1, 2018	320,000	1,625	110	1,735
Accretion of discount	-	53	-	53
Conversion of notes to common shares	(80,000)	(440)	(38)	(478)
Loss on conversion of notes	-	22	-	22
At December 31, 2018	240,000	1,260	72	1,332
Accretion of discount	-	49	-	49
At December 31, 2019	240,000	1,309	72	1,381
Unpaid interest added to debenture balance	-	147	-	-
Accretion of discount	-	11	-	11
Conversion of notes to common shares	(240,000)	(1,467)	(72)	(1,539)
At December 31, 2020	-	-	-	-

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

In September 2018, pursuant to an agreement with a holder of convertible promissory notes with a principal balance of \$440, the Company converted the principal and accrued interest balances on these notes into Cleantek Class A common shares at \$5.50 per common share. Accordingly, the Company issued

80,000 Class A common shares to settle the \$440 principal balance and 9,206 common shares to settle the \$51 accrued interest in full.

In December 2020, pursuant to agreements with the holders of the remaining convertible promissory notes revising the terms of conversion inducing earlier conversion, the Company converted these notes and accrued interest up to the date of conversion into 14,671,135 Class A common shares at \$0.10 per common share.

As a result, a loss of \$1,296 from the early conversion was recorded and included in finance costs in net loss.

The combined impact to share capital from the early conversion is \$2,835 which is the sum of the \$1,467 carrying amount of the convertible debenture liability portion, the \$72 transfer from the equity portion and the \$1,296 loss recorded from the early conversion.

Share capital

Cleantek had the following outstanding common shares and equity instruments at December 31, 2020, 2019 and 2018:

	December 31 2020	December 31 2019	December 31 2018
Common shares ⁽¹⁾	202,153,637	11,196,356	10,975,620
Stock options	705,000	630,000	615,000
Restricted share units	-	-	23,500
Total outstanding securities	202,858,637	11,826,356	11,614,120

(1 Excludes Cleantek common shares issued on acquisition of Apollo Energy on October 18, 2018 and held in escrow subject to executive employment agreements (see notes 5 and 18). These Cleantek common share issued and held in escrow are only reflected as outstanding common shares of the Company upon release from escrow. At December 31, 2020, nil Cleantek common shares issued on Apollo Energy acquisition remain held in escrow (December 31, 2019 – 265,244 escrowed common shares; and December 31, 2018 – 326,136 escrowed common shares).

Share issuances

Cash issuances

In 2018, the Company completed various private placements of 646,755 common shares at \$5.50 per common share for gross proceeds of \$3,558.

Issuances in kind

In 2020, the Company issued 3,713 Cleantek common shares in exchange for settling \$37 interest expense owing by the Company related to loans payable.

In 2019, the Company issued 9,940 Cleantek common shares in exchange for settling \$99 interest expense owing by the Company related to loans payable.

In 2018, the Company issued 11,565 common shares in kind consisting of 10,000 common shares in exchange for settling \$55 in financing fees and 1,565 common shares issued in exchange for settling \$15 interest expense owing by the Company related to loans payable.



Share conversions and Transfer from equity portion of convertible notes

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 common shares at \$0.10 per common share to convert the following with a combined impact of \$24,638 on share capital:

- Conversion of related party loans payable: 36,087,300 Class A common shares to settle \$3,354 outstanding principal and \$255 accrued interest in full;
- Conversion of May 2018 convertible debentures: 84,493,040 Class A common shares to settle the \$7,805 convertible debenture note liability and \$644 accrued cash interest in full;
- Early conversion of November 2018 convertible debentures: 23,185,082 Class A common shares issued to convert these notes and accrued interest up to the date of conversion. 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 convertible debenture liability portion, the \$285 transfer from the equity portion and the \$1,964 loss recorded from the early conversion;
- Early conversion of other 2018 and 2019 convertible debentures: 27,355,182 Class A common shares issued to convert these notes and accrued interest up to the date of conversion. 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 convertible debenture liability portion, the \$163 transfer from the equity portion and the \$2,236 loss recorded from the early conversion;
- Early conversion of convertible promissory notes: 14,671,135 Class A common shares issued to settle these notes and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion is \$2,835 which is the sum of the \$1,467 carrying amount of the convertible debenture liability portion, the \$72 transfer from the equity portion and the \$1,296 loss recorded from the early conversion; and
- Conversion of accounts payable: 4,896,434 Class A common shares to settle \$490 accounts payable.

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares.

The equity instruments of Cleantek are presented on a pre-consolidation basis in this MD&A, except for the table below at September 30, 2021 or as otherwise indicated.

On September 30, 2021, the Company had the following outstanding common shares and equity instruments outstanding:

	September 30 2021 ⁽¹⁾
Common shares ⁽¹⁾	17,279,644
Warrants	453,834
Stock options	1,500,000
Total outstanding securities	19,233,478

(1) On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares. The equity instruments outstanding at September 30, 2021 are presented on a post-consolidation basis.



OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Cleantek was established for the purposes of contributing to a greener economy through the reduction of burning fossil fuels and increased water recycling through waste heat water treatment and vaporization technology, operating and developing sustainable infrastructure, and fulfilling the Company's ESG values.

The Company places great emphasis on providing a safe and secure working environment for all employees, contractors and consultants, and recognizes the importance of operating in a sustainable manner. The Company has a strong commitment to safety and sustainability in its business operations and the identification, elimination or control of workplace hazards; promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of and abusive and harassing conduct; and ethical business conduct and legal compliance. Cleantek's executive team places the highest priority on the health and safety of its staff and third parties at its sites, as well as the preservation of the environment. The Company's corporate culture is built around supporting these priorities, as reflected in its well-established practices and policies. Cleantek's high safety standards include active monitoring of all field workers, performing environmental, health and safety ("EHS") audits and using third parties and implementing safety processes from employee training in compliance with operational processes and procedures to emergency preparedness. By extension, the Company incorporates its EHS standards into its subcontractor selection qualifications to ensure that its commitment to high EHS standards is shared by its subcontractors and stakeholders.

The Board of Directors also maintains a focus on safety and sustainability working with management to fulfill its oversight responsibilities relating to operating in a safe, environmentally and socially responsible (sustainable) manner and ensuring the integrity of policies and practices with respect to: workforce and public safety in Company activities and at its operating sites; and sustainability in Company activities with respect to people (wellbeing), planet (environmental) and prosperity (community and innovation) considerations ensuring that there are appropriate processes in place to facilitate identification of various safety and sustainability risks that may arise from the Company's operations and related mitigation and possible resulting consequential risks to the Company, its subsidiaries and directors, officers and employees; assessing whether the Company's safety and sustainability policies are effective, properly implemented and comply with applicable legislation and industry standards; reviewing corporate safety and sustainability activities and performance; reviewing the Company's method of communicating (internally and externally) safety and sustainability policies, practises and procedures; reviewing and assessing the sufficiency of resources to the Company's safety and sustainability program; ensuring that appropriate reporting procedures are established relating to safety and sustainability matters by management to ensure adequate reports are made to the chair of the Safety and Sustainability Committee on a regular basis; reviewing insurable risks related to safety and sustainability issues; evaluating adequacy of insurance coverage.

The Company has also adopted a Whistleblower Policy for individuals to report complaints and concerns regarding, among other things, accounting, internal accounting controls and auditing matters.

RISK ASSESSMENT

There are a number of risks facing Cleantek. Some of the risks are common to all businesses while others are specific to a sector. The following reviews the general and specific risks to which the Company is exposed to.

Many of these risks are outside of the Company's control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, Cleantek's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Cleantek takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation.

Business risks related to the contemplated Raise reverse takeover

Cleantek shareholders should carefully consider the following risk factors related to the contemplated reverse takeover of Raise Production Inc. ("Raise") and Cleantek becoming a public company ("Arrangement") as described in the *Subsequent events* section below.

Upon completion of the Arrangement, Raise will remain listed on the TSX Venture Exchange and will carry on the business of Cleantek under the name "Cleantek Industries Inc." (the "Resulting Issuer").

The Arrangement is subject to satisfaction or waiver of several conditions.

The Arrangement is conditional upon, among other things, approval of the Cleantek Arrangement Resolution by Cleantek Shareholders, approval of the Raise Transaction Resolutions by Raise Shareholders, TSXV approval, and Cleantek and Raise having obtained all government or regulatory approvals required by law, policy or practice. There can be no assurance that any or all such approvals will be obtained. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in any government or regulatory approvals could have an adverse effect on the business, financial condition or results of operations of Cleantek and Raise.

Raise has applied to the TSXV to list the Raise Shares issuable under the Arrangement. It is a condition of closing the Arrangement that the TSXV shall have conditionally approved the listing of the Raise Consideration Shares, subject to official notice of issuance and the satisfaction of customary conditions required by such exchanges.

The Arrangement may divert the attention of Cleantek and Raise's Management.

The pendency of the Arrangement could cause the attention of Cleantek and Raise's management to be diverted from their day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the companies, which could have a material and adverse effect on the business, financial condition, results of operations or prospects of the companies.

Cleantek Dissent Rights.

Cleantek Shareholders have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their Cleantek Shares in cash in connection with the Arrangement in accordance with

the ABCA. If there are a significant number of Dissenting Cleantek Shareholders, a substantial cash payment may be required to be made to such Dissenting Cleantek Shareholders, which payment could have an adverse effect on the Resulting Issuer's financial condition and cash resources. It is a condition to completion of the Arrangement that holders of not more than 5% of the outstanding Cleantek Shares shall have validly exercised Dissent Rights, in each case, that have not been withdrawn as of the Effective Date.

The market value of the Resulting Issuer Shares that Cleantek Shareholders retain following the Arrangement may be less than the value of the Raise Shares as of the date of the Arrangement Agreement or the dates of the shareholder meetings.

The consideration payable to Cleantek Shareholders pursuant to the Arrangement is based on a fixed exchange ratio and there will be no adjustment for changes in the market price of Raise Shares prior to the consummation of the Arrangement. Neither of the Parties is permitted to terminate the Arrangement Agreement and abandon the Arrangement solely because of changes in the market price of the Raise Shares. There may be a significant amount of time between the date when Raise Shareholders and Cleantek Shareholders vote at their respective shareholder meetings and the date on which the Arrangement is completed. As a result, the relative or absolute price of the Raise Shares may fluctuate significantly between the dates of the Arrangement Agreement, information circulars distributed to shareholders, the shareholder meetings and completion of the Arrangement.

These fluctuations may be caused by, among other factors, changes in the businesses, operations, results and prospects of Raise, market expectations of the likelihood that the Arrangement will be completed and the timing of its completion, the prospects for the Resulting Issuer's post-Arrangement operations, the effect of any conditions or restrictions imposed on or proposed with respect to the Resulting Issuer's post-Arrangement by governmental authorities and general market and economic conditions. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Raise Consideration Shares that Cleantek Shareholders will receive on completion of the Arrangement. There can be no assurance that the market value of the Raise Consideration Shares that Cleantek Shareholders will receive on completion of the Arrangement will equal or exceed the market value of the Raise Shares upon announcement of the Arrangement. In addition, there can be no assurance that the trading price of the Resulting Issuer Shares will not decline following completion of the Arrangement.

Dilutive Effect.

The issuance of Raise Shares pursuant to the Arrangement, if completed, will have an immediately dilutive effect on the current ownership interest in Raise.

The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and may not be an indication of the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement.

The pro forma consolidated financial statements contained in information circulars distributed to shareholders are presented for illustrative purposes only and may not be an indication of the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement for several reasons. For example, the pro forma consolidated financial statements have been derived from the historical financial statements of Raise and Cleantek and do not represent a financial forecast or projection and certain assumptions have been made. Such assumptions may not prove to be accurate. Moreover, the pro forma consolidated financial statements do not reflect all costs that are expected to be incurred by the Resulting Issuer's post-Arrangement in connection with the Arrangement. For example, the impact of any incremental costs incurred in integrating Raise and Cleantek is not reflected in the pro forma consolidated financial statements. In addition, the assumptions used in preparing the pro forma



consolidated financial information may not prove to be accurate, and other factors may affect the Resulting Issuer's post-Arrangement financial condition or results of operations following the Arrangement.

Cleantek may become liable to pay the Raise Termination Payment.

If the Arrangement Agreement is terminated under certain circumstances, Cleantek may be required to pay the Raise Termination Payment to Raise. Moreover, if Cleantek is required to pay the Raise Termination Payment under the Arrangement Agreement and Cleantek does not enter into or complete an alternative transaction, the financial condition of Cleantek may be materially adversely affected.

The Raise Termination Payment may discourage other parties from proposing a significant business transaction with Cleantek.

Under the Arrangement Agreement, Cleantek is required to pay the Raise Termination Payment in the event that the Arrangement is terminated in certain circumstances related to a possible alternative transaction to the Arrangement. The Raise Termination Payment may discourage other parties from attempting to propose a significant business transaction with Cleantek, even if a different transaction could provide better value to Cleantek Shareholders than the Arrangement.

Following completion of the Arrangement, the Resulting Issuer may issue additional equity securities.

Following completion of the Arrangement, the Resulting Issuer may issue additional equity securities to finance its activities, including in order to finance acquisitions. If the Resulting Issuer were to issue Resulting Issuer Shares, a holder of such shares may experience dilution in the Resulting Issuer's earnings per share. Moreover, as the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

Business risks related to Cleantek

The ongoing impacts of the COVID-19 pandemic may adversely affect Cleantek's business, operations and financial results

Given the rapid global spread of the COVID-19 pandemic, Cleantek's financial and operating performance could be materially adversely affected by any disruptions or suspensions of Cleantek's operations. Among other things, such disruptions or suspensions may result from operational changes by Cleantek's customers in response to the COVID-19 pandemic, directives and protocols introduced by governments and public health officials in the jurisdictions where Cleantek operates. Slowdowns or stoppages in the performance of work due to labour shortages caused by mandatory quarantine orders or employees becoming infected with COVID-19, supply chain disruptions and the inability of counterparties to fulfill their contractual obligations on a timely basis or at all. The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity, transmission rate and resurgence of the COVID-19 virus or strain variations thereof, the timing, extent and effectiveness of containment actions, including the availability and effectiveness of vaccines, approvals thereof and the speed of vaccine distribution, the speed and extent to which normal economic and operating conditions resume worldwide, and the impact of these and other factors on Cleantek's stakeholders, including the Company's customers, vendors and employees. The situation is changing rapidly, and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the continued spread of the COVID-19 pandemic may have, and, as a result, the ultimate impact of the COVID-19 pandemic on Cleantek's business, financial condition, results of operations and cash flows is highly uncertain and subject to change.

Cleantek's access to capital may become restricted or repayment could be required

Cleantek's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available or may not be available on favourable terms. If Cleantek's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to Cleantek or at all. Cleantek's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of Cleantek.

Even if Cleantek is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to Cleantek.

Business Development Risks

In implementing its strategy, Cleantek may pursue new business or growth opportunities. There is no assurance that Cleantek will be successful in executing those opportunities. Cleantek may have difficulty executing its strategy because of, among other things, increased competition, difficulty entering new markets or geographies, difficulties in introducing new products, the ability to attract qualified personnel, barriers to entry into geographic markets, and changes in regulatory requirements.

Any difficulty in retaining, replacing or adding personnel could adversely affect Cleantek's business

Cleantek may not be able to find enough skilled and/or unskilled labour to meet its needs, and this could limit growth. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates. Other factors, including the COVID-19 pandemic, can also affect Cleantek's ability to find enough employees to meet its needs. The nature of Cleantek's work requires skilled employees who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt employees to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to Cleantek's. Cleantek's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If Cleantek is unable to do so, it could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's industry is intensely competitive.

Each of the markets in which Cleantek participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which Cleantek operates are price, product and service quality and availability, technical knowledge, environmentally friendly equipment, experience and reputation for safety. Cleantek competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services and technologies in all geographic regions in which Cleantek operates. In addition, Cleantek competes with several regional competitors. As a result of competition, Cleantek may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

The loss of key customers could cause Cleantek's revenue to decline substantially

Cleantek has a number of key customers that, in aggregate, generate a significant portion of Cleantek's revenue. There can be no assurance that Cleantek's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or

existing customers, would have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry

Cleantek's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, operator error and natural disasters which can result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose Cleantek to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. Cleantek continuously monitors its activities for quality control and safety, and although Cleantek maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that Cleantek considers reasonable and commercially justifiable. The occurrence of a significant event that Cleantek is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities

Cleantek is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the protection of employees and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. Cleantek incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to Cleantek's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek uses and generates hazardous substances and wastes in its operations. Since Cleantek provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, Cleantek could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require Cleantek to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Failure to maintain Cleantek's safety standards and record could lead to a decline in the demand for services

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, Cleantek has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of Cleantek's safety



performance could result in a decline in the demand for Cleantek's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Cleantek may be subject to certain reputational risks as a result of increased online scrutiny.

As a result of the widespread usage, speed and global reach of social media and other internet resources used to generate, publish and discuss user-generated content, companies today are at risk of losing control over how they are perceived in the marketplace. Damage to Cleantek's reputation may result from the actual or perceived occurrence of any number of events related to Cleantek's operational or ESG performance and could include negative publicity with respect to Cleantek's handling of environmental matters and social issues. While Cleantek is committed to protecting its image and reputation, it does not have direct control over how others perceive it. Reputation loss may lead to decreased shareholder confidence and impediments to Cleantek's ability to conduct its operations, with the potential to adversely affect Cleantek's business, financial condition, results of operations and cash flows.

Failure to continuously improve operating equipment could negatively affect Cleantek's results of operations

The ability of Cleantek to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment. There can be no assurance that Cleantek will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by Cleantek to do so could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

There can be no assurance that the steps Cleantek takes to protect its intellectual property rights will prevent misappropriation or infringement

The success and ability of Cleantek to compete depends on the proprietary technology of Cleantek, proprietary technology of third parties that has been, or is required to be, licensed by Cleantek and the ability of Cleantek and such third parties to prevent others from copying such proprietary technology. Cleantek currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. Cleantek also relies on third parties from whom licences have been received to protect their proprietary technology. Cleantek may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether Cleantek is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of Cleantek or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to Cleantek. Furthermore, others may develop technology that is similar or superior to the technology of Cleantek or such third parties or design technology in such a way as to bypass the patents owned by Cleantek and/or such third parties.

Despite the efforts of Cleantek or such third parties, the intellectual property rights, particularly existing or future patents, of Cleantek or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps Cleantek or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to Cleantek's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect Cleantek's business

Cleantek's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage Cleantek's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against Cleantek in connection with such incidents, which could cause Cleantek to incur significant expense. Any of these events could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Cleantek's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment

Cleantek's ability to expand its operations may, in part, depend upon timely delivery of new equipment and component parts. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment and component parts may have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

The direct and indirect costs of various greenhouse gas regulations, existing and proposed, may adversely affect Cleantek's business, operations and financial results

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan-Canadian Framework on Clean Growth and Climate Change and in effect at the federal level under the Greenhouse Gas Pollution Pricing Act, and in Alberta pursuant to the Emissions Management and Climate Resilience Act. Potential further federal or provincial requirements may impose additional costs on Cleantek's operations and require the reduction of emissions or emissions intensity from Cleantek's operations and facilities. Taxes on greenhouse gas emissions and mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for Cleantek's services. The federal carbon levy, mandatory emissions reduction programs and the industry emissions cap in Alberta may also impair Cleantek's ability to provide its services economically and reduce the demand for Cleantek's services. Cleantek is unable to predict the impact of current and pending climate change and emissions reduction legislation on Cleantek and it is possible that such legislation would have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Merger and acquisition activity among Cleantek's clients may constrain demand for Cleantek's services

Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for Cleantek's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than Cleantek.

The loss of one or more of Cleantek's key employees could have a material adverse effect on Cleantek's business

Cleantek's success depends in large measure on certain key personnel. Many critical responsibilities within Cleantek's business have been assigned to a small number of employees. The loss of their services could

disrupt Cleantek's operations. In addition, Cleantek does not maintain "key person" life insurance policies on any of its employees, so Cleantek is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that Cleantek will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Risks relating to labour unions

Union attempts to organize Cleantek's employees could negatively affect Cleantek's business. None of Cleantek's employees will be subject to a collective bargaining agreement as of the Effective Time. As Cleantek expands its operations, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may divert the attention and efforts of management and employees and may have a negative financial impact on Cleantek's business. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, and the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on Cleantek's business, financial condition and results of operations.

A successful reassessment by tax authorities of Cleantek's income (loss) calculations could have a material adverse effect on Cleantek's financial condition and cash flows

Raise and Cleantek have filed all required income tax returns and believe that they are in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over Cleantek may disagree with how Cleantek calculates its income (loss) for tax purposes or could change administrative practices to Cleantek's detriment. A successful reassessment of Cleantek's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on Cleantek's financial condition and cash flows.

Cleantek may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls

Cleantek's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If Cleantek proved unable to deal with this growth, it could have a material adverse effect on Cleantek's business, financial condition, results of operations and cash flows.

Risks associated with counterparties

Cleantek is party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to it. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, Cleantek's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to it, or otherwise impaired. Cleantek cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as its existing contracts, transactions or business relationships, if at all. Any inability on Cleantek's part to do so could have a material adverse effect on its business and results of operations.

Risks relating to changes in accounting standards

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to Cleantek's business, including but not limited to revenue recognition, impairment of assets, leases, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes

in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change Cleantek's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Risks relating to volatility of the market price for Cleantek Shares

The market price of Cleantek Shares could be subject to significant fluctuations which could materially reduce the market price of Cleantek Shares regardless of our operating performance. The factors that could cause significant disruption in the market price of Cleantek Shares may include actual or anticipated changes or fluctuations in Cleantek's operating results, adverse market reaction to any indebtedness it may incur or securities it may issue in the future, litigation or regulatory action, significant acquisitions, business combinations or other strategic actions or capital commitments by or involving Cleantek or its competitors, recruitment or departure of key personnel and investors' general perception and reactions to Cleantek's public disclosure and filings.

In addition, broad market and industry factors may harm the market price of Cleantek Shares. As a result, the market price of Cleantek Shares may fluctuate based upon factors external to Cleantek and that may have little or nothing to do with Cleantek, including expectations of market analysts, positive or negative recommendations or withdrawal of research coverage by analysts, publication of research reports or news stories about Cleantek, its competitors or its industry and changes in general political, economic, industry and market conditions and trends.

Risks relating to future sales of Cleantek Shares

Cleantek cannot predict the size of future issuances of Cleantek Shares or the effect, if any, that future issuances and sales of Cleantek Shares will have on the market price of Cleantek Shares. Sales of substantial amounts of Cleantek Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for Cleantek Shares.

Risks relating to dividends

Cleantek currently expects to retain all available funds for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of Cleantek Board, subject to compliance with applicable law and any contractual provisions and other agreements for indebtedness it may incur, that restrict or limit its ability to pay dividends, and will depend upon, among other factors, its results of operations, financial condition, earnings, capital requirements and other factors that Cleantek Board deems relevant.

FINANCIAL RISKS

Cleantek defines financial risk as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on the Company's cash flows.

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, 2020, the 5 largest customers accounted for 40% of the Company's accounts receivable (December 31, 2019 – 33%; and December 31, 2019 - 29%) and the 5 largest customers accounted for 29% of its revenue for the year ended December 31, 2020 (2019 - 28%; and 2018 - 42%).

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:

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Current (0 to 30 days from invoice date)	1,322	2,328	2,361
31 to 60 days past due	32	232	786
61 to 90 days past due	12	98	257
Over 90 days past due	73	467	253
Trade receivables and other	1,439	3,125	3,657
Provision for doubtful accounts	(41)	(169)	-
Total accounts receivable	1,398	2,956	3,657

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

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
At beginning of year	169	-	-
Increase in provision	86	169	-
Write-off provision	(214)	-	-
At end of year	41	169	-

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 \$597 at December 31, 2020 which represents its maximum credit exposure on these assets (December 31, 2019 - \$211; and December 31, 2018 - \$102). 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, long-term debt and convertible notes.

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 has been significantly impacted by COVID-19 and the deterioration in commodity pricing. As a result, the Company has also missed principal and interest payments required under its facilities and as a result increases the Company's exposure to liquidity risk.

The expected timing of cash outflows relating to financial liabilities at December 31, 2020 are outlined in the *Commitments and contingencies* section below.

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, 2020, the Company is exposed to interest rate risk with respect to its Roynat Capital Term Facility and Bank of Montreal Debt Facility. For the year ended December 31, 2020, a 1% change to the interest rate would have resulted in a \$95 impact on net income (loss) (2019 – \$91; and 2018 - \$74).

The interest rate on Cleantek's long-term debt loans payable and promissory notes and convertible notes 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, 2020, 2019 and 2018, 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 2020	December 31 2019	December 31 2018
Impact to net loss	2	9	15
Impact to other comprehensive loss	27	32	2

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.

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

Cleantek's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

A summary of significant accounting policies can be found in note 3 to the annual consolidated financial statements for the for the years ended December 31, 2020, 2019 and 2018.

Recent accounting pronouncements issued

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements include:

- Amendments to IFRS 9 "*Financial Instruments: Recognition and Measurement*", IFRS 7 "*Financial Instruments: Disclosures*", IFRS 4 "*Insurance Contracts*" and IFRS 16 "*Leases*" for the IASB publication "Interest Rate Benchmark Reform", which provides clarity on the changes after the reform of an interest rate benchmark. The amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform.
- 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.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

A summary of Cleantek's critical accounting estimates, judgments and assumptions can be found in note 2 to the annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

DISCLOSURE AND INTERNAL CONTROLS

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law.

In preparation for completing a reverse takeover of a TSX-Venture listed entity and readying Cleantek as a venture reporting issuer, the Company has commenced a process to strengthen its control systems and internal control environment.

It should be noted that a control system, including Cleantek's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

RELATED PARTY 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.

Directors of the Company participate in the Company's stock option plan and may receive directors' compensation in the form of issued Cleantek common shares.

Key management compensation comprises:

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
Salaries and benefits	502	506	467
Share-based compensation (equity-settled)			
Stock options	101	129	393
Common shares issued for directors' compensation	1	83	78
Escrowed common shares	901	(77)	133
Total	1,505	641	1,071

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, 2020, the Company incurred legal fees of \$82 (2019 - \$788; and 2018 - \$641) from a law firm in which a director of the Company is a partner. At December 31, 2020, \$1,117 was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2019 - \$969; and December 31, 2018 - \$646).

During the year ended December 31, 2020, the Company incurred consulting fees of \$nil (2019 - \$259; and 2018 - \$nil) from an audit and accounting firm in which a director of the Company is a partner. At December 31, 2020, \$nil was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2019 - \$67; and December 31, 2018 - \$nil).

During the year ended December 31, 2020, the Company made payments of \$nil (2019 - \$47; and 2018 - \$78) to Cerberus Equity Group Ltd. under a property lease agreement which matured on July 31, 2019. The Company vacated the premises and Cerberus filed a statement of claim.

During the year ended December 31, 2020, the Company made payments of \$nil (2019 - \$47; and 2018 - \$78) to Cerberus Equity Group Ltd. under a property lease agreement which matured on July 31, 2019. The Company vacated the premises and Cerberus filed a statement of claim.

Other

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

(Canadian \$000's)	December 31 2020	December 31 2019	December 31 2018
Long-term receivables⁽¹⁾			
Loans receivable			
Cerberus Equity Group Ltd.	-	-	35
Loans to shareholders and former executives ⁽¹⁾	540	525	510
	540	525	545
Accounts payables and accrued liabilities			
Law firm related to the Company through a director	1,117	969	646
Accounting and auditing firm related to the Company through a director	-	67	-
	1,117	1,036	646
Long-term debt⁽¹⁾			
Loans payable			
Loans payable - Related parties	325	3,679	3,904
Promissory notes			
Promissory note – Minority shareholder	300	300	300
	625	3,979	4,204

(1) Includes current and non-current portion.

The Company has the related party commitments and contingencies as disclosed in the *Commitments and contingencies* section below.

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, 2020 are outlined in the table below:

	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾⁽³⁾				Total ⁽¹⁾
(Canadian \$000's)		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	6,078	6,078	-	-	-	6,078
Long-term debt						
Credit facilities	9,339	9,339	-	-	-	9,339
Loans payable	3,009	2,315	694	-	-	3,009
Promissory notes	300	300	-	-	-	300
Convertible notes	647	647	-	-	-	647
	19,373	18,679	694	-	-	19,373
Lease liabilities and other commitments						
Lease liabilities	775	775	330	533	32	-
Other property lease commitments ⁽⁴⁾	-	-	233	191	191	48
	775	775	563	724	223	48

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

(2) Financial liabilities exclude interest portion due to demand and variable term features. See Consolidated liquidity and capital resources section for Cleantek's debt and credit facilities and convertible notes.

(3) Lease liabilities include principal and interest portions.

(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, 2020, 2019 and 2018 to a lender related to a loan issued to Cerberus, a company related through a common shareholder.

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

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

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

Litigation and claims

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

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, and accrued interest and damages. At December 31, 2020, the term loan principal balance payable by the Company and included in debt is \$325. The Company has filed a statement of defense and counter claim.

SUBSEQUENT EVENTS

Announcement of reverse takeover of Raise Production Inc., taking Cleantek public and equity financing

Reverse takeover of Raise

On July 12, 2021, Cleantek announced that they entered into an arrangement agreement with Raise Production Inc. ("Raise" - TSXV: RPC) whereby Cleantek effectively completes a reverse takeover of Raise and becomes a public Company.

Pursuant to this business combination, Raise will acquire each issued and outstanding common share of Cleantek in exchange for the issuance of 58.3 Raise common shares at a deemed issue price of \$0.03 per Raise share. Following completion of this transaction but prior to the completion of any concurrent private placement as discussed below, shareholders of Raise will hold approximately 15% of the resulting reporting issuer with shareholders of Cleantek holding the remaining approximately 85%.

In certain circumstances, Cleantek will be required to pay Raise a \$2,500 termination fee if the Raise reverse takeover is not completed.

Cleantek brokered private placement

In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum of \$10,000. This private placement was closed on August 31, 2021 and the proceeds are held in escrow subject to completion of the Raise reverse takeover.

Each subscription receipt will be exchangeable into one unit of Cleantek (each, a "Unit"), concurrently with closing of the reverse takeover transaction and will participate with all other holders of Cleantek common shares in the reverse takeover. Each Unit shall be comprised of one Cleantek common share and one half of one Cleantek common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the resulting reporting issuer on the TSX-V, or other principal exchange on which the shares are listed, is greater than \$3.50 for 10 consecutive trading days, the resulting reporting issuer may deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice.

The gross proceeds from the private placement will be held in escrow pending the completion of the reverse takeover, which is expected to close on or around October 31, 2021.

If all conditions to the completion of the reverse takeover are satisfied on or before October 31, 2021, the net proceeds from the sale of the subscription receipts will be released from escrow to Cleantek and each subscription receipt will be exchanged for one Unit and the holders thereof will participate with all other holders of Cleantek common shares and Warrants in the reverse takeover.

January 2021 vendor and related party 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. This promissory note is non-interest bearing; is repayable at \$5 per month; and the 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.

February 2021 convertible debentures issue

In February 2021, the Company issued 380 secured, subordinated convertible debentures for gross proceeds of \$380, representing a subscription price of \$1,000.00 per debenture, due on demand by the holder. Each debenture is convertible into 10,000 units, each unit consisting of one Class A common share of the Company and one warrant to purchase a Class A common share of the Company at \$0.10 per share by September 30, 2023.

March 2021 common share subscription

On March 1, 2021, the Company completed a common share subscription of 1,646,000 common shares at \$0.10 per common share for gross proceeds of \$165. Each share includes a Warrant which shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$0.10 at any time up to March 1, 2023.

Accounts payable converted into equity subscription

In March and May of 2021, pursuant to agreements with certain creditors of the Company, the Company issued 3,556,099 Class A common shares at \$0.10 per common share to settle \$355 of accounts payable.

Stock options cancelled and new stock options granted

On January 1, 2021, pursuant to the Company's stock option plan, the Company terminated and cancelled all 705,000 of the granted and outstanding stock options of the Company at January 1, 2021.

In March and June of 2021, pursuant to the Company's stock option plan, 18,000,000 stock options were granted to officers, employees and directors of the Company at an exercise price of \$0.10 per common share.

2021 Extension to forbearance agreements

Debt facility

On April 30, 2021, the Company agreed to an amendment and extension to the forbearance agreement dated December 14, 2020 with its Canadian lender with regards to its Debt facility, until June 30, 2021. Additionally, the amendment entailed the payment of \$50 on each of April 30, 2021, May 25, 2021 and June 25, 2021.

On August 9, 2021, the Company agreed to a further extension to this forbearance agreement with its lender until October 31, 2021. This extension entails the following additional obligations and covenants:

- Payment of \$300 on August 9, 2021;
- Payment of \$200 on August 10, 2021;
- Payment of \$200 on September 10, 2021;
- Payment of \$200 on October 10, 2021;
- Providing a fully executed, definitive agreement between Raise Productions Inc and Cleantek (see Announcement of reverse takeover above); and

- Completion of an equity financing raising a minimum of \$10,000 by August 31, 2021, with funds held in escrow subject to the Raise reverse takeover.

As of the report date of these consolidated financial statements, Cleantek is in compliance with the respective August and September 2021 payments and have executed a definitive agreement with Raise dated July 12, 2021, and completed an equity financing raising a minimum of \$10,000 by August 31, 2021.

Roynat term facility

On June 11, 2021, the Company agreed an extension to the forbearance agreement dated December 4, 2020 with respect to the Roynat term facility, until the earlier of the occurrence of an event of default or July 31, 2021.

On July 21, 2021, the Company agreed a further extension to these forbearance agreements until the earlier of the occurrence of an event of default or January 15, 2022.

2019 SRED refund received and OKR Financial term loan amendment

In May 2021, the Company received \$876 in Scientific Research and Experimental Development Tax Incentive Program claim refunds for the year ended December 31, 2019.

On August 9, 2021, the Company executed an amendment and extension to the OKR Financial term loan payable. The amendment revises:

- The maturity date to November 15, 2021;
- The interest rate from an equivalent annual interest rate of 29.08% to 18.0%, effective January 1, 2020, up to a maximum amount of \$750; and
- The form of repayment of the loan and accrued interest from 100% in cash to either of the following at the option of Cleantek:
 - Issuing to the lender units, commensurate with the August 31, 2021 private placement, comprising one Cleantek common share and one half of one Cleantek common share purchase warrant to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; or
 - Repayment in cash.

August 27, 2021 share consolidation

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares.

The equity instruments of Cleantek are presented on a pre-consolidation basis in these condensed consolidated interim financial statements.

September 2021 convertible debentures issue

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of \$450. These convertible debentures have a monthly interest rate of 5% and are convertible into common shares of the Company at \$0.10 per common share (on a pre-consolidation basis) and are due on October 31, 2021.

New loan and revolving facility

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

- A non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance; and
- A revolving line of credit up to \$2,500, in one or more loan advances.

The credit facility agreement is 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.

The initial loan advances are subject to conditions including discharges from certain lenders in respect of existing outstanding debt of Cleantek and the completion of the Raise reverse takeover and concurrent \$10,000 equity financing.

The term facility may only be used to refinance existing debt and to finance certain capital expenditures of Cleantek and the revolving facility may be used to finance equipment purchases and general working capital and corporate requirements of Cleantek.

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

The credit facilities are secured by the assets of the Company and its subsidiaries.

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

ADDITIONAL INFORMATION

Additional information regarding Cleantek and its business and operations can be obtained by contacting the Company at Cleantek Industries Inc., Suite 3200, 500 – 4th Avenue SW, Calgary, Alberta, Canada T2P 2V6 or by e-mail at info@cleantekinc.com. Additional information related to Cleantek is available on www.cleantekinc.com and on the Company's SEDAR profile at www.sedar.com.

NON-GAAP MEASUREMENTS

Cleantek uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by International Financial Report Standards ("IFRS"). The following terms: "EBITDA", "adjusted EBITDA", "working capital" and "non-current debt" are not recognized measures under IFRS and may not be comparable to that reported by other companies. Cleantek believes that, in addition to measures prepared in accordance with IFRS, the non-GAAP measurements provide useful information to evaluate the Company's performance and ability to generate cash, profitability and meet financial commitments.

These non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

Management considers EBITDA and adjusted EBITDA key metrics in analyzing operational performance and the Company's ability to generate cash flow. EBITDA is measured as net income (loss) before interest, tax, depreciation and amortization. Adjusted EBITDA is measured as EBITDA adjusted for certain non-cash items, including share-based compensation, impairment, and loss or gain on disposal of assets as well as unusual or non-recurring items.

The following table provides a reconciliation of the non-GAAP measures, EBITDA and adjusted EBITDA, to the applicable IFRS measurements for Cleantek:

	Year ended December 31			Year ended December 31		
	2020	2019	% Change	2019	2018	% Change
<i>(Canadian \$000's)</i>						
Net loss	(22,376)	(24,294)	(8)	(24,294)	(6,819)	256
Tax expense (recovery)	311	(221)	(241)	(221)	(70)	216
Depreciation and amortization	3,603	5,099	(29)	5,099	3,790	35
Finance costs, net	10,535	4,143	154	4,143	2,167	91
EBITDA	(7,927)	(15,273)	(48)	(15,273)	(932)	1,539
Research expense (recovery)	(1,811)	532	(440)	532	-	-
Share-based compensation	1,228	706	74	706	892	(21)
Impairment expense of non-financial assets	8,246	15,465	(47)	15,465	-	-
Transaction costs	-	-	-	-	230	(100)
Adjusted EBITDA	(264)	1,430	(118)	1,430	190	653

Working capital

Working capital (or also referred to as net current assets/liabilities) for Cleantek is calculated as current assets less current liabilities per the statement of financial position. The following table provides a reconciliation of working capital, a non-GAAP measure to the applicable IFRS measurements for the Company:

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Current assets	(2,173)	(3,347)	(4,147)
Current liabilities	18,978	20,233	13,445
Working capital deficit	16,805	16,886	9,298

Non-current debt

Management considers non-current debt in analyzing the Company's capital structure. Cleantek's capital structure consists of working capital, non-current debt and shareholders' equity. Non-current debt measures the long-term borrowings of the Company excluding deferred tax and provision and excluding

any current portions of borrowings. Non-current debt for Cleantek is calculated as the non-current portions of long-term debt, convertible notes and lease liabilities. The following table provides a reconciliation of non-current debt, a non-GAAP measure to the applicable IFRS measurements for the Company:

	December 31 2020	December 31 2019	December 31 2018
<i>(Canadian \$000's)</i>			
Long-term debt – non-current portion	694	2,791	5,892
Convertible notes – non-current portion	-	9,770	7,129
Lease liabilities – non-current portion	476	917	1,692
Non-current debt	1,170	13,478	14,713

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements and forward-looking information (collectively “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as: “anticipates”, “believes”, “continues”, “estimates”, “could”, “expects”, “intends”, “may”, “objective”, “ongoing”, “plans”, “will”, “projects”, “should”, or similar expressions suggesting future outcomes or events. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- The contemplated reverse takeover of Raise Production Inc. and Cleantek becoming a public company;
- Estimating operating revenue in excess of \$6,000 over the contracted term with Jupiter Resources Inc. for the long-term services of two PZeroE systems;
- Leveraging Cleantek’s technology to capture additional market share through organic growth of the ZeroE wastewater treatment and vaporization service offering along with a strong forecasted utilization of our environmental equipment rental solutions;
- Executing Cleantek’s strategy to build, own and operate a portfolio of ZeroE, waste to energy, wastewater treatment and vaporization infrastructure projects throughout North America and globally;
- Securing additional contracted projects to develop and construct additional ZeroE projects;
- Optimization and expansion of existing ZeroE produced water processing facilities;
- Securing and optimizing long-term contracts for ZeroE service to provide stable, low-risk cash flows;
- Securing a strong pipeline of environmental equipment rental agreements through developed partnerships and vertically integrated operations;
- Diversification of Cleantek industries to de-risk the Company’s inbound revenue streams;
- Integrating talent, systems and processes across its acquired projects to create efficiencies and best-in-class operations;
- Continued growth of project portfolio via strategic acquisitions and consolidation opportunities; and
- Capturing expansion in both ZeroE wastewater vaporization and environmental equipment markets.

Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cleantek. These include, but are not limited to, risks associated with renewable energy sources, such as market competition, volatility of prices, currency fluctuations, environmental risk,



and competition from other producers and ability to access sufficient capital from internal and external sources.

Although management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date hereof for the purposes of providing the readers with Cleantek's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information or future events, other than as required by applicable securities laws. However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from forward-looking statements previously disclosed by the Company for a period that is not yet complete, Cleantek will provide disclosure on such events and the anticipated impact of such events.

**SCHEDULE H-4 TO APPENDIX H – CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2020, 2019 AND 2018**

(See Attached)



Consolidated Financial Statements
For the years ended December 31, 2020, 2019 and 2018



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, 2020, 2019 and 2018. The Auditors' Report to the shareholders is presented herein.

"signed"

Matt Gowanlack

President

September 30, 2021

"signed"

Jesse Curlett

Chief Executive Officer



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors 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, 2020; December 31, 2019; December 31, 2018 and January 1, 2018;
- the consolidated statements of net loss and comprehensive loss for the years ended December 31, 2020; December 31, 2019 and December 31, 2018;
- the consolidated statements of changes in shareholders' equity (deficit) for the years ended December 31, 2020; December 31, 2019 and December 31, 2018;
- the consolidated statements of cash flows for the years ended December 31, 2020; December 31, 2019 and December 31, 2018;
- 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, 2020, December 31, 2019, December 31, 2018 and January 1, 2018; and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Company is not in compliance with certain financial and reporting covenants of its Roynat Capital Term Facility and its Bank of Montreal Debt Facility and missed required principal and interest payments on its Roynat Capital Term Facility.

As stated in Note 2(c) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(c) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 2(b) and Note 29 of the financial statements which describes that the Entity adopted IFRS with a transition date of January 1, 2018. These standards were applied retrospectively by management to the comparative information presented in these financial statements.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis.

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 IFRS, 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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

September 30, 2021

Cleantek Industries Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at

<i>(Canadian \$000's)</i>		December 31 Note 2020	December 31 2019	December 31 2018	January 1 2018
ASSETS					
Current assets					
Cash and cash equivalents		597	211	102	-
Accounts receivable	4	1,398	2,956	3,657	1,565
Prepays, deposits and other receivables		178	180	353	192
Current portion of long-term receivables	10	-	-	35	-
Total current assets		2,173	3,347	4,147	1,757
Non-current assets					
Property and equipment	6	10,219	16,191	26,595	17,875
Intangible assets	7	499	2,572	5,465	502
Right-of-use assets	8	206	1,238	2,012	1,839
Goodwill	9	-	-	3,245	-
Long-term receivables	10	540	525	510	-
Total non-current assets		11,464	20,526	37,827	20,216
Total assets		13,637	23,873	41,974	21,973
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank debt	12	-	-	377	409
Accounts payable and accrued liabilities	11	6,078	5,578	4,947	2,698
Current portion of long-term debt	12	11,954	12,901	6,922	1,866
Current portion of convertible notes	13	647	1,309	630	-
Current portion of lease liabilities	14	299	445	569	433
Total current liabilities		18,978	20,233	13,445	5,406
Non-current liabilities					
Long-term debt	12	694	2,791	5,892	4,844
Convertible notes	13	-	9,770	7,129	1,625
Lease liabilities	14	476	917	1,692	1,545
Provisions	15	56	-	-	-
Deferred tax	23	711	409	767	-
Total non-current liabilities		1,937	13,887	15,480	8,014
Total liabilities		20,915	34,120	28,925	13,420
Shareholders' equity (deficit)					
Share capital	16	51,708	25,573	24,682	14,434
Convertible notes	13	-	520	388	110
Contributed surplus		1,080	1,312	1,398	727
Accumulated other comprehensive income		141	179	118	-
Accumulated deficit		(60,207)	(37,831)	(13,537)	(6,718)
Total shareholders' equity (deficit)		(7,278)	(10,247)	13,049	8,553
Total liabilities and shareholders' equity (deficit)		13,637	23,873	41,974	21,973
Going concern	2				
Commitments and contingencies	28				
Subsequent events	30				

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

Approved on behalf of the Board of Directors

"signed"

Dale Tremblay

Chairman and Director

September 30, 2021

"signed"

Matt Colucci

Director

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

<i>(Canadian \$000's, except per share amounts)</i>	Note	2020	2019	2018
Revenue	19	7,607	12,327	7,609
Direct operating expenses	20	4,242	5,103	3,492
Gross profit		3,365	7,224	4,117
Other expenses				
General and administrative	20	4,291	5,995	3,836
Depreciation and amortization	6,7,8	3,180	5,099	3,790
Research expense (recovery)		(1,811)	532	-
Share-based compensation	18	1,228	706	892
Impairment	21	8,246	15,465	-
Finance costs, net	22	10,535	4,143	2,167
(Gain) loss on disposal of long-lived assets		(201)	(192)	84
Foreign exchange (gain) loss		(38)	(9)	7
Transaction costs	5	-	-	230
		25,430	31,739	11,006
Loss before income taxes		(22,065)	(24,515)	(6,889)
Income tax expense (recovery)				
Current	23	9	176	47
Deferred	23	302	(397)	(117)
		311	(221)	(70)
Net loss		(22,376)	(24,294)	(6,819)
Loss per share (\$)				
Basic and diluted	24	\$(1.27)	\$(2.18)	\$(0.69)

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,

<i>(Canadian \$000's)</i>	Note	2020	2019	2018
Net loss		(22,376)	(24,294)	(6,819)
Other comprehensive gain (loss)				
Foreign currency translation gain (loss)		(38)	61	118
Total comprehensive loss		(22,414)	(24,233)	(6,701)

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

Cleantek Industries Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

<i>(Canadian \$000's, except common shares in 000's)</i>	Note	Number of Class A Common Shares	Share capital	Convertible notes	Contributed surplus	AOCI ⁽¹⁾	Accumulated deficit	Total
At January 1, 2018	29	9,062	14,434	110	727	-	(6,718)	8,553
Net loss for the period		-	-	-	-	-	(6,819)	(6,819)
Share-based compensation expense	18	-	-	-	892	-	-	892
Share issuance – cash	16	647	3,558	-	-	-	-	3,558
Share issuance – in kind	16	12	70	-	-	-	-	70
Shares issued on acquisition of Apollo Energy	5	1,078	5,931	-	-	-	-	5,931
Shares issued on stock option exercise	16,18	74	143	-	(143)	-	-	-
Shares issued as part of directors' compensation	16,18	14	78	-	(78)	-	-	-
Convertible note issuance, net of tax	13	-	-	316	-	-	-	316
Share conversion	16	89	529	(38)	-	-	-	491
Share issue costs, net of tax		-	(61)	-	-	-	-	(61)
Foreign currency translation gain		-	-	-	-	118	-	118
At December 31, 2018		10,976	24,682	388	1,398	118	(13,537)	13,049
At January 1, 2019		10,976	24,682	388	1,398	118	(13,537)	13,049
Net loss for the period		-	-	-	-	-	(24,294)	(24,294)
Share-based compensation expense	18	-	-	-	706	-	-	706
Share issuance – in kind	16	10	99	-	-	-	-	99
Shares issued on stock option exercise	16,18	111	245	-	(245)	-	-	-
Shares issued on redemption of restricted share units	16,18	23	129	-	(129)	-	-	-
Shares issued as part of directors' compensation	16,18	15	83	-	(83)	-	-	-
Shares held in escrow and released pursuant to acquisition employment services agreements	5,16	61	335	-	(335)	-	-	-
Convertible note issuance, net of tax	13	-	-	132	-	-	-	132
Foreign currency translation gain		-	-	-	-	61	-	61
At December 31, 2019		11,196	25,573	520	1,312	179	(37,831)	(10,247)
At January 1, 2020		11,196	25,573	520	1,312	179	(37,831)	(10,247)
Net loss for the period		-	-	-	-	-	(22,376)	(22,376)
Share-based compensation expense	18	-	-	-	1,228	-	-	1,228
Share issuance – in kind	16	4	37	-	-	-	-	37
Shares issued as part of directors' compensation	16,18	1	1	-	(1)	-	-	-
Shares held in escrow and released pursuant to acquisition employment services agreements	5,18	265	1,459	-	(1,459)	-	-	-
Share conversions	13,16	190,688	24,638	(520)	-	-	-	24,118
Foreign currency translation loss		-	-	-	-	(38)	-	(38)
At December 31, 2020		202,154	51,708	-	1,080	141	(60,207)	(7,278)

(1) Accumulated other comprehensive income (loss)

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,

<i>(Canadian \$000's)</i>	Note	2020	2019	2018
Cash (used in)/provided by:				
Operating activities				
Net loss		(22,376)	(24,294)	(6,819)
Adjustments for:				
Depreciation and amortization	6,7,8	3,180	5,099	3,790
Share-based compensation expense	18	1,228	706	892
Impairment	21	8,246	15,465	-
Finance costs	22	10,535	4,143	2,167
(Gain) loss on disposal of long-lived assets	6	(201)	(192)	84
Deferred income tax expense (recovery)	23	302	(397)	(117)
Changes in non-cash working capital	27	2,349	977	1,075
Net cash flow from operating activities		3,263	1,507	1,072
Investing activities				
Acquisitions, net of cash acquired	5	-	-	161
Additions to property and equipment	6	(1,646)	(3,228)	(7,339)
Additions to intangible assets	7	(510)	(103)	(187)
Proceeds from research credits relating to intangible assets	7	-	-	486
Proceeds on disposal of long-lived assets		435	253	270
Net cash flow used in operating activities		(1,721)	(3,078)	(6,609)
Financing activities				
Bank indebtedness change, net	12	-	(377)	(32)
Proceeds from long-term debt - credit facilities	12	-	5,055	102
Repayment of long-term debt - credit facilities	12	(603)	(3,889)	(1,807)
Proceeds from long-term debt - term loans	12	700	2,285	91
Repayment of long-term debt - term loans	12	(41)	(576)	(106)
Proceeds from convertible notes - debentures	13	600	1,809	6,000
Proceeds from convertible notes - promissory notes	13	-	-	450
Repayments of lease liabilities	14	(1,014)	(995)	(1,007)
Payments of cash interest	22	(760)	(1,655)	(671)
Debentures financing cost paid	13	-	(38)	(511)
Shareholder loans issued	10	-	-	(510)
Proceeds from issuance of share capital	16	-	-	3,608
Share issue costs	16	-	-	(61)
Net cash flow from (used in) financing activities		(1,118)	1,619	5,546
Increase (decrease) in cash and cash equivalents		424	48	9
Effect of foreign exchange on cash and cash equivalents		(38)	61	93
Cash and cash equivalents, beginning of year		211	102	-
Cash and cash equivalents, end of year		597	211	102

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

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018
(All amounts in Canadian \$000's, except as indicated)

1. REPORTING ENTITY

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

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

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

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.

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

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

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance and basis of measurement

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

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

The consolidated financial statements have been approved by the Board of Directors on September 30, 2021.

b) First-time adoption of IFRS

For all periods up to and including the year ended December 31, 2019, the Company previously prepared its consolidated financial statements in accordance with Canadian accounting standards for private enterprises ("ASPE"). These consolidated financial statements at December 31, 2020, 2019, 2018 and January 1, 2018 and for the years ended December 31, 2020, 2019 and 2018 are the Company's first financial statements prepared in accordance with IFRS and IFRS 1, *First time adoption of International Financial Reporting Standards* (see note 29).

c) Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

For the year ended December 31, 2020, the Company's net loss was \$22,376 (2019 - \$24,294; and 2018 - \$6,819). At December 31, 2020, the Company had net current liabilities of \$16,805 (December 31, 2019 - \$16,886; and December 31, 2018 - \$9,298) which includes the current portions of lease liabilities, long-term debt and convertible notes. At December 31, 2020, the Company has shareholders' deficiency of \$7,278 (December 31, 2019 – \$10,247; and December 31, 2018 – shareholders' equity of \$13,049).

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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

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

Throughout 2020, the Company was not in compliance with certain financial and reporting covenants of its Roynat Capital Term Facility (notes 12 and 30) and its Bank of Montreal revolving Debt Facility (notes 12 and 30) and missed required principal and interest payments on its Roynat Capital Term Facility. There are forbearance agreements in place for the Roynat Capital Term Facility and the Bank of Montreal Debt Facility which expire on January 15, 2022 and October 31, 2021, respectively. In addition, the OKR Financial term loan (notes 12 and 30) and the Company's Term Credit Facility (note 12) as well as promissory note to a minority shareholder (note 12) remains outstanding and overdue. These breaches of covenants, among other non-compliances with long-term debt agreements including missed principal and interest payments, resulted in these long-term debts being classified as current liabilities.

Subsequent to December 31, 2020 (note 30), the Company:

- Issued convertible notes in February 2021 for gross proceeds of \$380;
- Completed a common share subscription in March 2021 for gross proceeds of \$165;
- Completed a private placement on August 31, 2021 for gross proceeds of \$10,000 to be held in escrow pending the completion of a reverse takeover of a TSX-Venture entity;
- Issued convertible notes in September 2021 for gross proceeds of \$450; and
- Completed a new loan and revolving facility on September 24, 2021 for a non-revolving facility up to \$7,500 and a revolving line of credit up to \$2,500.

The above noted events and conditions indicate that material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. The Company is working with its secured lenders, to seek restructuring of its remaining unsecured debt and to raise additional capital, however, there is no assurance that the Company will be able to maintain the support of its secured or unsecured lenders or at terms that are favorable to the Company, or that the recapitalization plan will be successfully completed.

These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company not be able to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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

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

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

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

e) 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.

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.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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

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. Goodwill is tested for impairment at least annually.

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.

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, the probability of loss, and if a reliable estimate can be formulated.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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

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.

f) 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 through the year and as the situation continues to evolve, the magnitude of its effects on the economy, on Cleantek's financial and operational performance and on our personnel is uncertain at this time. The ongoing pandemic presents uncertainty and risk to Cleantek, its performance, and the estimates and assumptions used by management to prepare these consolidated financial statements.

In 2020, there has been 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 has been significantly impacted which has had a direct impact on the Company's financial results, cash flows and financial position. At December 31, 2020, this decrease in the for the Company's products and services has impacted the Company's operating results which has also contributed to the Company's non-compliance with its lending facilities' covenants, including the ability to make required principal and interest payments (see going concern in note 2).

The impact of COVID-19 has also resulted in heightened risk related to the future demand for the Company's services, creditworthiness of customers, the ability of Cleantek to maintain its covenant compliance and access to debt.

In response to COVID-19 in 2020, the Company:

- Continued to monitor the impact of COVID-19 and commodity prices on its business;
- Maintained an active level of communications, offering flexible rates and terms with its customers while ensuring standard support level is offered to customers despite travel restrictions;
- Applied and qualified for wage and rental subsidy programs available through government support; and
- Continued to monitor operating needs and cash position in order to fund operations.

The situation remains dynamic and the full impact on the economy and the financial effect for Cleantek remains unknown at this time.

In addition to the measures taken in 2021 as disclosed in the subsequent events note 30, the Company has adopted further measures in 2021 to cope with the rapid changes in the market as a result of COVID-19, including:

- A reduction in headcount;
- Implementation of salary rollbacks; and
- Downsizing and relocating operating facilities in the U.S. and Canada.

Also see going concern in note 2.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Cleantek for all periods presented in these consolidated financial statements.

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 in net loss. 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 *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 net income (loss) in the period in which the reasonable assurance and conditions of the grants have been met.

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The Company's government grants and other subsidies include the Canadian government's Scientific Research and Experimental Development Tax Incentive Program ("SRED") which encourages Canadian businesses to conduct research and development ("R&D") in Canada; and the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") as part of the Canadian government's response to the COVID-19 health pandemic.

Due to the uncertain nature of the SRED claims made by Cleantek, it is the Company's policy to recognize any uncertain recoveries in the period when received. Investment tax credits received from successful SRED claims are recognized as a reduction in related expenses or related assets.

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. Restricted cash is disclosed separately.

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.

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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 reliably 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 determining amortization:

Asset class	
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. Cleantek allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These 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.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether Cleantek will exercise a purchase, extension or termination option that is within the control of Cleantek. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

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The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability; initial direct costs incurred; and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset; less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

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.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using Cleantek's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

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.

If an arrangement contains lease and non-lease components, Cleantek applies IFRS 15 to allocate the consideration in the contract.

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 at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include but are not limited to changes in Cleantek's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of 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

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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).

Goodwill is tested for impairment at least annually or as events occur that could result impairment. Goodwill is tested for impairment at an operating segment level by comparing the carrying amounts of the operating segment's assets, property and equipment, intangible assets, ROU assets and goodwill, and comparing the recoverable amount. The recoverable amount of the operating segment is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of the underlying assets. 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). Goodwill impairments are not reversed.

k) Borrowing costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use are capitalized as part of the cost of those assets. Capitalization ceases during any extended period of suspension of construction or when substantially all activities necessary to prepare the asset for its intended use are complete.

All other interest expense and borrowing costs are recognized in finance costs in net income (loss) in the period in which they are incurred.

l) Bank indebtedness

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented as cash and cash equivalents or bank indebtedness.

m) 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 pre-tax 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.

n) 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

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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.

o) 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.

p) 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.

q) 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 Directors. 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.

r) 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

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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.

s) 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 bank debt, 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 may use derivative financial instruments either to manage certain exposures to fluctuations in interest rates and foreign exchange rates or as part of its overall risk management program. Earnings impacts from derivatives used to manage a particular risk are reported as part of 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

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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 ECL. 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. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Cleantek expects to receive. ECLs are discounted at the effective interest rate of the related financial asset.

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.

t) Related party transactions

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

u) 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

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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.

v) 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.

w) 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:

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. ACCOUNTS RECEIVABLE

	December 31	December 31	December 31	January 1
(Canadian \$000's)	2020	2019	2018	2018
Trade receivables	1,398	2,991	3,496	1,565
Other	41	134	161	-
Allowance for doubtful accounts (note 25)	(41)	(169)	-	-
Total accounts receivable	1,398	2,956	3,657	1,565

The Company's exposure to credit risk related to accounts receivable is disclosed in note 25.

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5. BUSINESS COMBINATION

a) Apollo Energy acquisition

On October 18, 2018, Cleantek acquired all the issued and outstanding common shares of Apollo Energy Services Corp., a privately-owned company based in Calgary, and its wholly-owned subsidiary, Apollo Lighting Solutions Inc. with operations in Texas and Pennsylvania, U.S.A. (together "Apollo Energy"), in exchange for 1,078,409 Cleantek common shares issued for total consideration of \$5,931. Apollo Energy design and operate crown-mounted rig lighting systems for the oil and gas industry. The Cleantek common shares were valued at \$5.50 per common share using the share price of Cleantek on the acquisition date.

In addition, 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. These common shares issued and placed in escrow subject to employment agreements is scoped into IFRS 2, *Share-based payments*. Accordingly, the Company includes the issuance of these instruments as an additional share-based compensation plan. See note 18 for share-based payments related to this plan.

This transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed on the acquisition date are recorded at fair value as follows:

<i>(Canadian \$000's)</i>	Apollo Energy
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	161
Accounts receivable	1,643
Prepays	478
Property and equipment	7,166
Intangible assets	2,964
Goodwill	3,245
Accounts payables and accrued liabilities	(964)
Lease liabilities	(111)
Debt	(3,830)
Loan from related party	(4,054)
Deferred tax liability	(767)
Fair value of net assets acquired	5,931
Consideration	
Common shares issued	5,931
Total consideration	5,931

The goodwill recognized on this acquisition was attributed to the strategic benefits that consolidated operations are expected to bring, expected future cash flows generated from the ability to develop and grow Cleantek operations, in addition to the recognition of a deferred tax liability generated by the recognition of the fair value of the net assets acquired.

Intangible assets consist of patents valued at \$1,253, customer relationships valued at \$1,252 and trade names valued at \$459.

The consolidated statement of comprehensive loss includes the results of operations for the periods following the close of the transaction on October 18, 2018. In the period from October 18 to December

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31, 2018, Apollo Energy contributed revenues of \$1,239 and net operating income of \$766 which are included in net loss for the year ended December 31, 2018. Cleantek incurred transaction costs of \$230 in conjunction with the acquisition, all of which have been expensed in net loss in the year ended December 31, 2018.

If the closing of the acquisition had occurred on January 1, 2018, the impact on Cleantek's consolidated revenue and net loss would have been an increase of \$3,940 and a decrease of \$202, respectively, for the year ended December 31, 2018.

6. PROPERTY AND EQUIPMENT

(Canadian \$000's)	Assets under construction	Rental equipment	Automotive	Office equipment	Total
Cost					
At January 1, 2018	3,063	22,040	414	875	26,392
Acquisitions (note 5)	392	6,637	119	18	7,166
Additions	5,689	1,252	204	194	7,339
Dispositions	(12)	(193)	(63)	(86)	(354)
Government grant – SRED credit	-	(137)	-	-	(137)
Transfers to intangible assets (note 7)	(2,403)	-	-	-	(2,403)
Transfers from assets under construction to rental equipment	(1,842)	1,842	-	-	-
At December 31, 2018	4,887	31,441	674	1,001	38,003
Additions	2,985	185	23	35	3,228
Dispositions	(115)	(33)	(353)	(21)	(522)
Transfers from assets under construction to rental equipment	(2,036)	2,036	-	-	-
Derecognition of fully depreciated assets	-	(4,736)	-	-	(4,736)
Impact of foreign exchange	-	70	-	-	70
At December 31, 2019	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 15)	-	56	-	-	56
Impact of foreign exchange	-	(142)	-	-	(142)
At December 31, 2020	5,721	29,853	125	472	36,171
Accumulated depreciation and impairment					
At January 1, 2018	-	7,710	215	592	8,517
Depreciation	-	2,607	240	181	3,028
Dispositions	-	(28)	(41)	(68)	(137)
At December 31, 2018	-	10,289	414	705	11,408
Depreciation	-	3,733	77	165	3,975
Dispositions	-	(31)	(353)	(21)	(405)
Impairment (note 21)	5,721	3,875	-	-	9,596
Derecognition of fully depreciated assets	-	(4,736)	-	-	(4,736)
Impact of foreign exchange	-	14	-	-	14
At December 31, 2019	5,721	13,144	138	849	19,852
Depreciation	-	2,757	16	78	2,851
Dispositions	-	(415)	(236)	(543)	(1,194)
Impairment (note 21)	-	4,170	207	88	4,465
Impact of foreign exchange	-	(22)	-	-	(22)
At December 31, 2020	5,721	19,634	125	472	25,952
Carrying amount					
At January 1, 2018	3,063	14,330	199	283	17,875
At December 31, 2018	4,887	21,152	260	296	26,595
At December 31, 2019	-	15,819	206	166	16,191
At December 31, 2020	-	10,219	-	-	10,219

Cleantek Industries Inc.

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

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

For the year ended December 31, 2020, the Company had a \$201 gain (2019 – \$192 gain; 2018 - \$84 loss) from its disposition of property and equipment.

At December 31, 2018, the Company had \$4,887 of assets under construction and not available for use (December 31, 2020 and 2019 – \$nil).

7. INTANGIBLE ASSETS

<i>(Canadian \$000's)</i>	Patents	Halo development	ZeroE development	Customer relationships	Trade names	Total
Cost						
At January 1, 2018	585	-	-	-	-	585
Acquisitions (note 5)	1,253	-	-	1,252	459	2,964
Additions	159	-	28	-	-	187
Government grant – SRED credit	-	-	(486)	-	-	(486)
Transfers from property and equipment (note 6)	-	293	2,110	-	-	2,403
At December 31, 2018	1,997	293	1,652	1,252	459	5,653
Additions	33	-	70	-	-	103
At December 31, 2019	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
Accumulated amortization and impairment						
At January 1, 2018	83	-	-	-	-	83
Amortization	61	8	-	26	10	105
At December 31, 2018	144	8	-	26	10	188
Amortization	164	36	-	126	46	372
Impairment (note 21)	354	249	1,722	222	77	2,624
At December 31, 2019	662	293	1,722	374	133	3,184
Amortization	17	-	11	34	17	79
Impairment (note 21)	1,351	-	-	844	309	2,504
At December 31, 2020	2,030	293	1,733	1,252	459	5,767
Carrying amount						
At January 1, 2018	502	-	-	-	-	502
At December 31, 2018	1,853	285	1,652	1,226	449	5,465
At December 31, 2019	1,368	-	-	878	326	2,572
At December 31, 2020	-	-	499	-	-	499

Cleantek Industries Inc.
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8. RIGHT-OF-USE ASSETS

<i>(Canadian \$000's)</i>	Properties	Automotive	Total
Cost			
At January 1, 2018	923	1,432	2,355
Additions	233	795	1,028
Terminations	-	(533)	(533)
At December 31, 2018	1,156	1,694	2,850
Additions	-	235	235
Dispositions	(116)	(498)	(614)
At December 31, 2019	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
Accumulated depreciation and impairment			
At January 1, 2018	-	516	516
Depreciation	385	272	657
Dispositions	-	(335)	(335)
At December 31, 2018	385	453	838
Depreciation	435	317	752
Dispositions	(116)	(241)	(357)
At December 31, 2019	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
Carrying amount			
At January 1, 2018	923	916	1,839
At December 31, 2018	771	1,241	2,012
At December 31, 2019	336	902	1,238
At December 31, 2020	206	-	206

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

Cleantek Industries Inc.
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9. GOODWILL

<i>(Canadian \$000's)</i>	Total
At January 1, 2018	-
Acquisition of Apollo Energy (note 5)	3,245
At December 31, 2018	3,245
Impairment (note 21)	(3,245)
At December 31, 2020 and 2019	-

The aggregate carrying amount of goodwill allocated to each CGU is as follows:

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Rentals	-	-	3,245	-
Facility dehydration	-	-	-	-
Total goodwill	-	-	3,245	-

At December 31, 2019 and 2018, the Company performed goodwill impairment tests for its cash generating units which resulted in an impairment charge of goodwill of \$3,245 for the year ended December 31, 2019 (2018 - \$nil), see note 21.

10. LONG-TERM RECEIVABLES

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Long-term receivables				
Loans receivable – Related parties				
Loan to Cerberus Equity Group Ltd.	-	-	35	-
Loans to shareholders and former executives	540	525	510	-
	540	525	545	-
Current portion of long-term receivables				
Loan receivables	-	-	(35)	-
Non-current portion of long-term receivables				
Loan receivables	540	525	510	-

Loans receivable – Related parties

Loan to Cerberus Equity Group Ltd.

The amount due from Cerberus Equity Group Ltd. ("Cerberus"), a company controlled by a former officer and current shareholder, is non-interest bearing with no fixed terms of repayment and was settled in 2019.

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.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11.ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
<i>(Canadian \$000's)</i>				
Trade payables	2,906	2,719	1,828	1,852
Accrued liabilities				
Interest expense	1,411	974	344	243
Other	1,076	631	2,157	507
Taxes payable				
Payroll withholding	21	236	238	93
Indirect taxes	(10)	247	45	2
Income taxes	170	176	-	-
Other	504	595	335	1
	6,078	5,578	4,947	2,698

The Company's exposure to currency and liquidity risk related to accounts payable and accrued liabilities is disclosed in note 25.

12.DEBT AND CREDIT FACILITIES

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

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
<i>(Canadian \$000's)</i>				
Short-term debt				
Bank debt	-	-	377	409
Long-term debt				
Credit facilities	9,339	9,688	8,519	6,352
Loans payable	3,009	5,704	3,995	58
Promissory notes	300	300	300	300
	12,648	15,692	12,814	6,710
Current portion of long-term debt				
Credit facilities	(9,339)	(9,688)	(5,996)	(1,808)
Loans payable	(2,315)	(2,913)	(626)	(58)
Promissory notes	(300)	(300)	(300)	-
	(11,954)	(12,901)	(6,922)	(1,866)
Non-current portion of long-term debt				
Credit facilities	-	-	2,523	4,544
Loans payable	694	2,791	3,369	-
Promissory notes	-	-	-	300
	694	2,791	5,892	4,844

Bank debt

The Company had a revolving line of credit with a Canadian bank, authorized to a maximum of \$1,000 at the bank's prime rate plus 1%. The balance of the loan at December 31, 2018 was \$377 and \$409 at January 1, 2018, which was paid out in full and the facility closed in 2019.

Cleantek Industries Inc.

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Credit facilities

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
<i>(Canadian \$000's)</i>				
Credit facilities				
Roynat Capital Term Facility	2,996	2,914	4,590	6,397
Bank of Montreal Debt Facility	6,343	6,774	3,932	-
Deferred financing costs	-	-	(3)	(45)
	9,339	9,688	8,519	6,352
Current portion of credit facilities	(9,339)	(9,688)	(5,996)	(1,808)
Non-current portion of credit facilities	-	-	2,523	4,544

Roynat Capital Term Facility

The Company has a term facility with Roynat Capital ("Term Facility") repayable in monthly instalments of \$nil (2019 – \$201; and 2018 - \$201) plus interest over a five-year term. The lender has provided a principal repayment 'holiday' during the months of July, August and September annually. Interest is charged at the Canadian variable bankers' acceptance rate plus 7.5% per annum (2019 and 2018 – 5.0%). The variable component of the rate averaged 2.45% in 2020 (2019 – 2.53%; and 2018 – 2.25%) and the original maturity date was on July 15, 2020. The loan is 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 is subject to certain financial covenants in respect of working capital, debt servicing and maximum debt ratios.

The Company was in compliance with the financial covenants at December 31, 2018, but not with respect to its non-financial covenant with respect to filing annual consolidated financial statements for the year ended December 31, 2018 no later than 90 days following the fiscal period end.

The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2019. As a result of the non-compliance with its covenants, subsequent to the December 31, 2019 year end the Company received an event of default notice from the lender. Pursuant to an amendment letter dated January 16, 2020, the lender required a minimum capital injection of \$600, interest-only payments for the period from December 2019 to March 2020 and one monthly installment of \$2,914 on April 15, 2020. The payment of \$2,915 has been extended until January 15, 2022 and the Company has negotiated interest-only payments, at the beginning of each month, on the outstanding amount. The Company was not in compliance with its financial, non-financial and reporting covenants of the loan at December 31, 2020 due to missed principal payments in December 2020.

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. The forbearance agreement matured on March 31, 2021 and the Company was required to make interest-only payments until this time. The amounts owing under this agreement are subject to an increased rate of interest of the Canadian variable rate plus 7.5% per annum. As a result, the Company recognized an \$81 fair value loss on the debt modification in December 2020 included in finance costs, net in net loss.

In accordance with the 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 (note 30) and \$165 through a share subscription on March 1, 2021 (note 30).

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The lender did not waive previous and forecasted breaches of the 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 (note 30). As of the report date of these consolidated financial statements, the Term Facility principal balance remains outstanding.

Bank of Montreal Debt Facility

The Company has a demand revolving debt facility of \$7,000 with the Bank of Montreal ("Debt Facility") that allows the Company to make draws for the purpose of capital expenditures only. Each individual draw is amortized over a 48-month lending period, with an initial interest-only period of 6 months which draws down on the available credit on the Debt Facility. Upon settlement of an individual draw, the Company can redraw on that credit becoming available in accordance with the 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 financial covenants include a debt service covenant and debt to tangible net worth covenant calculated every quarter based on a twelve-month trailing amount. The Debt Facility is secured by the assets of the Company.

At December 31, 2018, the Company was in compliance with its financial and non-financial and reporting covenants.

At December 31, 2019, the Company was not in compliance with its financial and non-financial and reporting covenants. As a result of the non-compliance, the facility is currently in special loans with the lender, principal payments have been suspended, only interest payments are being made and, accordingly, the balance has been classified as current.

On December 14, 2020, the Company signed a forbearance agreement with its Debt Facility lender with an outstanding principal amount owing at December 31, 2020 of \$6,343 (December 31, 2019 - \$6,774; and December 31, 2018 - \$3,932). Under the terms of the forbearance agreement, the Company's monthly blended payments are reduced to \$50 per month with the remaining balance due on April 15, 2021. The amounts owing under this agreement are subject to an increased rate of interest beginning on December 1, 2020 to the lenders prime rate plus 3% per annum. In accordance with the covenants of this agreement, the Company was required to provide its audited "ASPE" financial statements for fiscal 2019 by December 15, 2020. The Company did not meet this covenant. The lender did not waive previous and forecasted breaches of the Debt Facility and forbearance agreements. As a result of the non-compliance with its financial and reporting covenants, the Company's debt facilities have been classified as current.

In April 2021 and August 2021, the Company agreed further amendments and extensions to its forbearance agreement until October 31, 2021 (note 30). As of the report date of these consolidated financial statements, the Debt Facility remains outstanding.

Cleantek Industries Inc.

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Loans payable

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
<i>(Canadian \$000's)</i>				
Loans payable				
Loans payable - Related parties	325	3,679	3,904	58
Term loan payable - OKR Financial	1,460	1,460	-	-
Term Credit	500	500	-	-
Term loan payable – Customer rental unit	687	-	-	-
Term loan payable – Other	37	65	91	-
	3,009	5,704	3,995	58
Current portion of loans payable	(2,315)	(2,913)	(626)	(58)
Non-current portion of loans payable	694	2,791	3,369	-

Loans payable - Related parties

In 2018, as part of the Apollo Energy acquisition, the Company assumed all of Apollo Energy's liabilities, including a term loan of \$4,054 owing to one of the former owners of Apollo Energy and a Cleantek shareholder following the acquisition. This unsecured term loan was repayable at \$50 per month and bore interest at a rate of 7% per annum. At December 31, 2020, \$nil of this term loan remains outstanding (December 31, 2019 – \$3,354; and December 31, 2018 - \$3,904). On December 31, 2020, pursuant to an agreement with the holder of this term loan, the Company converted the \$3,609 outstanding principal and accrued interest balance into Cleantek Class A common shares at \$0.10 per common share. Accordingly, the Company issued 36,087,300 Class A common shares to settle the \$3,354 outstanding principal and \$255 accrued interest in full.

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

At January 1, 2018, \$50 was due to Cerberus Equity Group Ltd. ("Cerberus"), a company controlled by a previous officer of the Company and shareholder who had significant influence. The short term loan was non-interest bearing with no fixed terms of repayment and was settled in 2018.

At January 1, 2018, \$8 was due to a director and shareholder of the Company. The payable was non-interest bearing with no fixed terms of repayment and was settled in 2018.

Term loan - OKR Financial

On June 28, 2019, the Company executed a term loan agreement with a lender ("OKR Financial") to provide short term financing against Cleantek's fiscal 2017 and 2018 estimated Scientific Research and Experimental Development (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 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 loan to prepay all or any portion of the 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 rank 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.

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In June 2020, the Company reached an agreement with the lender to extend the maturity of the \$1,000 loan to April 30, 2021, and in August 2020, an agreement was reached to also extend the maturity of the remaining \$460 loan to April 30, 2021. The interest rate payable for the two loans remains the same and is calculated at 2.15% per month.

At December 31, 2020, the \$1,460 term loan is outstanding (December 31, 2019 - \$1,460).

In August 2021, the Company executed an amendment and extension to the OKR Financial term loan payable, extending the maturity date to November 15, 2021 and revising the interest rate and form of repayment (note 30). As of the report date of these consolidated financial statement, this term loan remains outstanding and overdue.

Term Credit

On October 22, 2019, the Company executed a term credit agreement with a lender to provide short term financing ("Term Credit"). The term credit is secured by a first position security interest over all accounts receivables of Cleantek. The Term Credit accrues interest at 12% per annum, which shall be increased by 2% per annum if a default has occurred. This instrument is due for repayment on or before April 30, 2020. The credit agreement provides the option to convert all or a portion of the outstanding balance into Class A common shares of the Company at the rate of \$5.50 per share.

At December 31, 2020, the \$500 Term Credit is outstanding and overdue (December 31, 2019 - \$500).

At the report date of these consolidated financial statements, the Term Credit remains outstanding and its settlement is being negotiated. No assurance can be obtained that the plan will occur and on terms favorable to the Company.

Term loan – Customer rental unit

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. In November 2020, this 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 was advanced by the customer to Cleantek pursuant to the arrangement and upon full installation and commissioning of this unit.

Under the terms of this agreement, the 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 loan and accrued interest payable until such time as the 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 this arrangement, the rental unit as well as the Company's ZeroE™ technology is subject to a lien.

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

During the year ended December 31, 2020, \$19 of rental income was invoiced to the customer and recognized as dehydration facility revenue in net loss, \$3 interest expense was recognized on the outstanding loan and included in finances costs, net in net loss and \$16 of the rental income invoiced to the customer was applied to the outstanding loan, including \$13 to the principal balance.

At December 31, 2020, \$687 is payable on the rental unit loan.

Cleantek Industries Inc.

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Term loan – Factoring facility

In March 2019, the Company obtained additional financing through a factoring facility with Bibby Financial Services (Canada) Inc. with a maximum of \$ 1,750. The funds are advanced at 80% of net eligible accounts receivable, which is defined as accounts receivable with aging of less than 90 days, with recourse back to the Company at 120 days. Pricing will be based on a discount rate of 0.35% for the first 30 days that each receivable is not paid in full; and an additional 0.35% for each 30 days thereafter, that each receivable is not paid in full. The agreement has a term of 12 months with a 6-month bank buyout clause. The funds were used to retire the revolving line of credit with the Bank of Nova Scotia (see Bank debt above). This agreement was terminated effective June 7, 2019. In July 2019, the \$392 balance outstanding and \$33 termination fee plus legal costs and interest were repaid in full.

Promissory notes

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
<i>(Canadian \$000's)</i>				
Promissory note				
Promissory note – Minority shareholder	300	300	300	300
Current portion of promissory note	(300)	(300)	(300)	-
Non-current portion of promissory note	-	-	-	300

Promissory note – Minority shareholder

On November 1, 2017, a \$300 promissory note was executed between the Company and a minority shareholder ("New 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 New Note matures on November 1, 2019 and bears interest at 8.5% per annum. All terms of the New Note remain the same, except for interest owing, which was pre-paid upon execution rather than monthly throughout the term of the note.

At December 31, 2020, the \$300 promissory note remains overdue and outstanding (December 31, 2019 and 2018 - \$300). Interest expense of \$27 is included in net loss for the year ended December 31, 2020 (2019 – \$26).

As of the report date of these consolidated financial statements, the promissory note remains outstanding and is being renegotiated with the lender (note 2). No assurance can be obtained that this plan will occur and on terms favorable to the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13.CONVERTIBLE NOTES

Cleantek's convertible notes are comprised of the following:

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Convertible notes – Liability portion				
Convertible debentures	647	9,770	6,499	-
Convertible promissory notes	-	1,309	1,260	1,625
Total convertible notes – Liability portion	647	11,079	7,759	1,625
Current portion of convertible notes				
Convertible debentures	(647)	-	-	-
Convertible promissory notes	-	(1,309)	(630)	-
	(647)	(1,309)	(630)	-
Non-current portion of convertible notes				
Convertible debentures	-	9,770	6,499	-
Convertible promissory notes	-	-	630	1,625
	-	9,770	7,129	1,625
Convertible notes – Equity portion				
Convertible debentures	-	448	316	-
Convertible promissory notes	-	72	72	110
	-	520	388	110

Convertible debentures

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Liability portion				
<i>Derivative convertible debentures</i>				
May 2018 notes, due 2025	-	6,060	4,662	-
<i>Non-derivative convertible debentures</i>				
November 2018 notes, due 2025	-	1,714	1,538	-
Other 2018 and 2019 notes, due 2021 to 2022	-	1,996	299	-
January 2020 notes, due on demand	647	-	-	-
	647	9,770	6,499	-
Equity portion				
November 2018 notes, due 2025	-	285	285	-
Other 2018 and 2019 notes, due 2021 to 2020	-	163	31	-
	-	448	316	-

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May 2018 notes, due 2025 – 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 notes, due 2025				
At January 1, 2018	-	-	-	-
Issuance of May 2018 notes, due 2025	727,727	4,000	-	4,000
Loss on fair value adjustment of liability	-	662	-	662
At December 31, 2018	727,727	4,662	-	4,662
Loss on fair value adjustment of liability	-	1,398	-	1,398
At December 31, 2019	727,727	6,060	-	6,060
Loss on fair value adjustment of liability	-	1,745	-	1,745
Conversion of notes to common 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 debentures were convertible at \$5.50 per Class A common share, subject to adjustment in certain circumstances. The conversion price may be adjusted so that the amount of Class A common 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. The Company entered into an agreement with the debenture holder which specified certain protocols regarding the election of directors, the voting of shares and other governance related matters.

In December 2020, pursuant to an agreement with the holder of these convertible debentures, the Company converted the \$8,449 outstanding principal and accrued interest balances on these notes into Cleantek Class A common shares at \$0.10 per common share. Accordingly, the Company issued 84,493,040 Class A common shares to settle the \$7,805 convertible debenture note liability and \$644 accrued cash interest up to the date of conversion in full.

November 2018 notes, due 2025 – 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 notes, due 2025				
At January 1, 2018	-	-	-	-
Issuance of November 2018 notes, due 2025	363,636	1,589	411	2,000
Transaction costs	-	(79)	(21)	(100)
Deferred tax liability	-	-	(105)	(105)
In-kind interest	-	24	-	24
Amortization of transaction costs	-	1	-	1
Accretion of discount	-	3	-	3
At December 31, 2018	363,636	1,538	285	1,823
In-kind interest	-	140	-	140
Amortization of transaction costs	-	12	-	12
Accretion of discount	-	24	-	24
At December 31, 2019	363,636	1,714	285	1,999
In-kind interest	-	155	-	140
Amortization of transaction costs	-	66	-	66
Accretion of discount	-	29	-	29
Conversion of notes to common shares	(363,636)	(1,964)	(285)	(2,249)
At December 31, 2020	-	-	-	-

On November 2, 2018, the Company issued additional unsecured subordinated convertible debentures for gross proceeds of \$2,000 to an investor, maturing in 2025. The net aggregate proceeds were \$1,900, after

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brokerage fees of \$100. The broker used a portion of these fees to purchase \$55 of convertible promissory notes. The debentures were convertible at \$5.50 per Class A common voting 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 these convertible debentures revising the terms of conversion inducing earlier conversion, the Company converted these notes and accrued interest up to the date of conversion into 23,185,182 Cleantek Class A common shares at \$0.10 per common share.

As a result, a loss of \$1,964 from the early conversion 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 convertible debenture liability portion, the \$285 transfer from the equity portion and the \$1,964 loss recorded from the early conversion.

Other 2018 and 2019 notes, due 2021 to 2022 – Converted in December 2020

(Canadian \$000's, except number of notes)

	Number of notes	Liability component	Equity component	Total note
Non-derivative convertible debentures – Other 2018 and 2019 notes, due 2021 to 2022				
At January 1, 2018	-	-	-	-
Issuance of other 2018 notes	45,000	392	58	450
Transaction costs	-	(103)	(15)	(118)
Deferred tax liability	-	-	(12)	(12)
Amortization of transaction costs	-	8	-	8
Accretion of discount	-	2	-	2
At December 31, 2018	45,000	299	31	330
Issuance of other 2019 notes	180,892	1,634	175	1,809
Transaction costs	-	(34)	(4)	(38)
Deferred tax liability	-	-	(39)	(39)
Amortization of transaction costs	-	44	-	44
Accretion of discount	-	53	-	53
At December 31, 2019	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 notes to common 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 debentures were convertible at \$10 per Class A common voting share and interest at 20% per annum. Interest was payable in cash on outstanding convertible debentures amounting to \$1,200, in Class A common voting shares on outstanding convertible debentures amounting to \$430 and 50% in cash and 50% in Class A common shares on outstanding convertible debentures amounting to \$629.

In December 2020, pursuant to the debenture agreement as well as a modification, amendment, compromise or arrangement of rights agreement with the debenture holder majority, holders of these convertible debentures holding not less than 50% of these notes, agreed to amend the terms of conversion inducing earlier conversion of these notes 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 common share. Following this agreement, the Company exercised its right to early convert these convertible debentures and accrued interest up to the date of conversion into 27,355,182 Cleantek Class A common shares.

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As a result, the Company recognized a \$2,236 loss on the inducement to convert these notes. Accordingly, the Company issued 27,355,182 Class A common shares to settle the \$4,403 convertible debenture notes liability component and \$477 accrued interest in full.

As a result, a loss of \$2,236 from the early conversion was recorded and included in finance costs in net loss.

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 convertible debenture liability portion, the \$163 transfer from the equity portion and the \$2,236 loss recorded from the early conversion.

January 2020 notes, 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 notes, due on demand				
At December 31, 2019 and 2018 and January 1, 2018	-	-	-	-
Issuance of January 2020 notes	109,091	600	-	600
Accrued interest	-	47	-	47
At December 31, 2020	109,091	647	-	647

In January 2020, the Company obtained financing through secured subordinated convertible debentures, for total proceeds of \$600. These convertible debentures have an annual interest rate of 20% per annum, payable as 8% in Cleantek Class A common shares and 12% in cash. The debentures are convertible into common shares at \$5.50 per common share and are due on demand.

Convertible promissory notes

(Canadian \$000's)	December 31 2020	December 31 2019	December 31 2018	January 1 2018

Liability portion

Non-derivative convertible promissory notes

Promissory notes convertible at \$5.50	-	1,309	1,260	1,625

Equity portion

Promissory notes convertible at \$5.50	-	72	72	110

Promissory notes convertible at \$5.50

(Canadian \$000's, except number of notes)	Number of notes	Liability component	Equity component	Total note
Non-derivative promissory notes convertible at \$5.50				
At January 1, 2018	320,000	1,625	110	1,735
Accretion of discount	-	53	-	53
Conversion of notes to common shares	(80,000)	(440)	(38)	(478)
Loss on conversion of notes	-	22	-	22
At December 31, 2018	240,000	1,260	72	1,332
Accretion of discount	-	49	-	49
At December 31, 2019	240,000	1,309	72	1,381
Unpaid interest added to debenture balance	-	147	-	-
Accretion of discount	-	11	-	11
Conversion of notes to common shares	(240,000)	(1,467)	(72)	(1,539)
At December 31, 2020	-	-	-	-

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Promissory note holders could convert the principal sum into Class A common shares at a conversion price of \$5.50 per share. The convertible promissory notes, maturing between December 2019 and June 2020, bore interest at 10% to 20% per annum, payable in cash or common shares in kind. The convertible promissory notes were subordinated to the credit facilities (see note 12) and were not secured.

In September 2018, pursuant to an agreement with a holder of convertible promissory notes with a principal balance of \$440, the Company converted the principal and accrued interest balances on these notes into Cleantek Class A common shares at \$5.50 per common share. Accordingly, the Company issued 80,000 Class A common shares to settle the \$440 principal balance and 9,206 common shares to settle the \$51 accrued interest in full.

In December 2020, pursuant to agreements with the holders of the remaining convertible promissory notes revising the terms of conversion inducing earlier conversion, the Company converted these notes and accrued interest up to the date of conversion into 14,671,135 Class A common shares at \$0.10 per common share.

As a result, a loss of \$1,296 from the early conversion was recorded and included in finance costs in net loss.

The combined impact to share capital from the early conversion is \$2,835 which is the sum of the \$1,467 carrying amount of the convertible debenture liability portion, the \$72 transfer from the equity portion and the \$1,296 loss recorded from the early conversion.

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14. LEASE LIABILITIES

<i>(Canadian \$000's)</i>	2020	2019	2018
At January 1	1,362	2,261	1,978
Acquisition (note 5)	-	-	111
Additions	404	213	1,081
Terminations	(64)	(244)	(44)
Interest on lease liabilities	87	127	142
Lease payments	(1,014)	(995)	(1,007)
At December 31	775	1,362	2,261
Current portion of lease liabilities	(299)	(445)	(569)
Non-current portion of lease liabilities	476	917	1,692

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 properties, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an incremental borrowing rate relative appropriate for the location, type of property and length of term.

For leased automotive assets, these contracts mature in 2021 to 2024, interest rates vary between 3.90% to 12.5% 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:

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018
Less than 1 year	330	786	979
2 to 3 years	533	602	1,188
4 to 5 years	32	80	168
More than 5 years	-	-	11
Total lease payments	895	1,468	2,346
Amounts representing interest over the term of the lease	(120)	(106)	(85)
Present value of lease liabilities	775	1,362	2,261

15. PROVISIONS

<i>(Canadian \$000's)</i>	Decommissioning and restoration	Total
At December 31, 2019, 2018 and January 1, 2018	-	-
Liabilities incurred	56	56
At December 31, 2020	56	56

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

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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, 2020, Cleantek estimates the net present value of the decommissioning and restoration provision to be \$56 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.

16.SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

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

b) Issued share capital

(Canadian \$000's, except number of shares)	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Common shares – Class "A" voting						
At beginning of year ⁽¹⁾	11,196,356	25,573	10,975,620	24,682	9,061,818	14,434
Share issuances – cash	-	-	-	-	646,755	3,558
Share issuances – in kind	3,713	37	9,940	99	11,565	70
Shares issued on acquisition of Apollo Energy (note 5) ⁽¹⁾	-	-	-	-	1,078,409	5,931
Shares issued on exercise of stock options (note 18)	-	-	111,364	245	73,636	143
Shares issued on redemption of restricted share units (note 18)	-	-	23,500	129	-	-
Shares issued as part of directors' compensation (note 18)	151	1	15,040	83	14,231	78
Shares held in escrow and released pursuant to acquisition employment services agreements (notes 5 and 18)	265,244	1,459	60,892	335	-	-
Share conversions	190,688,173	24,638	-	-	89,206	491
Share issue costs, net of tax	-	-	-	-	-	(61)
At end of year ⁽¹⁾	202,153,637	51,708	11,196,356	25,573	10,975,620	24,682

(1) Excludes Cleantek common shares issued on acquisition of Apollo Energy on October 18, 2018 and held in escrow subject to executive employment agreements (see notes 5 and 18). These Cleantek common shares issued and held in escrow are only reflected as outstanding common shares of the Company upon release from escrow. At December 31, 2020, nil Cleantek common shares issued on Apollo Energy acquisition remain held in escrow (December 31, 2019 – 265,244 escrowed common shares; and December 31, 2018 – 326,136 escrowed common shares).

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Share issuances

Cash issuances

In 2018, the Company completed various private placements of 646,755 common shares at \$5.50 per common share for gross proceeds of \$3,558.

Issuances in kind

In 2020, the Company issued 3,713 Cleantek common shares in exchange for settling \$37 interest expense owing by the Company related to loans payable.

In 2019, the Company issued 9,940 Cleantek common shares in exchange for settling \$99 interest expense owing by the Company related to loans payable.

In 2018, the Company issued 11,565 common shares in kind consisting of 10,000 common shares in exchange for settling \$55 in financing fees and 1,565 common shares issued in exchange for settling \$15 interest expense owing by the Company related to loans payable.

Share conversions and Transfer from equity portion of convertible notes

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 common shares at \$0.10 per common share to convert the following with a combined impact of \$24,638 on share capital:

- Conversion of related party loans payable (note 12): 36,087,300 Class A common 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 common shares to settle the \$7,805 convertible debenture note liability and \$644 accrued cash interest in full;
- Early conversion of November 2018 convertible debentures (note 13): 23,185,082 Class A common shares issued to convert these notes and accrued interest up to the date of conversion. 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 convertible debenture liability portion, the \$285 transfer from the equity portion and the \$1,964 loss recorded from the early conversion;
- Early conversion of other 2018 and 2019 convertible debentures (note 13): 27,355,182 Class A common shares issued to convert these notes and accrued interest up to the date of conversion. 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 convertible debenture liability portion, the \$163 transfer from the equity portion and the \$2,236 loss recorded from the early conversion;;
- Early conversion of convertible promissory notes (note 13): 14,671,135 Class A common shares issued to settle these notes and accrued interest up to the date of conversion. The combined impact to share capital from the early conversion is \$2,835 which is the sum of the \$1,467 carrying amount of the convertible debenture liability portion, the \$72 transfer from the equity portion and the \$1,296 loss recorded from the early conversion; and
- Conversion of accounts payable: 4,896,434 Class A common shares to settle \$490 accounts payable.

In September 2018, the Company issued 80,000 common shares pursuant to a conversion of convertible promissory note debt with a principal balance of \$440 (note 13) and transferred \$38 from the equity component of these convertible notes to share capital. In addition, the Company issued 9,206 common shares in kind settling \$51 outstanding interest expense related to these converted promissory notes.

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17. 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 (see notes 2 and 30).

The capital structure of Cleantek consists of the following:

	December 31 2020	December 31 2019	December 31 2018	January 1 2018
(Canadian \$000's)				
Current assets	(2,173)	(3,347)	(4,147)	(1,757)
Current liabilities	18,978	20,233	13,445	5,406
Working capital deficit or net current liabilities	16,805	16,886	9,298	3,649
Long-term debt – non-current	694	2,791	5,892	4,844
Convertible notes – non-current	-	9,770	7,129	1,625
Lease liabilities – non-current	476	917	1,692	1,545
Shareholders' equity (deficit)	(7,278)	(10,247)	13,049	8,553
	10,697	20,117	37,060	20,216

18. 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.

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.

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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 (see note 5), 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.

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 shares of the Company upon release from escrow.

b) Stock options

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

<i>(Canadian \$, except number of stock options)</i>	Number of stock options	2020 Weighted average exercise price	Number of stock options	2019 Weighted average exercise price	Number of stock options	2018 Weighted average exercise price
Stock options						
Outstanding at beginning of year	630,000	5.50	615,000	5.50	435,000	3.27
Granted	100,000	5.50	420,000	5.50	480,000	5.50
Exercised	-	-	-	-	(265,000) ⁽¹⁾	1.66
Forfeited	(25,000)	5.50	(405,000)	5.50	(35,000)	1.66
Outstanding at end of year	705,000	5.50	630,000	5.50	615,000	5.50
Weighted average remaining life		3.3 years		4.1 years		3.9 years
Exercisable at end of year	296,668	5.50	136,667	5.50	94,668	5.50

(1) Includes 175,000 stock options exercised on a cashless basis in 2018 for 111,364 common shares which were only issued in early 2019.

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		
	2020	2019	2018
Share price on grant date	\$0.65	\$5.50	\$5.50
Exercise price	\$5.50	\$5.50	\$5.50
Expected life (years)	5	5	5
Expected volatility	51%	48%	51%
Risk-free interest rate	1.60%	1.64%	1.93 to 2.42%
Expected forfeiture rate	-	-	-
Expected dividend yield	-	-	-
Weighted average fair value per stock option	\$0.30	\$2.38	\$2.52 to \$2.56

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.

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For the year ended December 31, 2018, holders of 265,000 vested stock options elected to exercise their stock options on a cashless basis for 185,000 common shares of the Company and Cleantek issued 73,636 common shares in respect of 90,000 stock options exercised on this basis. The remaining 111,364 common shares in respect of 175,000 stock options were only issued in early 2019.

For the year ended December 31, 2020, \$94 (2019 - \$131; and 2018 - \$516) of share-based payment expense related to stock options was recognized in net loss.

c) Restricted share units

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

(Number of RSUs)	2020	2019	2018
RSUs			
Outstanding at beginning of year	-	23,500	7,200
Granted	-	-	23,500
Forfeited	-	-	(7,200)
Redeemed	-	(23,500)	-
Outstanding at end of year	-	-	23,500

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

	Year ended December 31		
	2020	2019	2018
Share price on grant date	-	-	\$5.50
Expected life (years)	-	-	1.5
Expected forfeiture rate	-	-	-
Weighted average fair value per RSU	-	-	\$5.50

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture.

For the year ended December 31, 2020, \$nil (2019 - \$80; 2018 - \$49) of share-based payment expense related to RSUs was recognized in net loss.

d) Common shares issued in exchange for services rendered

In 2020, the Company issued 151 Cleantek common shares with a fair value of \$5.50 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 15,040 Cleantek common shares with a fair value of \$5.50 per common share to members of the Board of Directors as compensation for services rendered in their capacity as directors of Cleantek.

In 2018, the Company issued 14,231 Cleantek common shares with a fair value of \$5.50 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, 2020, \$1 (2019 - \$83; and 2018 - \$78) of share-based payment expense related to shares issued as part of directors' compensation was recognized in net loss.

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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 (see notes 5 and 16):

<i>(Number of escrowed shares)</i>	2020	2019	2018
Escrowed common shares			
Outstanding at beginning of year	265,244	326,136	-
Granted	-	173,906	326,136
Forfeited	-	(173,906)	-
Released from escrow	(265,244)	(60,892)	-
Outstanding at end of year	-	265,244	326,136

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.

	2020	Year ended December 31 2019	2018
Share price on grant date	-	\$5.50	\$5.50
Expected life (years)	-	4	3.0
Expected forfeiture rate	-	-	-
Weighted average fair value per escrowed common share	-	\$5.50	\$5.50

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture.

In March 2019, one of the vendors and an executive of Cleantek resigned from the Company and forfeited 173,906 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 91,338 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, 2020, \$1,133 (2019 - \$412; 2018 - \$249) 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:

<i>(Canadian \$000's)</i>	2020	Year ended December 31 2019	2018
Stock options	94	131	516
RSUs	-	80	49
Common shares issued as part of directors' compensation	1	83	78
Escrowed common shares at acquisition in exchange for employment services	1,133	412	249
Total share-based compensation expense	1,228	706	892

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19. REVENUE

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
Rentals	7,588	12,327	7,609
Facility dehydration (note 12)	19	-	-
Total revenue	7,607	12,327	7,609
Consisting of:			
Canadian operations	4,179	6,440	6,728
U.S. operations	3,428	5,887	881

20. 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		
	2020	2019	2018
Direct operating expenses			
Salaries and wages	1,930	2,759	1,588
Salaries and wages – CEWS ⁽¹⁾	(221)	-	-
Repairs and maintenance	698	757	637
Transportation and mobilization	726	818	471
Other direct costs	1,109	769	796
Total direct operating expenses	4,242	5,103	3,492

(1) Canadian Emergency Wage Subsidy

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
General and administrative expenses			
Salaries and wages	2,462	3,298	2,315
Salaries and wages – CEWS ⁽¹⁾	(520)	-	-
Professional fees	1,251	1,019	855
Other general and administrative costs	1,121	1,678	666
Other general and administrative costs – CERS ⁽²⁾	(23)	-	-
Total general and administrative expenses	4,291	5,995	3,836

(1) Canadian Emergency Wage Subsidy

(2) Canadian Emergency Rent Subsidy

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21. IMPAIRMENT EXPENSE

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
Impairment of non-financial assets			
Impairment of property and equipment (note 6)	4,465	9,596 ⁽¹⁾	-
Impairment of intangible assets (note 7)	2,504	2,624 ⁽²⁾	-
Impairment of right-of-use assets (note 8)	1,063	-	-
Impairment of goodwill (note 9)	-	3,245	-
Total impairment of non-financial assets	8,032	15,465	-
Impairment of financial assets			
Impairment of accounts receivable (note 25)	214	-	-
Total impairment of financial assets	214	-	-
Total impairment expense	8,246	15,465	-

(1) Includes \$7,588 of impairment expense of property and equipment recognized for specific circumstances in 2019 and \$2,008 of impairment expense due to impairment test at December 31, 2019.

(2) Includes \$1,971 of impairment expense of intangible assets recognized for specific circumstances in 2019 and \$653 of impairment expense due to impairment test at December 31, 2019.

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.

Goodwill is tested for impairment at least annually or as events occur that could result in impairment.

For the purposes of impairment testing, property and equipment, intangible assets, ROU assets and goodwill are allocated to the Company's CGUs being Rentals and Facility dehydration at December 31, 2020 and Rentals CGU only at March 31, 2020, December 31, 2019 and 2018.

Impairment for specific circumstances

2019

During the year-ended December 31, 2019, the Company recognized impairment on specific items of property and equipment and intangible assets that became obsolete and was scrapped:

- \$7,588 impairment expense of property and equipment includes \$5,721 for assets under construction related to ZeroE dehydration and Halo lighting systems, with no expectation of generating future cash flows due to changes in the technology, concept used to construct and design of these developments, and \$1,867 for rental assets that were deemed end-of-life with no expectation of generating future cash flows due to changes in the technology; and
- \$1,971 impairment expense of intangible assets includes \$249 and \$1,722 of specific impairments related to the Company's Halo development and older versions of ZeroE development, respectively, with no expectation of generating future cash flows due to changes in the technology, concept used to construct and design of these developments.

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Impairment at the end of each reporting period and annual goodwill impairment tests

Indications of impairment at December 31, 2020, March 31, 2020 and December 31, 2019 and 2018

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 impact of COVID-19, the global economic slowdown and the global oversupply of crude oil and resulting decline in commodity prices factoring into significant uncertainty for Cleantek's oil and gas customers as indicators of impairment. Accordingly, the Company performed an impairment test on its non-financial assets within its Rentals CGU at March 31, 2020.

At December 31, 2019, the Company identified the impairment recognized on specific items of property and equipment and intangible assets that became obsolete and was scrapped in 2019 as well as the impact of market uncertainty on Cleantek's current and future financial results as indicators of impairment. Accordingly, the Company performed an impairment test on the remaining non-financial assets within its Rentals CGU at December 31, 2019.

At December 31, 2018, there were no indicators 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.

Impairment tests including annual goodwill test

In performing its impairment tests, the Company used a value in use method, based on a discounted cash flow model. Projected cash flows cover a multi-year period and are based on future expected outcomes taking into account existing contracts, past experience and management's expectation of future market conditions and a post-tax discount rate based on the Company's weighted average cost of capital, adjusted for any specific risks (March 31, 2020 – 24.08%; December 31, 2019 – 24.08%). The primary source of cash flow information was the Company's budgets, forecasts and strategic plan developed based on management's best estimates including asset utilization, industry demand, pricing for available rental equipment, costs to maintain and service equipment and terminal multiples.

March 31, 2020

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.

December 31, 2019

At December 31, 2019, the Company completed impairment tests for the Rentals CGU and recognized \$5,906 total impairment expense of non-financial assets:

- \$2,008 impairment expense of property and equipment;
- \$653 impairment expense of intangible assets; and

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- \$3,245 impairment of Goodwill acquired as part of the Apollo Energy acquisition in 2018 and relating to the Company's Rentals CGU was impaired in full as the recoverable amount for this CGU was lower than its carrying amount.

The estimated recoverable amount of \$18,000 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 \$619 decrease of impairment; and
- Discount rate increase of 1% will result in a \$417 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, 2020, the Company recognized a \$214 impairment of its accounts receivables (2019 - \$nil; and 2018 - \$nil).

22.FINANCE COSTS, NET

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
Interest expense on long-term debt	1,124	832	1,111
Interest expense and financing costs of convertible notes ⁽¹⁾	1,978	1,672	252
Interest on lease liabilities	77	117	67
Debt renewal and other lending fees	49	139	74
Loss on fair value adjustment on debt modification (note 12)	81	-	-
Loss on fair value adjustment of derivative convertible note liabilities (note 13)	1,745	1,398	662
Loss on inducement to convert convertible notes (note 13)	5,496	-	-
Loss on conversion of convertible notes (note 13)	-	-	22
Accretion of decommissioning and restoration provision (note 15)	-	-	-
Interest income	(15)	(15)	(21)
Total finance costs, net	10,535	4,143	2,167

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

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23. 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:

<i>(Canadian \$000's, except as indicated)</i>	Year ended December 31		
	2020	2019	2018
Loss before income taxes	(22,065)	(24,515)	(6,889)
Federal and provincial statutory tax rates	23.00%	26.50%	27.00%
Expected income tax expense (recovery)	(5,075)	(6,496)	(1,860)
Adjusted for:			
Non-deductible expenses	(1,810)	645	(988)
Impact of foreign tax rates	(50)	(503)	(10)
Tax assets not recognized	7,246	6,134	2,788
Current income tax expense	311	(221)	(70)

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

In 2019, the Government of Alberta tabled legislation to decrease the general corporate rate to 11% (from 12%) on July 1, 2019, with further 1% rate reductions every year on January 1 until the general corporate tax rate is 8% on January 1, 2022. In 2020, the Government of Alberta accelerated the reductions to corporate income tax rates which were announced in 2019. The tax rate was decreased to 8% effective July 1, 2020. The impact of this rate reduction is nominal and has been reflected in the current year tax expense.

In 2020, operations in the United States are subject to a combined federal and state income tax rate of 21% (2019 - 21%; and 2018 - 21%).

Deferred tax balances and tax losses carried forward

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

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Deferred tax assets				
Non-capital loss carry-forward	8,023	6,858	4,990	3,406
SRED and Investment tax credits carry-forward	1,058	1,100	28	28
Finance fee pool carry-forward	107	60	188	17
Total deferred tax assets	9,188	8,018	5,206	3,451
Deferred tax liabilities				
Property and equipment	(2,362)	(2,029)	(3,004)	(2,005)
Capital lease obligations	(135)	(108)	(64)	(55)
Convertible debentures	(156)	(156)	(117)	-
Total deferred tax liabilities	(2,652)	(2,293)	(3,185)	(2,060)
Valuation allowance	(7,246)	(6,134)	(2,788)	(1,391)
Net deferred tax assets (liabilities)	(711)	(409)	(767)	-

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The deferred tax assets (liabilities) movements during the years ended December 31, 2020, 2019 and 2018 are as follows:

<i>(Canadian \$000's)</i>	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, 2018	(2,005)	(55)	17	28	3,406	-	(1,391)	-
Recognized in equity	-	-	-	-	-	(117)	-	(117)
Recognized in net loss	(85)	(9)	169	-	1,439	-	(1,397)	117
Recognized on Apollo Energy acquisition (note 5)	(915)	-	3	-	145	-	-	(767)
At December 31, 2018	(3,005)	(64)	189	28	4,990	(117)	(2,788)	(767)
Recognized in equity	-	-	-	-	-	(39)	-	(39)
Recognized in net loss	975	(44)	(128)	1,072	1,868	-	(3,346)	397
At December 31, 2019	(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)

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 against available future taxable income. Accordingly, the Company has not recognized deferred tax assets for the following items:

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
SRED and Investment tax credits carry-forward	1,058	1,100	28	28
Non-capital losses carry-forward	5,526	4,565	1,805	1,346
Finance fee pool carry-forward	107	60	188	17
Unrecognized asset	(7,402)	(6,134)	(2,788)	(1,391)
Total	(711)	(409)	(767)	-

24. LOSS PER SHARE AMOUNTS

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

<i>(Canadian \$000's, except common shares in number and loss per share in \$)</i>	Year ended December 31		
	2020	2019	2018
Net loss attributable to shareholders	(22,376)	(24,294)	(6,819)
Weighted average common shares outstanding – basic and diluted	17,571,284	11,121,603	9,867,624
Loss per share – basic and diluted	\$(1.27)	\$(2.18)	\$(0.69)

For the years ended December 31, 2020, 2019 and 2018, the Company excluded the effect of stock options, restricted share units and other convertible instruments or releasable instruments from escrow as the Company had a net loss during these periods and their effect would have been anti-dilutive.

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25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cleantek's financial assets consist of cash and cash equivalents, accounts receivable (note 4) and long-term receivables (note 10).

Cleantek's financial liabilities consist of bank debt (note 12), accounts payable and accrued liabilities (note 11), long-term debt (note 12) and convertible notes (note 13).

Non-derivative financial instruments

The fair values of cash and cash equivalents, accounts receivable, bank debt 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, 2020, the carrying value and fair value of fixed-term financial liabilities accounted for under amortized cost was \$12,648 (December 31, 2019 - \$15,692; and December 31, 2018 - \$12,814). The increase in carrying value and fair value of debt is mainly due to issuance of new debt 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, 2020, the Company is exposed to interest rate risk with respect to its Roynat Capital Term Facility (note 12) and Bank of Montreal Debt Facility (note 12). For the year ended December 31, 2020, a 1% change to the interest rate would have resulted in a \$95 impact on net income (loss) (2019 - \$91; and 2018 - \$74).

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.

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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, 2020, 2019 and 2018, 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 2020	December 31 2019	December 31 2018
Impact to net loss	2	9	15
Impact to other comprehensive loss	27	32	2

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, 2020, the 5 largest customers accounted for 40% of the Company's accounts receivable (December 31, 2019 – 33%; and December 31, 2019 - 29%) and the 5 largest customers accounted for 29% of its revenue for the year ended December 31, 2020 (2019 - 28%; and 2018 - 42%).

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.

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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:

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Current (0 to 30 days from invoice date)	1,322	2,328	2,361	965
31 to 60 days past due	32	232	786	460
61 to 90 days past due	12	98	257	90
Over 90 days past due	73	467	253	50
Trade receivables and other	1,439	3,125	3,657	1,565
Provision for doubtful accounts	(41)	(169)	-	-
Total accounts receivable	1,398	2,956	3,657	1,565

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

<i>(Canadian \$000's)</i>	December 31 2020	December 31 2019	December 31 2018	January 1 2018
At beginning of year	169	-	-	-
Increase in provision	86	169	-	-
Write-off provision (note 21)	(214)	-	-	-
At end of year	41	169	-	-

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 \$597 at December 31, 2020 which represents its maximum credit exposure on these assets (December 31, 2019 - \$211; and December 31, 2018 - \$102). 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, long-term debt and convertible notes.

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 has been significantly impacted by COVID-19 and the deterioration in commodity pricing. As a result, the Company has also missed principal and interest payments required under its facilities and as a result increases the Company's exposure to liquidity risk (see note 2).

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The expected timing of cash outflows relating to financial liabilities at December 31, 2020 are outlined in the Commitments and contingencies section below (note 28).

26. 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 (see note 18).

Directors of the Company participate in the Company's stock option plan and may receive directors' compensation in the form of issued Cleantek common shares (see notes 16 and 18).

Key management compensation comprises:

(Canadian \$000's)	Year ended December 31		
	2020	2019	2018
Salaries and benefits	502	506	467
Share-based compensation (equity-settled)			
Stock options	101	129	393
Common shares issued for directors' compensation	1	83	78
Escrowed common shares	901	(77)	133
Total	1,505	641	1,071

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, 2020, the Company incurred legal fees of \$82 (2019 - \$788; and 2018 - \$641) from a law firm in which a director of the Company is a partner. At December 31, 2020, \$1,117 was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2019 - \$969; and December 31, 2018 - \$646).

During the year ended December 31, 2020, the Company incurred consulting fees of \$nil (2019 - \$259; and 2018 - \$nil) from an audit and accounting firm in which a director of the Company is a partner. At December 31, 2020, \$nil was owing to this firm and included in accounts payables and accrued liabilities (December 31, 2019 - \$67; and December 31, 2018 - \$nil).

During the year ended December 31, 2020, the Company made payments of \$nil (2019 - \$47; and 2018 - \$78) to Cerberus Equity Group Ltd. under a property lease agreement which matured on July 31, 2019. The Company vacated the premises and Cerberus filed a statement of claim (note 28).

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Other

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

(Canadian \$000's)	Note	December 31 2020	December 31 2019	December 31 2018	January 1 2018
Long-term receivables⁽¹⁾					
Loans receivable					
Cerberus Equity Group Ltd.	10	-	-	35	-
Loans to shareholders and former executives ⁽¹⁾	10	540	525	510	-
		540	525	545	-
Accounts payables and accrued liabilities					
Law firm related to the Company through a director		1,117	969	646	240
Accounting and auditing firm related to the Company through a director		-	67	-	-
		1,117	1,036	646	240
Long-term debt⁽¹⁾					
Loans payable					
Loans payable - Related parties	12	325	3,679	3,904	58
Promissory notes					
Promissory note – Minority shareholder	12	300	300	300	300
		625	3,979	4,204	358

(1) Includes current and non-current portion.

The Company has the following related party commitments and contingencies:

Commitments and contingencies

Related party guarantee	28
Litigation and claims involving a related party	28

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27.SUPPLEMENTARY CASH FLOW INFORMATION

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

<i>(Canadian \$000's)</i>	Year ended December 31		
	2020	2019	2018
Net changes in non-cash working capital:			
Accounts receivable	1,513	701	(424)
Prepays and deposits	2	173	317
Long-term receivables	(15)	20	(35)
Provisions	849	83	1,217
	2,349	977	1,075
Related to:			
Financing activities	2,349	977	1,075
Taxes paid	-	-	-

28.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, 2020 are outlined in the table below:

<i>(Canadian \$000's)</i>	Carrying amount ⁽¹⁾	Contractual outflows ⁽²⁾⁽³⁾				Total ⁽¹⁾
		< 1 year	2 to 3 years	4 to 5 years	Thereafter	
Financial liabilities						
Accounts payable and accrued liabilities	6,078	6,078	-	-	-	6,078
Long-term debt						
Credit facilities	9,339	9,339	-	-	-	9,339
Loans payable	3,009	2,315	694	-	-	3,009
Promissory notes	300	300	-	-	-	300
Convertible notes	647	647	-	-	-	647
	19,373	18,679	694	-	-	19,373
Lease liabilities and other commitments						
Lease liabilities	775	330	533	32	-	895
Other property lease commitments ⁽⁴⁾	-	233	191	191	48	663
	775	563	724	223	48	1,558

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

(2) Financial liabilities exclude interest portion due to demand and variable term features. See note 12 for Cleantek's debt and credit facilities and note 13 for Cleantek's convertible notes.

(3) Lease liabilities include principal and interest portions.

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

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Related party guarantee

The Company has provided a corporate guarantee of \$270 at December 31, 2020, 2019 and 2018 to a lender related to a loan issued to Cerberus, a company related through a common shareholder.

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

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

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

Litigation and claims

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

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, and accrued interest and damages. At December 31, 2020, the term loan principal balance payable by the Company and included in debt is \$325. The Company has filed a statement of defense and counter claim.

29. TRANSITION TO IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements as at and for the year ended December 31, 2020, the comparative consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and in the preparation of an opening IFRS balance sheet at January 1, 2018, the date of transition. IFRS standards have been adopted retroactively.

In preparing the opening IFRS balance sheet, the Company has adjusted amounts previously reported under Accounting Standards for Private Enterprises ("ASPE"). An explanation of how the transition from ASPE to IFRS has affected the financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Please note that certain ASPE information and figures presented have been reclassified, where applicable, to conform to the IFRS presentation used in these consolidated financial statements with no impact to net income (loss).

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Reconciliation of IFRS impact on financial position and equity at the date of transition, January 1, 2018

As at January 1, 2018 <i>(Canadian \$000's)</i>	Note	ASPE	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Accounts receivable	a	1,751	(186)	1,565
Prepays and deposits		192	-	192
Total current assets		1,943	(186)	1,757
Non-current assets				
Property and equipment	b	18,605 ⁽¹⁾	(730)	17,875
Intangible assets		502	-	502
Right-of-use assets	d	-	1,839	1,839
Total non-current assets		19,107	1,109	20,216
Total assets		21,050	923	21,973
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank debt		409	-	409
Accounts payable and accrued liabilities		2,698	-	2,698
Current portion of long-term debt		1,866 ⁽³⁾	-	1,866
Current portion of lease liabilities		433	-	433
Total current liabilities		5,406	-	5,406
Non-current liabilities				
Long-term debt		4,844 ⁽³⁾	-	4,844
Convertible notes	g	1,760 ⁽⁴⁾	(135)	1,625
Lease liabilities	d	622	923	1,545
Deferred tax	i	-	-	-
Total non-current liabilities		7,226	788	8,014
Total liabilities		12,632	788	13,420
Shareholders' equity				
Share capital		14,434	-	14,434
Convertible notes	g	-	110	110
Contributed surplus		727	-	727
Accumulated deficit		(6,743)	25	(6,718)
Total shareholders' equity		8,418	135	8,553
Total liabilities and shareholders' equity		21,050	923	21,973

(1) Property and equipment includes ASPE "Inventory", consisting of parts for rental equipment, reclassified to property and equipment.

(2) The current portion of long-term debt consists of ASPE's current portions of "Debt facilities" and debt "Due to related parties".

(3) Long-term debt consists of ASPE's "Debt facilities", "Term loans" and non-convertible "Promissory note".

(4) Convertible notes include ASPE's "Convertible promissory notes".

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Reconciliation of IFRS impact on financial position and equity (deficit) at December 31, 2019

As at December 31, 2019 <i>(Canadian \$000's)</i>	Note	ASPE	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		211	-	211
Accounts receivable		2,956	-	2,956
Prepays and deposits		180	-	180
Total current assets		3,347	-	3,347
Non-current assets				
Property and equipment	b	19,101	(2,910)	16,191
Intangible assets	c	3,382	(810)	2,572
Right-of-use assets	d	-	1,238	1,238
Goodwill		-	-	-
Long-term receivables		525 ⁽¹⁾	-	525
Total non-current assets		23,008	(2,482)	20,526
Total assets		26,355	(2,482)	23,873
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank debt		-	-	-
Accounts payable and accrued liabilities		5,578	-	5,578
Current portion of long-term debt		12,901 ⁽²⁾	-	12,901
Current portion of convertible notes	g	1,320 ⁽³⁾	(11)	1,309
Current portion of lease liabilities		395	50	445
Total current liabilities		20,194	39	20,233
Non-current liabilities				
Long-term debt		2,791 ⁽⁴⁾	-	2,791
Convertible notes	g	8,398 ⁽⁵⁾	1,372	9,770
Lease liabilities	d	587	330	917
Deferred tax	i	409	-	409
Total non-current liabilities		12,185	1,702	13,887
Total liabilities		32,379	1,741	34,120
Shareholders' equity (deficit)				
Share capital	e,f	26,994	(1,421)	25,573
Convertible notes	g	-	520	520
Contributed surplus	e,f	799	513	1,312
Accumulated other comprehensive income		179	-	179
Accumulated deficit		(33,996)	(3,835)	(37,831)
Total shareholders' equity (deficit)		(6,024)	(4,223)	(10,247)
Total liabilities and shareholders' equity (deficit)		26,355	(2,482)	23,873

(1) Long-term receivables include ASPE's "Long-term receivable" and "Shareholder loan receivable".

(2) The current portion of long-term debt consists of ASPE's current portions of "Debt facilities", "Term debt" and "Promissory note".

(3) The current portion of convertible notes include ASPE's "Convertible promissory notes".

(4) Long-term debt consists of ASPE's "Debt facilities", "Term loans" and non-convertible "Promissory note".

(5) Convertible notes include ASPE's "Convertible debentures" and "Convertible promissory notes".

Cleantek Industries Inc.
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Reconciliation of IFRS impact on financial results for the year ended December 31, 2019

Year ended December 31, 2019 <i>(Canadian \$000's)</i>	Note	ASPE	Effect of transition to IFRS	IFRS
Revenue		12,327	-	12,327
Direct operating expenses		5,103 ⁽¹⁾	-	5,103
Gross profit		7,224	-	7,224
Other expenses				
General and administrative	d,h	6,658 ⁽²⁾	(663)	5,995
Depreciation and amortization	b,c,d	4,663 ⁽³⁾	436	5,099
Research expense	c	375	157	532
Share-based compensation	e	294 ⁽²⁾	412	706
Impairment	b,c,d	12,872	2,593	15,465
Finance costs	d,g	2,897	1,246	4,143
Loss on disposal of long-lived assets		1,534	(1,726)	(192)
Foreign exchange (gain) loss		(9) ⁽²⁾	-	(9)
		29,284	2,455	31,739
Loss before income taxes		(22,060)	(2,455)	(24,515)
Income tax (recovery) expense				
Current		176	-	176
Deferred	i	(358)	(39)	(397)
		(182)	(39)	(221)
Net loss		(21,878)	(2,416)	(24,294)
Other comprehensive loss				
Foreign currency translation gain (loss)		61	-	61
Total comprehensive loss		(21,817)	(2,416)	(24,233)

(1) Direct operating expenses include ASPE "Cost of goods sold", and ASPE "Operating expense" excluding ASPE "Depreciation and amortization" included in "Direct operating expenses".

(2) Under IFRS, the Company presents depreciation and amortization; share-based compensation; and foreign exchange (gain) loss as separate financial statement line items. Under ASPE, "General and administrative expenses" included "Depreciation and amortization" related to general and administrative, "Share-based compensation" and "Foreign exchange loss (gain)".

(3) Depreciation and amortization includes ASPE depreciation and amortization included in "Direct operating expenses" in (1) above as well as ASPE depreciation and amortization included in "General and administrative expenses" in (2) above.

Cleantek Industries Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Reconciliation of IFRS impact on cash flows for the year ended December 31, 2019

<i>(Canadian \$000's)</i>	Note	ASPE	Effect of Transition to IFRS	IFRS
Cash (used in)/provided by:				
Operating activities				
Net loss		(21,878)	(2,416)	(24,294)
Adjustments for:		-	-	-
Depreciation and amortization	b,c,d	4,663	436	5,099
Share-based compensation expense	e,f	294	412	706
Impairment	b,c,d	13,058	2,407	15,465
Finance costs	g	506	3,637	4,143
Loss (gain) on disposal of long-lived assets	b	1,534	(1,726)	(192)
Deferred income tax expense (recovery)	i	(358)	(39)	(397)
Changes in non-cash working capital		1,722	(745)	977
Net cash flow from (used in) operating activities		(459)	1,966	1,507
Investing activities				
Additions to property and equipment	b	(3,242)	14	(3,228)
Additions to intangible assets	c	(219)	116	(103)
Proceeds on disposal of property and equipment	b	235	18	253
Changes in non-cash working capital		-	-	-
Net cash flow used in operating activities		(3,226)	148	(3,078)
Financing activities				
Bank indebtedness change, net		(377)	-	(377)
Proceeds from long-term debt - credit facilities	j	-	5,055	5,055
Repayment of long-term debt - credit facilities	j	3,959	(7,848)	(3,889)
Proceeds from long-term debt - term loans	j	(2,791)	5,076	2,285
Repayment of long-term debt - term loans	j	2,285	(2,861)	(576)
Proceeds from convertible notes - debentures	g	(576)	2,385	1,809
Proceeds from convertible notes - promissory notes	g	1,813	(1,813)	-
Repayments of lease liabilities	d	(641)	(354)	(995)
Payments of cash interest	g	-	(1,655)	(1,655)
Debentures financing cost paid		(38)	-	(38)
Proceeds from issuance of share capital	e,f	99	(99)	-
Changes in non-cash working capital		-	-	-
Net cash flow from financing activities		3,733	(2,114)	1,619
Increase (decrease) in cash and cash equivalents		48	-	48
Effect of foreign exchange on cash and cash equivalents		61	-	61
Cash and cash equivalents, beginning of year		102	-	102
Cash and cash equivalents, end of year		211	-	211

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Notes to the reconciliations of ASPE to IFRS

a) Accounts receivable

The Company derecognized a receivable relating to SRED credit refunds at the transition date that did not meet the IFRS recognition criteria. Under ASPE, the Company recognized an impairment of this receivable in 2019.

b) Property and equipment and Depreciation

In transitioning to IFRS, the Company:

- Reclassified automotive assets previously included in property and equipment under ASPE to ROU assets under IFRS (note d);
- Reversed government grants previously offset against property and equipment under ASPE not meeting the recognition criteria under IFRS;
- Reversed losses on scrapped assets included in losses on disposition of long-lived assets under ASPE and recognized impairment in accordance with IFRS;
- Recognized additional impairment of its property and equipment at December 31, 2019 in accordance with IFRS (see note 21); and
- Adjusted depreciation expense with the effect of the changes above.

c) Intangible assets

In transitioning to IFRS, the Company:

- Recognized additional impairment of its intangible assets at December 31, 2019 under IFRS (see note 21);
- Reversed research costs previously capitalized under ASPE which does not meet the recognition criteria under IFRS and reclassified these as research costs in net loss; and
- Adjusted intangible asset amortization expense with the effect of the changes above.

d) Right-of-use assets and Lease liabilities

Under ASPE, leases were classified as operating and financing leases (or "capital leases"). In accordance with IFRS, the Company removes the classification of leases as either operating or financing leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the recognition requirements of IFRS and are expensed as incurred in net income (loss).

In transitioning to IFRS, the Company:

- Presents right-of-use assets as a separate financial statement line item under IFRS;
- Reclassified automotive assets previously included in property and equipment under ASPE to ROU assets under IFRS (note b);
- Recognized lease liabilities for ROU assets now capitalized under IFRS, including reversing operating lease payments previously recognized as general and administrative expenses under ASPE and recognizing lease payments as a reduction of lease liabilities and recognizing related interest expense on lease liabilities as finance costs under IFRS;
- Recognized depreciation expense of ROU assets capitalized under IFRS; and

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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- Adjusted the loss on disposal of ROU assets in 2020 with the effect of the changes above.

e) Apollo Energy acquisition - Goodwill, Business Combinations, Share capital and Share-based payments

Pursuant to the Apollo Energy acquisition on October 18, 2018, 326,137 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 (see notes 5 and 18). Under ASPE, the Apollo Energy consideration included \$1,794 share consideration for these common shares issued, placed in escrow and valued at \$5.50 per common share. Under IFRS, these common shares issued and placed in escrow subject to employment agreements is scoped into IFRS 2, *Share-based payments*. Accordingly, on transitioning to IFRS, the Company:

- Reduced the share consideration recognized under ASPE by \$1,794 and, accordingly, reduced share capital issued on acquisition by \$1,794 and reduced goodwill recognized at acquisition by \$1,794; and
- Recognized the common shares issued, placed in escrow and subject to employment agreements as share-based payments in accordance with IFRS. The Company included the issuance of these instruments as an additional stock-based compensation plan (see note 18), recognized resulting share-based compensation expense in accordance with IFRS and recognized the common shares held in escrow and released pursuant to acquisition employment services agreements upon vesting conditions.

f) Cashless stock option exercise – Shares issued in subsequent period - Share capital and contributed surplus

In transitioning to IFRS, in addition to the effect of the Apollo Acquisition (see note e) on share capital, the Company made an adjustment to share capital to recognize stock options exercised on a cashless basis in 2018 (notes 16 and 18), but where the common shares were only issued in 2019. Previously under ASPE, the Company recognized the full issue of common shares in 2018.

g) Convertible notes and Finance costs

Under IFRS, non-derivative convertible notes issued are compound financial instruments that create:

- A financial liability component, initially recorded at fair value and subsequently measured at amortized cost; and
- An equity component being the residual amount of the equity instrument.

Under IFRS, 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.

In transitioning to IFRS, the Company reversed previous ASPE accounting of its convertible notes and:

- Classified its May 2018 convertible notes as derivative convertible debentures, measuring the fair value of the liability at each reporting period, recognizing the fair value adjustment as part of finance costs in net loss and recognizing a loss on the conversion of the financial liability in December 2020 (note 12) in accordance with IFRS; and
- Classified the remaining convertible notes as non-derivative financial instrument, bifurcated and measured each convertible instrument into its equity and liability components under IFRS, recognized finance costs and ultimate conversions, if applicable, in accordance with IFRS (note 12).

Cleantek Industries Inc.

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

h) Other

In addition to the above, in transitioning to IFRS, the Company also recognized the following:

- In 2018, recognized certain general and administrative expenses meeting the recognition criteria under IFRS. Previously, these expenses were recognized in 2019 under ASPE;
- In 2018, reclassified share-based payments included in general and administrative expenses to the share-based compensation financial statement line items under IFRS;

i) Income taxes

The Company determined the resulting deferred tax impacts of the above changes in transitioning from ASPE to IFRS, however:

- The Company did not recognize deferred tax recoveries and resulting deferred tax asset adjustments as there is doubt that the Company will have future taxable income available to utilize these against; and
- The Company did not recognize deferred tax expenses and resulting deferred tax asset liability adjustments due to valuation allowance taken against the Company's remaining unrecognized tax assets.

j) Cash flows

The Company determined that certain amounts in the statement of cash flows were more relevant when shown on a gross basis

30.SUBSEQUENT EVENTS

Announcement of reverse takeover of Raise Production Inc., taking Cleantek public and equity financing

Reverse takeover of Raise

On July 12, 2021, Cleantek announced that they entered into an arrangement agreement with Raise Production Inc. ("Raise" - TSXV: RPC) whereby Cleantek effectively completes a reverse takeover of Raise and becomes a public Company.

Pursuant to this business combination, Raise will acquire each issued and outstanding common share of Cleantek in exchange for the issuance of 58.3 Raise common shares at a deemed issue price of \$0.03 per Raise share. Following completion of this transaction but prior to the completion of any concurrent private placement as discussed below, shareholders of Raise will hold approximately 15% of the resulting reporting issuer with shareholders of Cleantek holding the remaining approximately 85%.

In certain circumstances, Cleantek will be required to pay Raise a \$2,500 termination fee if the Raise reverse takeover is not completed.

Cleantek brokered private placement

In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum of \$10,000. This private placement was closed on August 31, 2021 and the proceeds are held in escrow subject to completion of the Raise reverse takeover.

Each subscription receipt will be exchangeable into one unit of Cleantek (each, a "Unit"), concurrently with closing of the reverse takeover transaction and will participate with all other holders of Cleantek common

Cleantek Industries Inc.

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shares in the reverse takeover. Each Unit shall be comprised of one Cleantek common share and one half of one Cleantek common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$2.25 at any time up to 36 months from the closing of the reverse takeover; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the resulting reporting issuer on the TSX-V, or other principal exchange on which the shares are listed, is greater than \$3.50 for 10 consecutive trading days, the resulting reporting issuer may deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice.

The gross proceeds from the private placement will be held in escrow pending the completion of the reverse takeover, which is expected to close on or around October 31, 2021.

If all conditions to the completion of the reverse takeover are satisfied on or before October 31, 2021, the net proceeds from the sale of the subscription receipts will be released from escrow to Cleantek and each subscription receipt will be exchanged for one Unit and the holders thereof will participate with all other holders of Cleantek common shares and Warrants in the reverse takeover.

January 2021 vendor and related party 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. This promissory note is non-interest bearing; is repayable at \$5 per month; and the 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.

February 2021 convertible debentures issue

In February 2021, the Company issued 380 secured, subordinated convertible debentures for gross proceeds of \$380, representing a subscription price of \$1,000.00 per debenture, due on demand by the holder. Each debenture is convertible into 10,000 units, each unit consisting of one Class A common share of the Company and one warrant to purchase a Class A common share of the Company at \$0.10 per share by September 30, 2023.

March 2021 common share subscription

On March 1, 2021, the Company completed a common share subscription of 1,646,000 common shares at \$0.10 per common share for gross proceeds of \$165. Each share includes a Warrant which shall entitle the holder thereof to purchase one Cleantek common share at an exercise price of \$0.10 at any time up to March 1, 2023.

Accounts payable converted into equity subscription

In March and May of 2021, pursuant to agreements with certain creditors of the Company, the Company issued 3,556,099 Class A common shares at \$0.10 per common share to settle \$355 of accounts payable.

Stock options cancelled and new stock options granted

On January 1, 2021, pursuant to the Company's stock option plan, the Company terminated and cancelled all 705,000 of the granted and outstanding stock options of the Company at January 1, 2021.

In March and June of 2021, pursuant to the Company's stock option plan, 18,000,000 stock options were granted to officers, employees and directors of the Company at an exercise price of \$0.10 per common share.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2021 Extension to forbearance agreements

Debt facility

On April 30, 2021, the Company agreed to an amendment and extension to the forbearance agreement dated December 14, 2020 with its Canadian lender with regards to its Debt facility (see note 12), until June 30, 2021. Additionally, the amendment entailed the payment of \$50 on each of April 30, 2021, May 25, 2021 and June 25, 2021.

On August 9, 2021, the Company agreed to a further extension to this forbearance agreement with its lender until October 31, 2021. This extension entails the following additional obligations and covenants:

- Payment of \$300 on August 9, 2021;
- Payment of \$200 on August 10, 2021;
- Payment of \$200 on September 10, 2021;
- Payment of \$200 on October 10, 2021;
- Providing a fully executed, definitive agreement between Raise Productions Inc and Cleantek (see Announcement of reverse takeover above); and
- Completion of an equity financing raising a minimum of \$10,000 by August 31, 2021, with funds held in escrow subject to the Raise reverse takeover.

As of the report date of these consolidated financial statements, Cleantek is in compliance with the respective August and September 2021 payments and have executed a definitive agreement with Raise dated July 12, 2021, and completed an equity financing raising a minimum of \$10,000 by August 31, 2021.

Roynat term facility

On June 11, 2021, the Company agreed an extension to the forbearance agreement dated December 4, 2020 with respect to the Roynat term facility (see note 12), until the earlier of the occurrence of an event of default or July 31, 2021.

On July 21, 2021, the Company agreed a further extension to these forbearance agreements until the earlier of the occurrence of an event of default or January 15, 2022.

2019 SRED refund received and OKR Financial term loan amendment

In May 2021, the Company received \$876 in Scientific Research and Experimental Development Tax Incentive Program claim refunds for the year ended December 31, 2019 (see note 12).

On August 9, 2021, the Company executed an amendment and extension to the OKR Financial term loan payable (see note 12). The amendment revises:

- The maturity date to November 15, 2021;
- The interest rate from an equivalent annual interest rate of 29.08% to 18.0%, effective January 1, 2020, up to a maximum amount of \$750; and
- The form of repayment of the loan and accrued interest from 100% in cash to either of the following at the option of Cleantek:
 - Issuing to the lender units, commensurate with the August 31, 2021 private placement, comprising one Cleantek common share and one half of one Cleantek common share purchase warrant to purchase one Cleantek common share at an exercise price of \$2.25 pat any time up to 36 months from the closing of the reverse takeover; or
 - Repayment in cash.

Cleantek Industries Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

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August 27, 2021 share consolidation

On August 27, 2021, the issued and outstanding Class A common shares of Cleantek were consolidated on the basis of one post-consolidation Cleantek share for every 12 pre-consolidation shares.

The equity instruments of Cleantek are presented on a pre-consolidation basis in these condensed consolidated interim financial statements.

September 2021 convertible debentures issue

In September 2021, the Company issued secured, subordinated convertible debentures for gross proceeds of \$450. These convertible debentures have a monthly interest rate of 5% and are convertible into common shares of the Company at \$0.10 per common share (on a pre-consolidation basis) and are due on October 31, 2021.

New loan and revolving facility

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

- A non-revolving term facility in a maximum principal amount of \$7,500, in a single loan advance; and
- A revolving line of credit up to \$2,500, in one or more loan advances.

The credit facility agreement is 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.

The initial loan advances are subject to conditions including discharges from certain lenders in respect of existing outstanding debt of Cleantek and the completion of the Raise reverse takeover and concurrent \$10,000 equity financing.

The term facility may only be used to refinance existing debt and to finance certain capital expenditures of Cleantek and the revolving facility may be used to finance equipment purchases and general working capital and corporate requirements of Cleantek.

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

The credit facilities are secured by the assets of the Company and its subsidiaries.

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

Corporate Information

OFFICERS

Matt Gowanlock
President

Jesse Curlett
Chief Executive Officer

Wael Ghaith
Vice-President, Finance

BOARD OF DIRECTORS

Dale Tremblay
Chairman

Matt Colucci

James Kidd

Jesse Curlett

Phillip Knoll

Chris Lewis

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Bank of Montreal
Calgary, Alberta

LAWYERS

Torys LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

INVESTOR RELATIONS INFORMATION

Matt Gowanlock
President

Jesse Curlett
Chief Executive Officer

APPENDIX I – INFORMATION CONCERNING RAISE PRODUCTION INC.

Notice to Reader

Capitalized terms used in this Appendix I but not otherwise defined herein have the meanings set forth in the “*Glossary of Terms*” in the Circular.

Corporate Structure

Raise was incorporated under the ABCA under the name 593663 AB Ltd. on December 23, 1993. Raise changed its name to: (i) Global Link International Corp. on March 2, 1994; (ii) Global Link International Inc. on June 7, 1995; (iii) Global Link Data Solutions Ltd. on March 30, 2000; (iv) Global Energy Services Ltd. on August 16, 2005; and (v) Raise Production Inc. on September 7, 2011.

On September 30, 2019, Raise acquired the shares of 1955554 Alberta Ltd. (“**1955554 AB**”), an arm’s length private company. 1955554 AB was amalgamated with Raise on December 23, 2019.

Raise is a reporting issuer in British Columbia and Alberta. The Raise Shares are listed on the TSXV under the trading symbol “RPC”.

Raise’s registered and records office is located at 4300 Bankers Hall West, 888 - 3rd Street S.W., Calgary, AB T2P 5C5. Raise does not have a head office.

Intercorporate Relationships

As at the date hereof, Raise does not have any subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Raise is an innovative oilfield service company with a focus on the production service sector. Since it’s incorporation, it has utilized its proprietary products to enhance and increase ultimate production in both conventional and unconventional oil and gas wells. Its suite of patented pumping solutions, including the High Angle Reciprocating Pump (“**HARP™**”), the Raise Efficient Artificial Lift (“**REAL™**”) Horizontal Separator and the Horizontal Artificial Recovery Technology (“**HART™**”), are effective at up to 90 degrees in order to maximize drawdown, pump efficiency and pump life. Its technologies can be used independently or in combination in horizontal wellbores.

On October 3, 2017, Raise entered into a distribution agreement with Endurance Lift Solutions, LLC (“**ELS**”), a major USA service provider, pursuant to which ELS would distribute and service Raise's products in the United States.

2018

On May 11, 2018 and June 4, 2018, Raise completed tranches of a non-brokered private placement of 10,950,000 Raise Shares at \$0.24 per Raise Share for gross proceeds of \$2,628,000 and 3,633,333 Raise Shares at a price of \$0.24 per Raise Share for gross proceeds of \$872,000, respectively.

2019

On September 30, 2019, Raise closed a private placement of secured convertible debentures of Raise (the “**Debentures**”) for aggregate gross proceeds of \$900,000 and acquired 1955554 AB, an arm's length private consulting company, for total consideration of approximately \$1.4 million, which was satisfied through the issuance of Debentures to Richard McHardy and Al Stark, the shareholders of 1955554 AB. As part of the acquisition, Richard McHardy and Al Stark, the Chief Executive Officer and Chief Operating Officer of 1955554 AB, respectively, were appointed as directors of Raise. The Debentures had a coupon rate of 6.00% per annum.

2020

On January 23, 2020, Raise initiated a formal strategic process to identify, review and evaluate potential strategic alternatives available to it with a view to enhancing shareholder value. Raise engaged Stifel FirstEnergy as its financial advisor in connection with the strategic process.

On September 30, 2020, Raise entered into an exclusive distribution agreement with Q2 Artificial Lift Services (“**Q2 ALS**”), headquartered in Red Deer, Alberta, for the marketing, sale and installation of its HARP™ and REAL™ technologies for the North American market (the “**North America Distribution Agreement**”). Q2 ALS is a major supplier, worldwide, of artificial lift products to the rod pumping market segment. The agreement included the sale of the majority of Raise’s existing HARP™ inventory to Q2 ALS. In conjunction with the North America Distribution Agreement, Raise and ELS mutually agreed to cancel their USA distribution agreement.

On November 24, 2020, Raise completed its review of strategic alternatives with Stifel FirstEnergy and determined that the North America Distribution Agreement was the best alternative to increase HARP™ and REAL™ sales.

2021

On April 20, 2021, Raise completed a shares for debt transaction (the “**Shares for Debt Transaction**”) pursuant to which an aggregate of \$2,334,027 in indebtedness, representing all of the principal amount and interest payable in respect of the Debentures, was settled through the issuance of 58,350,688 Raise Shares to the holders of the Debentures at a deemed price of \$0.04 per Raise Share. As a result of the Shares for Debt Transaction, all of the outstanding Debentures were terminated.

On April 20, 2021, Raise entered into a worldwide exclusive license agreement with Q2 ALS (the “**Licensing Agreement**”) that superseded the North America Distribution Agreement and provided that Q2 ALS will manufacture, distribute and service the HARP™ and REAL™ products in exchange for a ten-year royalty payment on all Raise products sold as complete components or parts.

On June 2, 2021, Raise completed an auction sale of surplus shop equipment. All remaining HARP™ and REAL™ inventory was transferred to Q2 ALS on a pay as used basis.

On July 12, 2021, Raise entered into the Arrangement Agreement, as described in “*The Arrangement*” in the body of the Circular.

DESCRIPTION OF THE BUSINESS

Raise is an innovative oilfield service company with a focus on the production service sector, utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional oil and gas wells. Its suite of patented pumping solutions, including the HARP™, REAL™ Horizontal Separator and the HART™, are effective at up to 90 degrees in order to maximize drawdown, pump efficiency and pump life. Its technologies can be used independently or in combination in horizontal wellbores.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Information

A summary of selected financial information of Raise for the interim period ended June 30, 2021 and the financial years ended December 31, 2020, 2019 and 2018 is as follows:

(in '000s)	Six month period ended June 30, 2020 ⁽¹⁾	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Total Expenses	\$486	\$1,956	\$10,046	\$2,639
Amounts deferred in connection with the Arrangement	Nil	Nil	Nil	Nil
Total Assets	\$182	\$767	\$2,747	\$9,515
Total Liabilities	\$539	\$2,976	\$3,425	\$1,027
Note:				
(1) Unaudited.				

Additional financial information for Raise is set out in the financial statements of Raise included in Schedules I-1 of this Appendix I.

Management's Discussion and Analysis

Raise's management's discussion and analysis for the six months ended June 30, 2021 and years ended December 31, 2020, 2019 and 2018 are included in Schedules I-2 of this Appendix I (collectively, the "**Raise MD&A**").

Certain information included in the Raise MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Statements Regarding Forward-Looking Information*" in the body of the Circular for more details.

DESCRIPTION OF SHARE CAPITAL

Raise is authorized to issue an unlimited number of Raise Shares and an unlimited number of preferred shares (the "**Raise Preferred Shares**"), issuable in series. As at the date hereof, there are 173,707,863 Raise Shares, nil Raise Preferred Shares and 6,910,000 Raise Options issued and outstanding.

Common Shares

Holders of Raise Shares are entitled to: (i) vote at any meeting of shareholders of Raise; (ii) receive dividends declared by Raise; and (iii) receive the remaining property of Raise on dissolution.

Raise Preferred Shares

Raise Preferred Shares may at any time and from time to time be issued in one or more series. Each series consists of such number of shares as may, before the issue thereof, be determined by resolution of the Raise Board. The Raise Board shall, by ordinary resolution, fix from time to time before the issue thereof the designation, price, restrictions, conditions and limitations attaching to the shares of each series of Raise Preferred Shares. Raise Preferred Shares of each series shall rank, both as regards dividends and return of capital, in priority of all other shares of Raise. The Raise Preferred Shares may also be given such other preference over the Raise Shares and over any other shares of Raise ranking junior to the Raise Preferred Shares, as may be fixed by ordinary resolution of the Raise Board, provided that no right, privilege, restriction or condition attached to a series of shares shall confer on a series a priority in respect of voting, dividends or return of capital over any other series of shares of the same class that are then outstanding.

Stock Option Plan

On December 5, 2018, Raise adopted an amended and restated stock option plan (the "**Raise Option Plan**") for directors, officers, employees and consultants of Raise in accordance with the rules and policies of the TSXV. A copy of the Raise Option Plan is attached as Schedule A to the management information circular of Raise dated October 30, 2018 (a copy of which is available under Raise's profile on SEDAR at www.sedar.com). See "*Raise Option Plan*" in this Appendix I for more information on the Raise Option Plan.

PRIOR SALES

No securities of Raise have been sold within the 12 months before the date hereof, except as follows:

Date of Issuance	Class of Securities	Number of Securities Issued	Issue/Exercise Price
April 20, 2021 ⁽¹⁾	Raise Shares	58,350,668	\$0.04 per Raise Share
January 14, 2021 ⁽²⁾	Raise Shares	1,774,502	\$0.035 per Raise Share

Notes:

- (1) Issued pursuant to Shares for Debt Transaction. As a result of the Shares for Debt Transaction, Al Stark and Richard McHardy, directors of Raise each acquired 17,758,904 Raise Shares and became persons who have beneficial ownership of, or control or direction over, directly or indirectly, securities of Raise carrying more than 10% of the voting rights attached to all of Raise's outstanding voting securities. Other individuals who participated in the Shares for Debt Transaction who are non-arm's length parties of Raise include Tom Kehoe (acquired 7,864,658 Raise Shares), Ken Zinger (acquired 1,902,695 Raise Shares), Wendell Chapman (acquired 1,268,493 Raise Shares), an "associated entity" as that term is defined in Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions of Eric Laing (acquired 684,986 Raise Shares), and Susan Scullion (acquired 558,137 Raise Shares), who are each non-arm's length parties of Raise by virtue of being directors or officers of Raise or an associated individual to a non-arm's length party. See "General Development of the Business – 2021".
- (2) Issued to settle outstanding interest in the amount of \$62,108 in respect of certain of the Debentures. As a result of the transaction, the following non-arm's length parties of Raise were issued Raise Shares: Al Stark (acquired 603,279 Raise Shares); Richard McHardy (acquired 603,279 Raise Shares); Tom Kehoe (acquired 267,166 Raise Shares); Ken Zinger (acquired 64,637 Raise Shares); Wendell Chapman (acquired 43,091 Raise Shares); an "associated entity" of Eric Laing (acquired 23,269 Raise Shares); and Susan Scullion (acquired 18,960 Raise Shares).

STOCK EXCHANGE PRICE

The Raise Shares trade on the TSXV. The following table sets out the price range and trading volume of the Raise Shares for the periods indicated, as reported by the TSXV:

Period	High (\$)	Low (\$)	Volume
September 1 – 29, 2021	0.040	0.025	703,847
Month ended August 31, 2021	0.025	0.020	1,191,601
Month ended July 31, 2021	0.055	0.025	1,048,784
Month ended June 30, 2021	0.035	0.030	276,750
Month ended May 31, 2021	0.035	0.030	55,000
Month ended April 30, 2021	0.040	0.035	439,200
Month ended March 31, 2021	0.060	0.035	759,220
Month ended February 28, 2021	0.060	0.035	522,698
Month ended January 31, 2020	0.040	0.035	195,124
Month ended December 31, 2020	0.035	0.030	884,355
Month ended November 30, 2021	0.045	0.035	795,870
Month ended October 31, 2020	0.070	0.035	650,794
Month ended September 30, 2020	0.045	0.035	307,625
Month ended August 31, 2020	0.055	0.050	81,000

EXECUTIVE COMPENSATION

General

The following information is presented in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* and provides details of all compensation for each of the Named Executive Officers (the "NEOs") and directors of Raise as of December 31, 2020. All currency amounts are expressed in Canadian dollars. A "Named Executive Officer" or "NEO" means: (a) each CEO, (b) each CFO, (c) Raise's most highly compensated officer, other than the CEO and CFO, who was serving as an officer at the end of the most recently completed financial year and

whose total compensation was more than \$150,000, and (d) any additional individuals who would be a Named Executive Officer under subsection (c) but for the fact that the individual was not an executive officer of Raise, and was not acting in a similar capacity, at the end of the financial year.

Based on the foregoing definitions, Raise's Named Executive Officers in respect of the year ended December 31, 2020 were: (i) Eric Laing, President & Chief Executive Officer; and (ii) Susan Scullion, Chief Financial Officer & Corporate Secretary.

Oversight and Description of Director and Named Executive Officer Compensation

Overview

Raise's Corporate Governance, Compensation and Nomination Committee (the "**Compensation Committee**"), comprised solely of independent directors, is responsible for setting Raise's overall compensation strategy and evaluating and making recommendations to the Raise Board for the compensation of directors and senior officers on an annual basis.

In developing the compensation strategy, the Compensation Committee uses available data to ensure that compensation is commensurate with the size and the stage of development of Raise. The Compensation Committee considers the responsibilities of each NEO and retention of the NEOs, who are essential to the success of Raise. Other factors considered are the small number of executive officers, the external market for similar positions and the financial performance of Raise. These factors influence both the elements of compensation and the sophistication of the manner of their determination. In addition, Raise relies on the flexibility of the executive officers in relation to their receipt of compensation.

The NEO compensation was reduced during the year ended December 31, 2020 as a direct result of reduced working hours due to the effects of the COVID-19 pandemic. No significant events, other than the COVID-19 pandemic, occurred, or compensation policies changed, during the year ended December 31, 2020 that have had a significant effect on the director compensation.

Objectives of Compensation Program

It is the objective of Raise's compensation program to attract and retain highly qualified executives and to link incentive compensation to personal and corporate performance and enhancing shareholder value. In evaluating the annual performance of the executive officers, the Compensation Committee considers quantitative objectives including relative shareholder value as well as qualitative aspects of the individual's performance and achievements. However, total annual compensation for each NEO is not tied to certain performance criteria or goals of Raise.

Role of Executives in the Compensation Program

The Compensation Committee will receive and review any recommendations of the President and Chief Executive Officer relating to the general compensation structure and programs for Raise and the salary and benefit levels of executive officers.

Risks of Compensation Program

The Compensation Committee has considered the implications of the risks associated with Raise's compensation policies and practices and it has a significant role in this risk oversight through regular discussions with Raise's President and Chief Executive Officer. An identified risk is the ability of Raise to attract and retain qualified executives and employee's given the current development stage status of Raise requiring it to offer below-market salaries and bonuses to these individuals.

Elements of the NEO Compensation Program

Raise's compensation comprises: (i) base salary and benefits, (ii) a discretionary incentive bonus plan and (iii) incentive stock options under the Raise Option Plan.

(i) Base Salaries and Benefits

Salaries for each of the executive officers are reviewed annually based on corporate and personal performance and on individual levels of responsibility. Salaries for the executive officers are not determined based on a specific formula or comparison with a peer group. The Compensation Committee submits its recommendation to the Raise Board as to the salary of the President and Chief Executive Officer. The Compensation Committee considers, and if thought appropriate, approves salaries recommended by the President and Chief Executive officer for the other executive officers of Raise. Base salaries are established to be competitive in order to attract and retain highly qualified executives.

Other components of compensation may include personal benefits as determined by the Compensation Committee that are consistent with the overall compensation strategy. There is no formula for how personal benefits are utilized in the total compensation package. Raise does not provide any pension or retirement benefits to its executive officers.

(ii) Incentive Bonus Plan

To align the compensation of the senior executive officers of Raise to the performance of Raise, the Raise Board, on the recommendation of the Compensation Committee, adopted a senior executive bonus plan (the "**Bonus Plan**") pursuant to which a discretionary incentive bonus is provided from time to time. Special bonuses may be provided related to significant projects.

The Raise Board, through the Compensation Committee, reviews the Bonus Plan on an annual basis at the time of approving the annual budget. The Raise Board, through its Compensation Committee, has the authority to make any changes to the Bonus Plan at any time to consider any extenuating circumstances or to correct any inequities which may have not been foreseen at the time the Bonus Plan was established or at any annual review. The last bonus payment made to the NEOs occurred during the 2018 fiscal year.

Stock Options

The purpose of the Raise Option Plan is to achieve the longer-term objectives of Raise; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Raise; and to attract and retain in the employ of Raise or any of its subsidiaries, as applicable, persons of experience and ability, by providing them with the opportunity to acquire common shares in the share capital of Raise, thereby increasing their proprietary interest in Raise and encouraging them to remain associated with Raise and furnishing them with additional incentive in their efforts on behalf of Raise in the conduct of its affairs. Directors, officers, consultants, and employees of Raise or its subsidiaries, as applicable, and employees of a person or company which provides management services to Raise or its subsidiaries are eligible for selection to participate in the Raise Option Plan. The Compensation Committee is responsible for making recommendations to the Raise Board regarding the administration of and the awarding of options under the Raise Option Plan. The Compensation Committee determines the number of options to be granted to each executive officer based on the level of responsibility and experience in the position. The exercise price of the Raise Shares subject to each Raise Option is determined by the Raise Board, subject to applicable TSXV approval, at the time any Raise Option is granted. A summary of the terms of the Raise Option Plan is included under the heading "*Raise Option Plan*" above.

Director and Named Executive Officer Compensation, excluding Compensation Securities

The following table and notes thereto provide a summary of the compensation, excluding compensation securities, paid to NEOs in respect of Raise's two most recently completed financial years:

Name and Position(s)	Year	Salary (\$)	Bonus (\$)	Value of perquisites (\$) ⁽²⁾	Total compensation (\$)
Eric Laing ⁽¹⁾	2020	148,412	-	2,700	151,112
President, CEO and Director	2019	200,076	-	10,800	210,876
Susan Scullion	2020	136,429	-	2,400	138,829
CFO & Corporate Secretary	2019	160,076	-	9,600	169,676

Notes:

(1) Mr. Laing did not receive any additional compensation for his role as a director of Raise.

(2) Consists of vehicle allowances.

No compensation (excluding compensation securities) was earned by the directors during Raise's two most recently completed financial years. However, on September 30, 2019, Raise acquired 1955554 AB for total consideration of approximately \$1.4 million, which was satisfied through the issuance of Debentures of Raise to Richard McHardy and Al Stark, the shareholders of 1955554 AB and, as part of the acquisition, Richard McHardy and Al Stark, the Chief Executive Officer and Chief Operating Officer of 1955554 AB, respectively, were appointed as directors of Raise. See *"General Development of the Business – 2019"*.

Raise Options and Other Compensation Securities

The following table provides a summary of all compensation securities granted to the directors and NEOs of Raise during the year ended December 31, 2020:

Name and Position(s)	Type of compensation security ⁽¹⁾	Number of compensation securities, underlying securities, and % of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price on date of issue (\$)	Closing price at Dec 31, 2021 (\$)	Expiry Date
Eric Laing ⁽¹⁾ President, CEO & Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Susan Scullion ⁽¹⁾ CFO & Corporate Secretary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dell Chapman ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Thomas Kehoe ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rick McHardy ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dan Newman ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Al Stark ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name and Position(s)	Type of compensation security ⁽¹⁾	Number of compensation securities, underlying securities, and % of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price on date of issue (\$)	Closing price at Dec 31, 2021 (\$)	Expiry Date
Ken Zinger ⁽¹⁾ Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

(1) At December 31, 2020: Mr. Laing held a total of 1,900,000 Raise Options; Ms. Scullion held a total of 1,350,000 Raise Options; Mr. Chapman held a total of 150,000 Raise Options; Mr. Kehoe held a total of 150,000 Raise Options; Mr. McHardy held a total of 1,500,000 Raise Options; Mr. Newman held nil Raise Options; Mr. Stark held a total of 1,500,000 Raise Options; and Mr. Zinger held a total of 300,000 Raise Options.

Exercise of Compensation Securities by Directors and Named Executive Officers

During the year ended December 31, 2020, no compensation securities were exercised by the directors and NEOs of Raise.

Terms of Employment Agreements with Named Executive Officers

Other than as set forth below, Raise has no contract, agreement, plan or arrangement that provides for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Raise or a change in a NEOs responsibilities.

Eric Laing – President, Chief Executive Officer & Director

Pursuant to an employment agreement (the "**Employment Agreement**") between Eric Laing and Raise dated June 17, 2011, Raise agreed to engage Mr. Laing upon the following terms and conditions:

- (a) Mr. Laing was appointed as President of Raise;
- (b) the annual compensation was initially set at \$150,000, subject to review by the Raise Board on a periodic basis, and Mr. Laing is eligible, under certain circumstances, to receive bonuses and Raise Options;
- (c) Mr. Laing will be reimbursed for reasonable expenses incurred in connection with his employment, including those incurred while traveling on business on Raise's behalf;
- (d) after the end of his employment, Mr. Laing is subject to a number of conditions owing to noncompetition, non-solicitation and confidentiality provisions; and
- (e) Mr. Laing is entitled to receive a \$300,000 termination payment in the event that he is terminated or constructively dismissed without cause or he resigns his position as a result of the following:
 - a. there is a change of control event as defined by the Employment Agreement that was not supported by Mr. Laing; or
 - b. there is a material breach of the Employment Agreement by Raise.

RAISE OPTION PLAN

The Raise Option Plan provides that the Raise Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of Raise non-transferable options to purchase Raise Shares, provided that the number of Raise Shares reserved for issuance under the Raise Option Plan shall not exceed ten percent (10%) of the issued and outstanding Raise Shares on a non-diluted basis, and such number shall increase or decrease as the number of issued and outstanding Raise Shares changes. The Raise Option Plan was most recently approved by Raise's shareholders on June 16, 2021. Prior to December 5, 2018, Raise had a fixed stock option plan, which provided for a maximum of 10,600,000 Raise Shares to be reserved for issuance at any point in time.

The Compensation Committee is responsible for making recommendations to the Raise Board regarding the administration of and the awarding of Raise Options under the Raise Option Plan. The Compensation Committee

determines the number of Raise Options to be granted to each executive officer based on the level of responsibility and experience in the position. The exercise price of the Raise Shares subject to each Raise Option is determined by the Raise Board, subject to applicable TSXV approval, at the time any Raise Option is granted.

The Compensation Committee regularly reviews and where appropriate adjusts the number of Raise Options granted to individuals and determines the vesting provisions of such Raise Options. The vesting terms vary by grant with one-third released at each of three specified dates during the vesting period, not exceeding three years from the date of grant.

The Compensation Committee sets the number of Raise Options as appropriate to attract and retain qualified and talented employees. The Compensation Committee also takes account of Raise's contractual obligations and the award history for all participants in the Raise Option Plan. The Raise Option Plan is designed to provide a long-term incentive to officer and employees that is linked to shareholder value.

The Raise Option Plan is subject to the following restrictions:

- a) the exercise period of any Raise Option will not be for a period greater than ten years and the exercise price must be paid in full upon exercise of the Raise Option;
- b) if any Raise Option expires or terminates for any reason without having been exercised in full, the number of Raise Shares in respect of which the Raise Option expired or terminated shall again be available for the purposes of the Raise Option Plan;
- c) the number of Raise Shares subject to a Raise Option granted to any one participant shall be determined by the Raise Board, but no one person shall be granted a Raise Option which exceeds the maximum number permitted by the TSXV including the aggregate number of Raise Shares reserved for issuance during any 12-month period can be no greater than 5% to any one person and no greater than 2% to any one consultant or person performing investor relations activities on behalf of Raise;
- d) in the event of the death of any Raise Option holder, any vested Raise Option held by him or her at the date of death will become exercisable by the person or persons to whom the participant's rights under the Raise Option shall pass by the participant's will or the laws of descent and distribution until the earlier of one year after the date of death and the date of expiration of the term otherwise applicable to such Raise Option;
- e) if the Raise Option holder ceases to be a director, officer, consultant or employee of Raise other than be reason of death, the Raise Options granted will expire on the 90th day following the date the Raise Option holders ceases to be affiliated with Raise, subject to any regulatory requirements;
- f) Raise Options granted under the Raise Option Plan shall not be assignable or transferable by any Raise Option holder; and
- g) the Raise Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Raise Option Plan with respect to all Raise Shares under the Raise Option Plan in respect of Raise Options which have not yet been granted under the Raise Option Plan, subject to regulatory approval.

A four month hold period commencing on the date the Raise Options are granted is required for Raise Options granted to insiders of Raise or granted at any discount to the Market Price (as defined in TSXV *Policy 1.1*). Notice of Raise Options granted under the Raise Option Plan must be provided to the TSXV at the end of each calendar month in which Raise Options are granted. Any amendments to the Raise Option Plan must be approved by the TSXV and, if necessary, by the Raise Shareholders prior to becoming effective. Annual shareholder approval of the Raise Option Plan is required.

Executive officers and directors of the Raise Board are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the officer or director.

The following table sets out the equity compensation plan information and the securities issuable thereunder as at December 31, 2020:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Raise Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Raise Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under the Raise Option Plan ⁽¹⁾
Equity compensation plans approved by Shareholders	8,560,000 ⁽²⁾	\$0.20	2,798,267
Equity compensation plans not approved by Shareholders	N/A	N/A	N/A
Total	8,560,000	\$0.273	2,798,267

Notes:

(1) A summary of the terms of the Raise Option Plan is included under the heading "Raise Option Plan" above.

(2) As at September 27, 2021, there were 6,910,000 Raise Options issued and outstanding and a total of 10,460,786 Raise options available for issuance under the Raise Option Plan.

RISK FACTORS

Investors should carefully consider the risk factors described under the heading "*Risk Factors*" in the Circular and the risk factors set forth in the Raise MD&A.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Raise has not acquired any assets or any services from a director or officer, principal securityholder or an associate or affiliate of any such person in the 24 months prior to the date hereof, other than as disclosed in Raise's financial statements attached to hereto as Schedules I-1.

The Arrangement is an arm's length transaction. For additional information, see "*The Arrangement*" above.

LEGAL PROCEEDINGS

There are no legal proceedings material to Raise to which Raise is, or has been, a party or of which any of its property is, or has been, the subject matter, and to the knowledge of the management of Raise, there are no such proceedings contemplated.

AUDITOR, TRANSFER AGENTS AND REGISTRARS

Ernst & Young LLP ("EY"), at 2200 – 215 2nd Street SW, Calgary, Alberta, T2P 1M4, is the auditor of Raise. EY was first appointed as auditor of Raise on November 1, 2012.

The transfer agent and registrar of Raise is Odyssey Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

Other than the Arrangement Agreement and the Licensing Agreement, Raise is not a party to any material contracts, except contracts entered into in the ordinary course of business.

For information regarding the Arrangement Agreement, see "*The Arrangement*" in the body of the Circular. For information regarding the Licensing Agreement, see "*General Development of the Business – 2021*", above.

**SCHEDULE I-1 TO APPENDIX I – RAISE FINANCIALS FOR THE SIX MONTHS ENDED JUNE 30,
2021 AND YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

(See Attached)



Condensed Interim Financial Statements (Unaudited)
As at and for the three and six months ended June 30, 2021

RAISE PRODUCTION INC.

Interim Statements of Financial Position (Unaudited)

	As at June 30, 2021	As at December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 143,733	\$ 259,613
Trade receivables (note 11)	11,281	70,273
Prepaid expenses and deposits	26,638	52,884
Inventories (note 5)	–	232,774
	181,652	615,544
Non-current assets:		
Property and equipment (note 6)	–	61,257
Right-of-use assets (note 7)	–	90,417
Total Assets	\$ 181,652	\$ 767,218
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	\$ 89,036	\$ 229,734
Warranty provision (note 16)	10,397	12,948
Deferred revenue (note 17)	440,000	548,900
Current portion of lease liabilities (note 9)	–	76,643
Convertible debt (note 8)	–	2,093,759
	539,433	2,961,984
Non-current liabilities:		
Long-term lease liabilities (note 9)	–	13,952
Total Liabilities	539,433	2,975,936
Shareholders' equity:		
Share capital (note 10)	32,241,217	30,140,133
Contributed surplus	4,119,332	4,112,892
Deficit	(36,718,330)	(36,461,743)
Total Shareholders' Equity	(357,781)	(2,208,718)
Total Liabilities and Shareholders' Equity	\$ 181,652	\$ 767,218

See accompanying notes to condensed interim financial statements.

Subsequent Events (note 20)

RAISE PRODUCTION INC.

Interim Statements of Operations and Comprehensive Loss (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Revenue from contracts with customers (note 19)	\$ 110,980	\$ 110,776	\$ 382,963	\$ 229,653
Cost of sales (note 5)	588	62,760	157,935	124,943
Gross margin	110,392	48,016	225,028	104,710
Other income	4,232	31,661	4,232	33,530
Expenses:				
General and administration (note 13)	246,450	194,344	396,260	631,615
Inventory impairment	125,069	–	141,822	–
Gain on extinguishment of convertible debt	(117,444)	–	(117,444)	–
Gain on disposal of assets	(80,545)	–	(80,545)	–
Finance costs (note 14)	15,078	66,656	77,729	132,482
Depreciation and amortization (note 6 and 7)	21,040	57,984	42,999	117,087
Research expenses	6,579	13,211	18,586	50,194
Stock-based compensation (note 10)	752	4,208	6,440	69,636
	216,979	336,403	485,847	1,001,014
Net loss and comprehensive loss	\$ (102,355)	\$ (256,726)	\$ (256,587)	\$ (862,774)
Net loss per common share (note 10(d)):				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended June 30

	Share Capital	Contributed Surplus	Deficit	Total
Balance at December 31, 2019	\$ 30,140,133	\$ 3,969,132	\$(34,787,164)	\$ (677,899)
Net loss	—	—	(862,774)	(862,774)
Stock-based compensation	—	69,636	—	69,636
Balance at June 30, 2020	\$ 30,140,133	\$ 4,038,768	\$(35,649,938)	\$ (1,471,037)
Balance at December 31, 2020	\$ 30,140,133	\$ 4,112,892	\$(36,461,743)	\$ (2,208,718)
Issuance of shares for extinguishment of debentures (note 10)	2,113,254	—	—	2,113,254
Share issuance costs	(12,170)	—	—	(12,170)
Net loss	—	—	(256,587)	(256,587)
Stock-based compensation	—	6,440	—	6,440
Balance at June 30, 2021	\$ 32,241,217	\$ 4,119,332	\$(36,718,330)	\$ (357,781)

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Interim Statements of Cash Flows (Unaudited)

For the six months ended June 30

	2021	2020
Operating activities:		
Net loss	\$ (256,587)	\$ (862,774)
Items not involving cash:		
Gain on extinguishment of convertible debt	(117,444)	–
Gain on disposal of assets	(80,545)	–
Interest and accretion on convertible debenture (note 14)	74,832	49,312
Depreciation and amortization	42,999	117,087
Stock-based compensation	6,440	69,636
Loss on termination of lease liabilities	2,030	–
Finance costs on lease liabilities (note 9)	1,492	13,466
Unrealized foreign exchange loss on lease liabilities (note 9)	–	7,019
Unrealized gain on vehicle lease liability	–	(129)
Net change in non-cash operating working capital (note 12)	127,970	(66,183)
Cash used in operating activities	(198,813)	(672,566)
Financing activities:		
Lease payments (note 9)	(42,099)	(102,464)
Share issuance costs	(12,170)	–
Cash used in financing activities	(54,269)	(102,464)
Investing activities:		
Proceeds on sale of property and equipment	137,202	925
Cash provided by investing activities	137,202	925
Net decrease in cash and cash equivalents	(115,880)	(774,105)
Cash, beginning of period	259,613	1,034,069
Cash, end of period	\$ 143,733	\$ 259,964
Cash interest received	\$ –	\$ 886
Cash interest paid	\$ –	\$ 3,775

See accompanying notes to condensed interim financial statements.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited)

As at and for the three and six months ended June 30, 2021

1. Corporate information:

Raise Production Inc. ("Raise Production" or "the Company") is an innovative 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.

Raise Production is a public company incorporated under the Business Corporations Act (Alberta) on December 23, 1993 and is listed on the TSX Venture Exchange. The address of its registered office is 4300, 888 – 3rd Street S.W., Calgary, Alberta, Canada.

These condensed interim financial statements for the three and six months ended June 30, 2021 were approved and authorized for issuance by the Board of Directors (the "Board") on August 24, 2021.

2. Going concern:

These condensed interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss and comprehensive loss of \$256,587 during the six months ended June 30, 2021 and as of that date, the Company had an accumulated deficit of \$36,718,330. The Company has not generated significant revenues or cash flows from operations since inception. The continuation of the Company as a going concern is dependent upon the receipt of royalty payments from an exclusive license granted to its distribution partner in April 2021 for its Raise Efficient Artificial Lift ("REAL") technology, including the High Angle Reciprocating Pump ("HARP"), the closing of the proposed "reverse takeover" business combination transaction with Cleantek Industries Inc. (see Note 20) and the ability of the Company to continue to minimize its expenses and preserve its remaining cash in order to discharge its liabilities in the normal course of business. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of presentation:

These condensed interim financial statements are unaudited and have been prepared in accordance with *IAS 34 - Interim Financial Reporting* as at and for the three and six months ended June 30, 2021. These condensed interim financial statements do not include all the necessary annual disclosures in accordance with International Financial Reporting Standards ("IFRS") and accordingly should be read in conjunction with the Company's financial statements and notes thereto for the year ended December 31, 2020.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 2

As at and for the three and six months ended June 30, 2021

3. Basis of presentation (continued):

The condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars unless otherwise noted.

The preparation of these condensed interim financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 4 to the financial statements for the year ended December 31, 2020.

These condensed interim financial statements have been prepared using the same accounting policies and methods as the financial statements for the year ended December 31, 2020.

4. Significant Accounting Estimates and Judgements:

Canada Emergency Wage Subsidy

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return employees to payrolls in response to challenges posed by the COVID-19 pandemic. In July 2020, the program was redesigned and extended until December 2020, with the Government of Canada announcing in September 2020 an extension until June 2021 and in April 2021, an additional extension until September 2021.

The Company determined that it met the employer eligibility criteria and applied for CEWS retroactively to March 15, 2020. The Company has recorded a total gross wage subsidy under the CEWS program of \$120,146 for the six months ended June 30, 2021 (2020 - \$99,085). The CEWS is reported as a reduction of general & administration and research expenses in the Statement of Operations and Comprehensive Loss.

In October 2020, the Government of Canada announced the Canada Emergency Rent Subsidy ("CERS") in order to help qualifying tenants and property owners affected by the COVID-19 pandemic. The CERS is available from September 27, 2020 to September 2021 and offers up to 65% of eligible expenses.

The Company determined that it met the tenant eligibility criteria and applied for CERS retroactively to September 27, 2020. The Company has recorded a total gross rent subsidy under the CERS program of \$23,903 for the six months ended June 30, 2021 (2020 – nil). The CERS is reported as a reduction of general & administration expense in the Statement of Operations and Comprehensive Loss.

The Company intends to continue its participation in both the CEWS and CERS program, subject to meeting the eligibility requirements. There are no unfulfilled conditions or other contingencies attaching to the current CEWS or CERS programs.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 3

As at and for the three and six months ended June 30, 2021

5. Inventories:

	As at June 30, 2021	As at December 31, 2020
Finished goods and third-party products	\$ –	\$ 232,774
	\$ –	\$ 232,774

For the three months ended June 30, 2021, the cost of inventories recognized as an expense and included in the cost of sales was \$5,508 (2020 - \$57,172) excluding a warranty provision reversal of \$4,920.

For the six months ended June 30, 2021, the cost of inventories recognized as an expense and included in the cost of sales was \$157,252 (2020 - \$109,871) excluding a warranty provision reversal of \$1,920 and field costs of \$2,603.

For the six months ended June 30, 2021, the cost of inventories written off and recognized as an expense and included in the statement of loss and comprehensive loss was \$141,822 (2020 - nil). The inventory write-off is for all the Company's remaining HARP inventory that was either determined to no longer be usable or transferred to Q2 Artificial Lift Services ("Q2 ALS") at no initial cost with any potential future proceeds to be received on an "as-used" basis.

6. Non-current assets:

Property and equipment

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Cost						
At December 31, 2019	\$ 398,355	\$ 556,124	\$ 77,567	\$ 44,648	\$ 59,815	\$1,136,509
Additions	–	3,472	–	–	–	3,472
Dispositions	(372,776)	(70,155)	–	–	–	(442,931)
Derecognition	–	(255,294)	–	–	–	(255,294)
At December 31, 2020	25,579	234,147	77,567	44,648	59,815	441,756
Dispositions	(25,579)	(234,147)	(56,230)	(44,648)	(59,815)	(420,419)
At June 30, 2021	\$ –	\$ –	\$ 21,337	\$ –	\$ –	\$ 21,337

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 4

As at and for the three and six months ended June 30, 2021

6. Non-current assets (continued):

Property and equipment (continued)

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Accumulated Depreciation						
At December 31, 2019	\$ 198,493	\$ 361,853	\$ 76,167	\$ 44,648	\$ 59,815	\$ 740,976
Depreciation	10,668	39,092	1,400	—	—	51,160
Dispositions	(195,723)	(51,493)	—	—	—	(247,216)
Derecognition	—	(164,421)	—	—	—	(164,421)
At December 31, 2020	13,438	185,031	77,567	44,648	59,815	380,499
Depreciation	505	4,094	—	—	—	4,599
Dispositions	(13,943)	(189,125)	(56,230)	(44,648)	(59,815)	(363,761)
At June 30, 2021	\$ —	\$ —	\$ 21,337	\$ —	\$ —	\$ 21,337

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Net book value						
At December 31, 2020	\$ 12,141	\$ 49,116	\$ —	\$ —	\$ —	\$ 61,257
At June 30, 2021	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The Company disposed of all its property & equipment (other than its accounting software program which is fully depreciated) in June 2021 through an auction process.

Derecognition of assets of \$90,873 for the year ended December 31, 2020 is related to equipment that management determined had a carrying value in excess of its recoverable amount and is not expected to be used in future operations thus was written down to the expected fair value less costs of disposal.

7. Right-of-Use assets:

The following table provides a reconciliation of the carrying amount of the right-of-use assets pertaining to the Company's corporate office lease and photocopier both of which were terminated as of June 30, 2021:

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 5

As at and for the three and six months ended June 30, 2021

7. Right-of-Use assets (continued):

	Office Lease	Machines and equipment	Vehicles	Total
Cost				
At December 31, 2019	\$ 449,658	\$ 209,213	\$ 50,007	\$ 708,878
Additions	86,743	—	—	86,743
Dispositions	(449,658)	(200,639)	(50,007)	(700,304)
At December 31, 2020	86,743	8,574	—	95,317
Dispositions	(86,743)	(8,574)	—	(95,317)
At June 30, 2021	\$ —	\$ —	\$ —	\$ —

	Office Lease	Machines and equipment	Vehicles	Total
Accumulated Depreciation				
At December 31, 2019	\$ 122,634	\$ 31,542	\$ 30,388	\$ 184,564
Depreciation	72,210	15,316	15,194	102,720
Dispositions	(194,844)	(41,958)	(45,582)	(282,384)
At December 31, 2020	—	4,900	—	4,900
Depreciation	37,175	1,225	—	38,400
Dispositions	(37,175)	(6,125)	—	(43,300)
At June 30, 2021	\$ —	\$ —	\$ —	\$ —

Net book value				
At December 31, 2020	\$ 86,743	\$ 3,674	\$ —	\$ 90,417
At June 30, 2021	\$ —	\$ —	\$ —	\$ —

8. Long-term convertible debt:

Balance, December 31, 2019	\$ 1,992,971
Accretion on convertible debenture	100,788
Balance, December 31, 2020	\$ 2,093,759
Accretion on convertible debenture	74,832
Conversion of convertible debenture to shares	(2,168,591)
Balance, June 30, 2021	\$ —

On March 31, 2021, the Company entered into agreements with its twenty secured convertible debenture creditors for the full settlement of the principal and accrued interest balance in exchange for 58,350,688 common shares of the Company from treasury at a deemed price of \$0.04 per share. Upon receipt of approval from the TSX Venture Exchange, the common shares were issued to the creditors on April 20, 2021 when the Company's share price closed at \$0.035 resulting in a gain of \$126,317 in comparison to the book value of the convertible debt on that date.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 6

As at and for the three and six months ended June 30, 2021

8. Long-term convertible debt (continued):

On December 31, 2020, the Company entered into agreements with eleven secured convertible debenture creditors for the full settlement of the accrued interest balance of \$62,107 in exchange for 1,774,502 common shares of the Company at a deemed price of \$0.035 per share. Upon receipt of approval from the TSX Venture Exchange, the common shares were issued to the creditors on January 14, 2021 when the Company's share price closed at \$0.04 resulting in a loss of \$8,873 in comparison to the book value of the accrued interest on that date.

The convertible debentures were originally issued on September 30, 2019 when the Company completed a \$900,000 private placement of secured convertible debentures (the "Debentures") concurrently with the closing of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for consideration of \$1,400,000 of Debentures. The Debentures were secured by general security over all the Company's assets.

The Debentures were comprised of both a debt portion of \$2,067,243 and an equity portion of \$232,757. The debt component represents the discounted present value of the principal payment required at maturity, using an interest rate of 10% that would have been applicable to a non-convertible debt instrument of comparable risk and term at the date of issuance. The equity component represents the conversion feature and is included in Contributed Surplus. Debenture issuance costs of \$97,223 had been netted against the debt portion and \$10,946 netted against the equity portion.

9. Lease liabilities:

The Company's lease liabilities consisted of its Calgary premises office lease repayable at \$6,350 per month originally expiring February 28, 2021 and a photocopier repayable at \$222 per month originally expiring on June 30, 2022. Both leases were terminated by the Company as of June 30, 2021.

	Lease liabilities
Total lease liabilities, December 31, 2019	\$ 490,379
Changes in renewal option assumptions	(259,370)
Lease payments	(247,008)
Office lease addition	86,743
Interest expense	15,484
Effect of movement in foreign exchange rates	4,367
Total lease liabilities, December 31, 2020	\$ 90,595
Lease payments	(42,099)
Interest expense	1,492
Termination of leases	(49,988)
Total lease liabilities, June 30, 2021	\$ —

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 7

As at and for the three and six months ended June 30, 2021

9. Lease liabilities (continued):

During the six months ended June 30, 2021, the Company expensed \$19,655 (2020 - \$31,755) relating to low value lease commitments and \$nil (2020 - \$16,902) of variable lease payments for its office space, both of which are exclusive of GST and included in general and administration expenses.

Changes in renewal option assumptions for the year ended December 31, 2020 include the Company electing to not exercise its two-year office lease extension as of August 31, 2020 on its originally leased premises and cancelling its remaining long-term vehicle lease which originally expired on October 15, 2020 on June 30, 2020. The Company also paid the remaining amount owing on its CNC Lathe of \$116,069 on October 7, 2020, after the sale of the machine for \$106,152.

10. Share capital:

Details of the Company's share capital are as follows:

(a) Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

(b) Issued:

	Common Shares	Amount
Balance, December 31, 2019	113,582,673	\$ 30,140,133
Balance, December 31, 2020	113,582,673	\$ 30,140,133
Shares issued for convertible debt interest	1,774,502	70,980
Shares issued for convertible debt principal & interest	58,350,688	2,030,104
Balance, June 30, 2021	173,707,863	\$ 32,241,217

On January 14, 2021, the Company issued 1,774,502 common shares from treasury at a price of \$0.04 per share to settle outstanding debt interest to eleven secured convertible debenture creditors (refer to Note 8).

On April 20, 2021, the Company issued 58,350,688 common shares of the Company from treasury at a price of \$0.035 per share less share issuance costs of \$12,170 in full settlement of the principal balance and accrued interest to twenty secured convertible debenture creditors (refer to Note 8).

(c) Stock options:

The Company grants stock options for the benefit of directors, officers, employees and consultants of the Company. The options may be granted, at the discretion of the Board of Directors, to purchase not more than 10% of the Company's issued and outstanding common shares at any point in time. This rolling option plan was approved by the Company's shareholders on December 5, 2018.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 8

As at and for the three and six months ended June 30, 2021

10. Share capital (continued):

(c) Stock options (continued):

All stock options issued by the Company have an exercise price that is equal to the market price of the underlying shares on the date of the grant. All options granted expire five years after the date of the grant, unless an extension is granted by the Board of Directors not to exceed a maximum term of ten years. The vesting terms vary by grant with one-third released at each of three specified dates during the vesting period.

The following movement of stock options occurred:

	Number	Weighted-average exercise price (\$)
Options outstanding, December 31, 2019	8,985,000	0.21
Options forfeited	(355,000)	0.24
Options expired	(70,000)	1.25
Options outstanding, December 31, 2020	8,560,000	0.20
Options forfeited	(1,650,000)	0.24
Options outstanding, June 30, 2021	6,910,000	0.19
Options exercisable, June 30, 2021	3,860,000	0.26

At June 30, 2021, the following options were outstanding and exercisable:

Grant date	Options outstanding			Options exercisable	
	Number of options	Exercise price (\$)	Years to expiry	Number of options	Exercise price (\$)
August 24, 2012	1,223,750	0.24	0.57	1,223,750	0.24
May 29, 2017	710,000	0.205	0.91	710,000	0.205
November 24, 2017	1,126,250	0.24	1.40	1,126,250	0.24
February 23, 2018	700,000	0.39	1.65	700,000	0.39
November 26, 2018	150,000	0.19	2.41	100,000	0.19
September 4, 2019	3,000,000	0.11	3.18	—	0.11
	6,910,000	0.19 ⁽¹⁾		3,860,000	0.26 ⁽¹⁾

(1) Weighted average

During the three months ended June 30, 2021 \$752 (2020 - \$4,208) of stock-based compensation was recognized in the Statement of Loss and Comprehensive Loss.

During the six months ended June 30, 2021, \$6,440 (2020 - \$69,636) of stock-based compensation was recognized in the Statement of Loss and Comprehensive Loss.

No stock options were granted during the six months ended June 30, 2021 or the year ended December 31, 2020.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 9

As at and for the three and six months ended June 30, 2021

10. Share capital (continued):

(d) Loss per share calculation:

The weighted average number of common shares used in calculating the net loss per share for the three months ended June 30, 2020 is 160,883,536 (2019 – 113,582,673) and six months ended June 30, 2020 is 138,108,865 (2019 – 113,582,673). The effect of all stock options outstanding has been excluded from the calculation in periods where the Company reported a loss, as they are anti-dilutive.

11. Financial instruments and risk management:

The Company's financial instruments are represented by cash, trade receivables, deposits and trade payables.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. At June 30, 2021, the Company had cash and accounts receivable of \$155,014 and current liabilities of \$99,433, excluding deferred revenue. The Company continues to minimize its operational expenses in order to continue to meet its financial liability obligations. At June 30, 2021, all of the Company's financial liabilities are due within one year.

On April 20, 2021, the Company granted an exclusive worldwide license agreement to Q2 Artificial Lift Services ("Q2 ALS") for its REAL technology, including the HARP technology, in consideration of royalty payments on all REAL and HARP proprietary parts sold by Q2 ALS for a ten-year period. Q2 ALS will be responsible for all marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the REAL and HARP products. Q2 ALS has also received all of the Company's remaining HARP and REAL inventory with payment to be made on an "as used" basis.

The Company believes its current cash position will be sufficient to satisfy its financial obligations until the end of the fourth quarter of 2021 based on its continued cost reductions in all aspects of the business. The Company's ability to accomplish its plans throughout the remainder 2021 and beyond is dependent upon the Company closing the proposed "reverse takeover" business combination transaction with Cleantek Industries Inc. (see Note 20) as well as generating cash from royalties received through the exclusive license granted to Q2 ALS; however, there is no assurance that the Company will achieve either of these objectives. Refer to the going concern discussion in note 2.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 10

As at and for the three and six months ended June 30, 2021

11. Financial instruments and risk management (continued):

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At June 30, 2021, cash and cash equivalents totaled \$143,733, none of which is earning interest thus the Company has no exposure to fluctuating market interest rates.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash and cash equivalents, trade receivables and deposits as disclosed in the financial statements as at June 30, 2021.

The Company mitigates its exposure to credit risk with respect to cash and cash equivalents by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions.

The trade receivables balance at June 30, 2021 consists of amounts owing from two customers and the federal government for the CEWS and CERS programs. The majority of the balance owing has been collected subsequent to quarter-end, other than invoices provided for in its Allowance for Doubtful Accounts provision. The Company has fully provided for one customer invoice in the amount of \$23,475 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

Foreign Currency Exchange Risk

The Company's only exposure to U.S. denominated financial instruments at June 30, 2021 is a cash balance of USD\$19,942.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 11

As at and for the three and six months ended June 30, 2021

12. Supplemental cash flow information:

Changes in non-cash operating assets and liabilities for six months ended June 30, 2021 and 2020 are as follows:

	2021	2020
Trade receivables	\$ 58,992	\$ 169,941
Inventories	232,774	(35,568)
Prepaid expenses and deposits	26,246	20,497
Trade payables and accrued liabilities	(78,591)	(236,864)
Other current financial liabilities	(2,551)	4,911
Deferred revenue	(108,900)	10,900
Change in non-cash working capital	\$ 127,970	\$ (66,183)

13. General and administration expenses:

General and administration expenses for the three and six months ended June 30, 2021 and 2020 consisted of the following:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Salaries and benefits ⁽¹⁾	\$ 138,724	\$ 64,242	\$ 192,430	\$ 211,832
Salaries and benefits ⁽²⁾	19,897	35,038	52,494	183,563
Legal, audit & accounting	32,444	34,673	46,429	92,966
Sub-contracted and consulting services	10,976	18,831	27,234	47,622
Public company costs	11,643	5,231	22,771	8,551
Facilities	(3,073)	9,584	(12,587)	30,208
Other administration	35,839	26,745	67,489	56,873
	\$ 246,450	\$ 194,344	\$ 396,260	\$ 631,615

(1) Administration

(2) HARP commercialization

14. Finance costs:

Finance costs for the three and six months ended June 30, 2021 and 2020 consisted of the following:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on convertible debenture	\$ —	\$ 34,123	\$ 34,500	\$ 68,623
Accretion on convertible debenture	13,773	25,692	40,332	49,312
Accretion on lease liabilities	651	4,585	1,493	9,691
Bank and other interest charges	654	2,256	1,404	4,856
	\$ 15,078	\$ 66,656	\$ 77,729	\$ 132,482

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 12

As at and for the three and six months ended June 30, 2021

15. Capital management:

The Company requires capital to safeguard its ability to continue as a going concern, finance the commercialization of its products, as well as for corporate administration and to minimize dilution to existing shareholders whenever possible.

The fundamental components of the Company's capital structure include cash, convertible debt and shareholders' equity. The following table summarizes the Company's capital as at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Cash	\$ 143,733	\$ 259,613
Convertible debenture	\$ –	\$ 2,300,000
Share capital	\$32,241,217	\$30,140,133
Contributed surplus	4,119,332	4,112,892
Deficit	(36,718,330)	(36,461,743)
Shareholders' equity	\$ (357,781)	\$(2,208,718)

In managing capital, the Company estimates its future cash requirements by preparing a quarterly cash-flow forecast for review by the Company's management and Board of Directors. The cash-flow forecast estimates the costs associated with approved activities for the upcoming year. Forecast to actual variances are prepared quarterly for review by the Company's management.

Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and the need to balance value creation for shareholders against the increased liquidity risks associated with debt.

The Company works toward managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 13

As at and for the three and six months ended June 30, 2021

16. Warranty Provision:

	Maintenance Warranty
Provision balance, December 31, 2019	\$ 41,000
Additions	13,425
Utilized	(4,929)
Expired	(36,548)
Provision balance, December 31, 2020	\$ 12,948
Additions	3,000
Utilized	(631)
Expired	(4,920)
Provision balance, June 30, 2021	\$ 10,397

A provision is recognized for expected maintenance warranty claims on products sold during the year. The provision reflects the estimated costs of repair or replacement and free-of-charge services that may be incurred by the Company with respect to products sold. Assumptions used to calculate the provision were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold in Canada. It is expected that most of these costs will be incurred within the current financial year.

17. Deferred Revenue:

	Deferred Revenue
Balance, December 31, 2019	\$ 538,000
Additions	10,900
Balance, December 31, 2020	\$ 548,900
Recognitions	(108,900)
Balance, June 30, 2021	\$ 440,000

The majority of the Company's deferred revenue balance at June 30, 2021 consists of cash payments of \$440,000 (December 31, 2020 - \$440,000) received from a third party during the year ended December 31, 2020. The amount paid will be used as a credit by the third party to apply against future purchases of the Company's Horizontal Artificial Recovery Technology ("HART") products and services when commercialized.

The amounts received have been recorded as current deferred revenue as at June 30, 2021 and December 31, 2020 and will be recognized into revenue as future purchases are completed, services completed, or inventory delivered.

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 14

As at and for the three and six months ended June 30, 2021

18. Segmented Information:

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support all segments.

Revenue	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Raise Efficient Artificial Lift	\$ 110,980	\$ 110,776	\$ 382,963	\$ 229,653
Corporate	4,232	31,661	4,232	33,530
Total	\$ 115,212	\$ 142,437	\$ 387,195	\$ 263,183

Depreciation and Amortization	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Raise Efficient Artificial Lift	\$ —	\$ 11,885	\$ —	\$ 23,771
Corporate	21,040	46,099	42,999	93,316
Total	\$ 21,040	\$ 57,984	\$ 42,999	\$ 117,087

Net Loss	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Raise Efficient Artificial Lift	\$ (40,681)	\$ 3,704	\$ 10,310	\$ (113,673)
Corporate	(61,674)	(260,430)	(266,897)	(749,101)
Total	\$ (102,355)	\$ (256,726)	\$ (256,587)	\$ (862,774)

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 15

As at and for the three and six months ended June 30, 2021

18. Segmented Information (continued):

Capital Expenditures (Recoveries)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Raise Efficient Artificial Lift	\$ —	\$ —	\$ —	\$ —
Corporate	—	—	(925)	(925)
Total	\$ —	\$ —	\$ (925)	\$ (925)

Total Assets	June 30, 2021	December 31, 2020
Raise Efficient Artificial Lift	\$ 2,087	\$ 283,460
Corporate	179,565	483,758
Total	\$ 181,652	\$ 767,218

For the six months ended June 30, 2021, revenues from one customer was greater than 10% of the Company's total revenue amounting to \$98,000 of revenue earned in the REAL segment for project revenue previously included in deferred revenue.

19. Revenue from Contracts with Customers:

Set out below is the disaggregation of the Company's revenue from contracts with customers in addition to the segmented information provided in note 18.

Contracts with Customers by Geographical Market	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Raise Efficient Artificial Lift - Canada	\$ 110,980	\$ 110,776	\$ 344,190	\$ 190,880
Raise Efficient Artificial Lift - Romania	—	—	38,773	38,773
Total	\$ 110,980	\$ 110,776	\$ 382,963	\$ 229,653

20. Subsequent Events:

On July 12, 2021, the Company announced it has entered into an arrangement agreement with Cleantek Industries Inc. ("Cleantek") whereby a "reverse takeover" business combination (the "Transaction") with the Company will be completed subject to the receipt of all required regulatory, governmental, shareholder and other third party approvals as well as the completion of a brokered financing for minimum gross proceeds of not less than \$10 million (the "Financing").

RAISE PRODUCTION INC.

Notes to Condensed Interim Financial Statements (Unaudited), page 16

As at and for the three and six months ended June 30, 2021

20. Subsequent Events (continued):

Upon completion of the Transaction, the Company will remain listed on the TSX Venture Exchange and will carry on the combined business of the Company and Cleantek under the name Cleantek Industries Inc. The Company will acquire each issued and outstanding common share of Cleantek in exchange for the issuance of 58.3 common shares of Raise. Following completion of the Transaction, shareholders of Raise will hold approximately 15% of the combined company and shareholders of Cleantek will hold the remaining approximately 85%, not including the completion of the Financing.

On August 4, 2021, the Company announced a syndicate of investment dealers led by Eight Capital have fully allocated \$10 million of the Financing, including a President's List in excess of \$1 million. The Financing is expected to close on or about August 31, 2021.



Audited Financial Statements

Years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

Management is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on best estimates and judgments of management. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

The Company maintains internal accounting control systems that 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 financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with external auditors and management to review the work of each and the priority of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors, the financial statements and the annual report 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 Ernst & Young LLP as external auditors of the Company.

A handwritten signature in dark ink, appearing to read "Eric Laing", written in a cursive style.

Eric Laing
President and Chief Executive Officer

A handwritten signature in dark ink, appearing to read "Susan Scullion", written in a cursive style.

Susan Scullion, CA
Chief Financial Officer

April 28, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Raise Production Inc.**

Opinion

We have audited the financial statements of Raise Production Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 report. We are independent of the Company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss and comprehensive loss of \$1,647,579 during the year ended December 31, 2020. The Company had an accumulated deficit of \$36,461,743. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do 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, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this 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, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 these 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 Company'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 Company'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 Company 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.

We 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

Ernst + Young LLP

Calgary, Canada

April 28, 2021

RAISE PRODUCTION INC.

Statements of Financial Position

	As at December 31, 2020	As at December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 259,613	\$ 1,034,069
Trade receivables (note 14)	70,273	253,413
Inventories (note 7)	232,774	450,185
Prepaid expenses and deposits	52,884	89,888
	615,544	1,827,555
Non-current assets:		
Property and equipment (note 8)	61,257	395,533
Right-of-use assets (note 9)	90,417	524,314
Total Assets	\$ 767,218	\$ 2,747,402
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	\$ 229,734	\$ 362,951
Warranty provision (note 19)	12,948	41,000
Current portion of lease liabilities (note 11)	76,643	173,720
Deferred revenue (note 20)	548,900	538,000
Convertible debt (note 10)	2,093,759	—
	2,961,984	1,115,671
Non-current liabilities:		
Long-term convertible debt (note 10)	—	1,992,971
Long-term lease liabilities (note 11)	13,952	316,659
Total Liabilities	2,975,936	3,425,301
Shareholders' equity:		
Share capital (note 12)	30,140,133	30,140,133
Contributed surplus	4,112,892	3,969,132
Deficit	(36,461,743)	(34,787,164)
Total Shareholders' Equity	(2,208,718)	(677,899)
Total Liabilities and Shareholders' Equity	\$ 767,218	\$ 2,747,402

See accompanying notes to financial statements.

Subsequent Events (note 24)

Approved on behalf of the Board:

 Director
 Director

RAISE PRODUCTION INC.

Statements of Loss and Comprehensive Loss

Years ended December 31

	2020	2019
Revenue from contracts with customers (note 23)	\$ 606,331	\$1,100,624
Cost of sales (note 7)	360,506	705,613
Gross margin	245,825	395,011
Other income	35,999	21,458
Expenses:		
General and administration (note 16)	1,113,653	3,043,618
Finance costs (note 17)	255,976	94,820
Loss on disposal and derecognition of assets	156,621	–
Depreciation and amortization (notes 8,9)	153,880	247,495
Stock-based compensation (note 12)	143,760	241,553
Research expenses	74,822	171,441
Inventory impairment (note 7)	57,691	156,874
Goodwill and intangible asset impairment (note 8)	–	6,089,824
	1,956,403	10,045,625
Net loss and comprehensive loss	\$(1,674,579)	\$(9,629,156)
Net loss per common share (note 12(d)):		
Basic and diluted	\$ (0.01)	\$ (0.08)

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Statements of Changes in Shareholders' Equity

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance at December 31, 2018	\$ 30,140,133	\$ 3,086,591	\$ 419,177	\$(25,158,008)	\$ 8,487,893
Net loss	—	—	—	(9,629,156)	(9,629,156)
Stock-based compensation (note 12)	—	241,553	—	—	241,553
Expiry of share purchase warrants	—	419,177	(419,177)	—	—
Equity component of convertible debt (note 10)	—	232,757	—	—	232,757
Equity component of convertible debt issuance costs (note 10)	—	(10,946)	—	—	(10,946)
Balance at December 31, 2019	\$ 30,140,133	\$ 3,969,132	\$ —	\$(34,787,164)	\$ (677,899)
Net loss	—	—	—	(1,674,579)	(1,674,579)
Stock-based compensation (note 12)	—	143,760	—	—	143,760
Balance at December 31, 2020	\$ 30,140,133	\$ 4,112,892	\$ —	\$(36,461,743)	\$ (2,208,718)

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Statements of Cash Flows

Years ended December 31

	2020	2019
Operating activities:		
Net loss	\$(1,674,579)	\$(9,629,156)
Items not involving cash:		
Depreciation and amortization	153,880	247,495
Stock-based compensation (note 12)	143,760	241,553
Loss on disposal of assets	156,621	–
Finance costs on lease liabilities	15,484	34,127
Accretion of convertible debenture	100,789	22,951
Unrealized foreign exchange on lease liabilities	–	640
Goodwill and intangible asset impairment	–	6,089,824
Consulting fee	–	1,100,000
Change in long-term deposits	–	37,561
Net change in non-cash operating working capital (note 15)	287,185	75,598
Cash used in operating activities	(816,860)	(1,779,407)
Financing activities:		
Lease payments (note 11)	(247,008)	(208,917)
Long-term convertible debt issuance (note 10)	–	1,200,000
Long-term convertible debt issuance costs (note 10)	–	(108,170)
Cash provided by (used in) financing activities	(247,008)	882,913
Investing activities:		
Sale of property and equipment (note 8)	291,959	–
Purchase of property and equipment (note 8)	(2,547)	(22,807)
Horizontal wellbore system development (note 8)	–	(52,116)
Cash provided by (used in) investing activities	289,412	(74,923)
Net decrease in cash	(774,456)	(971,417)
Cash, beginning of year	1,034,069	2,005,486
Cash, end of year	\$ 259,613	\$ 1,034,069
Cash interest received on bank balance	\$ 886	\$ 12,390
Cash interest paid on lease liabilities and convertible debt	\$ 81,369	\$ 43,410

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Notes to Financial Statements

Years ended December 31, 2020 and 2019

1. Corporate information:

Raise Production Inc. ("Raise Production" or the "Company") is an innovative 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.

Raise Production is a public company incorporated under the Business Corporations Act (Alberta) on December 23, 1993 and is listed on the TSX Venture Exchange. The address of its registered office is 4300, 888 – 3rd Street S.W., Calgary, Alberta, Canada.

These annual financial statements were approved and authorized for issuance by the Board of Directors (the "Board") on April 28, 2021.

2. Going concern:

These annual financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss and comprehensive loss of \$1,674,579 during the year ended December 31, 2020 and as of that date, the Company had an accumulated deficit of \$36,461,743. The Company has not generated significant revenues or cash flows from operations since inception. The continuation of the Company as a going concern is dependent upon the receipt of royalty payments from an exclusive license granted to its distribution partner in April 2021 (see Note 24) for its Raise Efficient Artificial Lift ("REAL") technology, including the High Angle Reciprocating Pump ("HARP") and the ability of the Company to continue to minimize its expenses and preserve its remaining cash in order to discharge its liabilities in the normal course of business. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, continue as a going concern.

These annual financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars unless otherwise noted.

The preparation of these financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 4.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 2

Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies:

Significant accounting policies applied in the preparation of the financial statements are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents consists of operating and investment bank accounts. The Company earns a fixed interest of 1.75% per annum in its investment bank account for balances held over \$1,000,000.

(b) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price less applicable selling expenses.

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Property and equipment are assessed for indicators of impairment at each reporting date. An item of property and equipment is derecognized when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of loss and comprehensive loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Property and equipment are depreciated over their estimated useful lives at the following rates and methods:

Leasehold improvements	term of lease	straight-line method
Shop equipment and office furniture	20%	declining balance method
Machines and equipment	10%	declining balance method
Computer hardware and software	36%	straight-line method
Field trucks and trailers	36%	straight-line method

RAISE PRODUCTION INC.

Notes to Financial Statements, page 3

Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(d) Leases:

The Company assesses whether a contract contains a lease at inception by exercising judgement about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the commencement of the lease. The ROU asset and lease liability is initially measured based on the present value of the lease payments discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate.

The ROU asset is depreciated over the lease term or the useful life of the underlying asset if ownership of the underlying asset transfers to the Company at the end of the lease term. The ROU asset is subject to testing for impairment if indicators of impairment are present. Payments are applied against the lease liability and interest expense is recognized on the lease liability using the effective interest rate method.

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments. The Company presents ROU assets and finance lease liabilities in the Statement of Financial Position. Payments for leases that are low value (<\$5,000) and short-term leases (<12 months) are recognized in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term.

(e) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the statement of loss and comprehensive loss.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or when indicators of impairment are present, at the cash-generating unit level.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of loss and comprehensive loss when the asset is derecognized.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 4

Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(e) Intangible assets (continued):

The Company's intangible assets are comprised of patented technology, licenses and rights and internally generated development costs with finite useful lives and goodwill with an indefinite useful life. An impairment loss was recognized for the year ended December 31, 2019 for the Company's intangible assets for all costs incurred for this segment that were capitalized as Horizontal Artificial Recovery Technology ("HART") development costs beginning April 1, 2013.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are capitalized and recognized as an intangible asset if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met.

The Company has recognized research expenses related to the design and development of patent pending downhole tools that form part of the Company's Raise Efficient Artificial Lift ("REAL") system during the years ended December 31, 2020 and December 31, 2019. All costs incurred related to research have been expensed in the statement of operations.

(f) Impairment of non-financial assets:

Property and equipment and intangible assets are assessed for indicators of impairment at each reporting date. Intangible assets with an indefinite life, intangible assets that are not yet available for use and goodwill are tested for impairment at least annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of assessing indicators of impairment or measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. The recoverable amount is determined as the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or groups of assets.

Fair value less costs of disposal may be determined using future net cash flows of the asset or CGU. Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of loss and comprehensive loss so as to reduce the carrying amount of the asset to its recoverable amount.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 5

Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(f) Impairment of non-financial assets (continued):

Any previously recognized impairment loss will not be reversed unless there is a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset of CGU is increased to its recoverable amount.

The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years. Such reversal is recognized in the statement of loss and comprehensive loss. Goodwill impairments are not reversed in subsequent periods even if the recoverable amount exceeds the carrying amount of the CGU.

(g) Revenue recognition:

The Company currently generates revenue from the sale of a component of its proprietary REAL system, the High Angle Reciprocating Pump ("HARP").

Revenue from the sale of HARP's is recognized at a point in time when control of the underlying goods or services manufactured or developed for the particular performance obligation is transferred to the customer. This is generally met at the time the product is shipped and delivered to the customer and depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

A contract liability is recorded when payment has been received by the Company before delivery of a product or completion of services. If there is no unconditional right to defer delivery of a product or completion of services for a period greater than 12 months, the contract liability is classified as current, otherwise it is classified as long-term. Contract liabilities are recognized as revenue of the Company when the delivery of the product or completion of services occurs. Contract liabilities are removed as a liability of the Company and recognized in income if the product or services are no longer required to be completed.

(h) Income taxes:

Income tax expense consists of current and deferred taxes. It is recognized in the statement of loss and comprehensive loss, except to the extent that the expense relates to items recognized directly in shareholders' equity, in which case, the income tax is also recognized directly in equity.

Current income tax is the expected tax payable or recoverable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years. Current tax assets and current tax liabilities are offset if a legally enforceable right exists to offset the recognized amounts and the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 6

Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(h) Income taxes (continued):

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax assets are recognized to the extent that it is more likely than not that taxable profit will be available against which deductible temporary differences can be utilized and deferred tax liabilities are generally recognized for all taxable temporary differences. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets and liabilities are measured using rates that are expected to be applied to the temporary differences when they reverse. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company's policy is to recognize Scientific Research and Experimental Development ("SR&ED") credits when the research program is approved by the Canada Revenue Agency ("CRA") or is a continuation of a previously approved program. SR&ED credits are recorded as a reduction of capitalized assets or as other income in the Statement of Operations and Comprehensive Loss to the extent the carrying amount of the related asset is nil.

(i) Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(i) Financial instruments (continued):

At initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the financial instrument's classification, as described below:

i) Fair Value through profit or loss ("FVTPL")

Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with subsequent changes in fair value charged to the Statements of Loss. The Company does not currently have any financial assets or liabilities classified as FVTPL.

ii) Amortized cost

Amortized cost and other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method, net of any impairment. The Company includes cash, trade receivables, deposits, trade payables, lease obligations and convertible debt within the amortized cost category.

iii) Fair value through other comprehensive income ("FVTOCI")

Financial assets designated at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not currently have any financial assets classified as FVTOCI.

Any subsequent reclassification of financial assets and liabilities from their initial recognition will be reclassified on the first day of the reporting period.

(j) Impairment of financial assets:

Impairment of financial assets is determined by measuring the assets' expected credit losses ("ECLs"). Due to the Company's financial assets not containing a significant financing component because they are due within 30 days of the invoice date, the Company uses the simplified approach and recognizes lifetime ECL's on its trade receivables. Lifetime ECLs are the anticipated ECLs that result from possible default events over the expected life of a financial asset based on historical observed default rates and adjusted for forward-looking estimates at each reporting date. ECLs are not required to be discounted using the simplified approach.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(k) Use of estimates and judgments:

These financial statements, prepared in accordance with IFRS, include estimates, judgments and assumptions by management that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The accounting policies and practices that involve the use of estimates that have a significant impact on the Company's financial results include the allowance for doubtful accounts, valuation of inventory, depreciation and amortization, impairment of non-financial assets and measurement of stock-based compensation and warrants.

Covid-19 Implications

The global impact of COVID-19 as well as the decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future financial results cannot be reasonably estimated at this time. However, the influence of these recent developments has impacted the Company's customers' capital and operating spending budgets, which have resulted in a negative effect on the Company's sales. The Company has taken and continues to take significant steps to reduce its monthly operating expenses and preserve its cash position to meet its financial liability obligations as they become due.

Allowance for doubtful accounts

Customer receivables are regularly monitored and an allowance for doubtful accounts is established based upon lifetime ECL's using historical observed default rates and adjusted for forward-looking estimates at each reporting date.

Valuation of inventory

Inventory is tested for impairment at each reporting date by comparing the cost of the inventory with its net realizable value. The net realizable value is determined from recent sales of the product less applicable selling expenses. If no recent sales by the Company have occurred, sales of the same or similar products by other similar companies will be reviewed if available. If no recent sales information is available, judgment is exercised by management as to whether there have been indicators of impairment such as a lack of market demand for the product and the likelihood of future sales. Management will determine whether a change in one or more indicators of impairment results in a change in the estimated net realizable value amount of the inventory.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(k) Use of estimates and judgements (continued):

Depreciation and amortization

Depreciation and amortization of the Company's property and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the property and equipment or intangible asset.

Impairment

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. If fair value less costs of disposal is not determinable from recent sales transactions conducted at arm's length, management must estimate the fair value based on its prior sales experience with the product and current market conditions. Management may also use future net cash flows of the asset or CGU to determine fair value.

Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset. Judgment is exercised by management when determining future sales of the asset and cash inflows, the appropriate discount factor, the timing of development and the likelihood of success of development.

Management has determined the Company has two CGU's. One CGU for its horizontal pump technologies, which includes HART development costs, patents, licenses, rights and goodwill (as it arose entirely from the acquisition of the horizontal pump technology). The second CGU is for its vertical rod pump technology (REAL), which includes the HARP and certain downhole tools, such as horizontal separation, sand control, and flow control assemblies.

Stock-based compensation and warrants

The fair value of stock options and warrants is based on the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures and estimated volatility of the Company's shares.

(l) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

(m) Stock-based compensation:

The Company grants equity-settled stock options to certain employees, directors and consultants. Each tranche of stock option grants is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(m) Stock-based compensation (continued):

Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date. The effect of any revision in forfeiture rates is recognized in the statement of loss and comprehensive loss with a corresponding adjustment to contributed surplus. When options are exercised, the proceeds, together with the amounts previously recorded in contributed surplus, are recorded in share capital.

(n) Government Grants:

The Company's policy is to recognize government grants and assistance when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants are recorded as a reduction of the related expense in the Statement of Operations and Comprehensive Loss in the same period as the expenses for which the grant is intended to compensate.

(o) Provisions:

Provisions for legal claims, where applicable, are recognized in other financial liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and where applicable, records provisions for such contracts.

Provisions for product warranties are recognized in other financial liabilities when the underlying products or services are sold. Provisions are measured at management's best estimate of the expenditure required to settle the obligation based on historical cost information and current information available about returns.

(p) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by dividing the net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares. Those potential common shares comprise share options and warrants granted, which are excluded from the calculation in periods where the Company reports a loss, as they are anti-dilutive.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

4. Summary of significant accounting policies (continued):

(q) COVID-19 Related Rent Concessions – Amendment to IFRS 16 *Leases*

In May 2020, the IASB released the COVID-19-Related Rent Concessions an amendment to IFRS 16 (“the amendment”), to provide relief to lessees when applying IFRS 16 to COVID-19 related rent concessions. The amendment allows a lessee to elect a practical expedient to not assess whether COVID-19 related rent concessions are a lease modification. When the practical expedient is elected, a lessee accounts for any change in lease payments resulting from COVID-19 rent concessions in the same way it would account for the change if the change was not a lease modification.

The Company first applied the amendment effective for the quarter-ended June 30, 2020. The amendment is applied retrospectively with the cumulative effect of adopting the amendment recognized as an adjustment to the opening balance of retained earnings at January 1, 2020, with no restatement of comparative information.

In accordance with the amendment, the Company is not required to present for the current and comparative periods, the amount of the adjustment for each financial statement line affected and for the basic and diluted loss per share.

The Company has elected to apply the practical expedient available under the amendment to its office lease. Changes in lease payments that arose from COVID-19 related rent concessions are recognized in the statement of loss, within general and administration expenses. As the Company’s rent concessions were not effective until April 2020, the Corporation did not incur any adjustments to the opening balance of retained earnings at January 1, 2020.

5. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy:

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) in order to help employers keep and/or return employees to payrolls in response to challenges posed by the COVID-19 pandemic. In July 2020, the program was redesigned and extended until December 2020, with the Government of Canada announcing in September 2020 an extension until June 2021 and an additional extension until September 2021 was announced in April 2021.

The Company determined that it met the employer eligibility criteria and applied for CEWS retroactively to March 15, 2020. The Company has recorded a total gross subsidy under the CEWS program of \$254,447 for the year ended December 31, 2020. The CEWS is reported as a reduction of salary expense in the Statement of Operations and Comprehensive Loss.

In October 2020, the Government of Canada announced the Canada Emergency Rent Subsidy (“CERS”) in order to help qualifying tenants and property owners affected by the COVID-19 pandemic. The CERS is available from September 27, 2020 to September 2021 and offers up to 65% of eligible expenses.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

5. Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy (continued):

The Company determined that it met the tenant eligibility criteria and applied for CERS retroactively to September 27, 2020. The Company has recorded a total gross rent subsidy under the CERS program of \$12,933 for the year ended December 31, 2020. The CERS is reported as a reduction of facilities expense in the Statement of Operations and Comprehensive Loss.

The Company intends to continue its participation in both the CEWS and CERS program, subject to meeting the eligibility requirements. There are no unfulfilled conditions or other contingencies attaching to the current CEWS or CERS programs.

6. Acquisition and Amalgamation of 1955554 Alberta Ltd.:

On September 30, 2019, the Company acquired the shares of 1955554 Alberta Ltd., an arm's length private company ("PrivateCo"), for total consideration of \$1,400,000 in secured convertible debentures. The assets of the PrivateCo consisted of \$300,000 in cash. The balance of \$1,100,000 represents the value of a consulting engagement with the previous shareholders of PrivateCo and has been recognized as a one-time cost and included in the Corporate operating segment as general and administration expenses for the year ended December 31, 2019.

Consulting services expected to be provided will include, without limitation, sourcing, evaluating and negotiating strategic alternatives, including investments, partnerships, joint ventures, acquisitions, divestitures and other forms of business combinations. In addition, the previous shareholders have joined the board of directors of the Company.

1955554 Alberta Ltd. was amalgamated with the Company on December 23, 2019.

7. Inventories:

	As at December 31, 2020	As at December 31, 2019
Finished goods and third-party products	\$ 232,774	\$ 410,604
Work-in-progress	—	11,457
Raw materials	—	28,124
	\$ 232,774	\$ 450,185

For the year ended December 31, 2020, the cost of inventories recognized as an expense and included in cost of sales was \$373,291 (2019 - \$642,984) excluding a warranty provision reversal of \$23,123 and field costs of \$10,338.

For the year ended December 31, 2020, the cost of inventories written off and recognized as an expense and included in the statement of loss and comprehensive loss was \$57,691 (2019 - \$156,874). The 2020 inventory write-off is related to HARP second-generation inventory that are no longer usable.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

7. Inventories (continued):

The 2019 inventory write-off is related to the impairment of the HART CGU including the HART inventory as well as inventory parts developed in conjunction with the Company's first-generation HARP that are no longer usable.

8. Non-current assets:

Property and equipment

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Cost						
At December 31, 2018	\$ 598,994	\$ 533,317	\$ 77,567	\$ 44,648	\$ 59,815	\$ 1,314,341
Additions	—	22,807	—	—	—	22,807
Transfer to right-of-use asset	(200,639)	—	—	—	—	(200,639)
At December 31, 2019	398,355	556,124	77,567	44,648	59,815	1,136,509
Additions	—	3,472	—	—	—	3,472
Dispositions	(372,776)	(70,155)	—	—	—	(442,931)
Derecognition	—	(255,294)	—	—	—	(252,294)
At December 31, 2020	\$ 25,579	\$ 234,147	\$ 77,567	\$ 44,648	\$ 59,815	\$ 441,756

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Accumulated Depreciation						
At December 31, 2018	\$ 186,318	\$ 316,136	\$ 71,128	\$ 44,648	\$ 59,815	\$ 678,045
Depreciation	22,207	45,717	5,039	—	—	72,963
Transfer to right-of-use asset	(10,032)	—	—	—	—	(10,032)
At December 31, 2019	198,493	361,853	76,167	44,648	59,815	740,976
Depreciation	10,668	39,092	1,400	—	—	51,160
Dispositions	(195,723)	(51,493)	—	—	—	(247,216)
Derecognition	—	(164,421)	—	—	—	(164,421)
At December 31, 2020	\$ 13,438	\$ 185,031	\$ 77,567	\$ 44,648	\$ 59,815	\$ 380,499

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Net book value						
At December 31, 2019	\$ 199,862	\$ 194,271	\$ 1,400	\$ —	\$ —	\$ 395,533
At December 31, 2020	\$ 12,141	\$ 49,116	\$ —	\$ —	\$ —	\$ 61,257

Impairment of assets of \$90,873 for the year ended December 31, 2020 (2019 - \$nil) is related to equipment that management determined had a carrying value in excess of its recoverable amount and is not expected to be used in future operations thus was written down to the expected fair value less costs of disposal.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

8. Non-current assets (continued):

Intangible assets and goodwill

As a result of the delay in commercialization of the HART system, calculating the present value of the projected five years of cash flows with a terminal value assuming 1% growth in perpetuity and an after-tax discount rate of 15.4% resulted in a negative value for the horizontal pump technology CGU at December 31, 2019 and therefore, an impairment was recognized for the carrying amount of the horizontal pump technology CGU in the Statement of Loss and Comprehensive Loss of \$6,089,824, including goodwill of \$259,932.

The annual impairment test of the carrying amount of the horizontal pump technology CGU and HART segment (as disclosed in note 22) was conducted at December 31, 2019 (the "Impairment Test"). The recoverable amount of this CGU was determined based on a value-in-use calculation using cash flow projections covering a five-year period, consistent with management's internal budgeting and forecasting period, and applying a terminal value thereafter. The cash flow projections incorporate management's best estimates of revenue, gross profit, administration expenditures and capital expenditures.

In assessing value-in-use, the Company reviewed the broad categories of risk within the CGU being general uncertainties related to the oilfield service industry (activity, competition, oil price, etc.) and those specifically related to the development and commercialization of the horizontal pump technology. Although the Company believes its horizontal pump technology remains key to its long-term success, further development has been on hold since mid-2017. The Company requires a partner to assist in development and commercialization of the HART for deeper and higher-pressure wellbores. The difficulties being experienced by the oil and gas industry over the last few years have resulted in the Company being unable to find a development and commercialization partner to date. The key assumptions used in the Impairment Test assume a partner is found in late 2020 and funding, development and testing occurs in 2021 and 2022, resulting in commercialization of the HART system beginning in late 2022.

Management believes, at December 31, 2020, that there are no reasonable changes in the key assumptions that would lead to a reversal of the intangible asset impairment loss previously recognized.

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Years ended December 31, 2020 and 2019

9. Right-of-Use assets:

The following table provides a reconciliation of the carrying amount of the right-of-use assets pertaining to the Company's corporate office lease, one machining unit, two vehicle leases and one photocopier:

	Office Lease	Machines and equipment	Vehicles	Total
Cost				
At January 1, 2019	\$ 449,658	\$ 209,213	\$ 50,007	\$ 708,878
Additions	—	—	—	—
At December 31, 2019	449,658	209,213	50,007	708,878
Additions	86,743	—	—	86,743
Dispositions	(449,658)	(200,639)	(50,007)	(700,304)
At December 31, 2020	\$ 86,743	\$ 8,574	\$ —	\$ 95,317

	Office Lease	Machines and equipment	Vehicles	Total
Accumulated Depreciation				
At January 1, 2019	\$ —	\$ 10,032	\$ —	\$ 10,032
Depreciation	122,634	21,510	30,388	174,532
At December 31, 2019	122,634	31,542	30,388	184,564
Depreciation	72,210	15,316	15,194	102,720
Dispositions	(194,844)	(41,958)	(45,582)	(282,384)
At December 31, 2020	\$ —	\$ 4,900	\$ —	\$ 4,900

Net book value				
At December 31, 2019	\$ 327,024	\$ 177,671	\$ 19,619	\$ 524,314
At December 31, 2020	\$ 86,743	\$ 3,674	\$ —	\$ 90,417

10. Convertible debt:

Balance, December 31, 2018	\$ —
Convertible debenture issuance	2,300,000
Equity component of convertible debenture	(232,757)
Debenture issuance costs	(97,223)
Accretion on convertible debenture	22,951
Balance, December 31, 2019	\$ 1,992,971
Accretion on convertible debenture	100,788
Balance, December 31, 2020	\$ 2,093,759

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

10. Convertible debt (continued):

On September 30, 2019, the Company completed a \$900,000 private placement of secured convertible debentures (the "Debentures") concurrently with the closing of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for consideration of \$1,400,000 of Debentures. The Debentures are secured by general security over all the Company's assets.

The Debentures have a coupon of 6.00% per annum and are convertible into units of the Company (each, a "Unit") at a conversion price of \$0.11 per Unit. The Debentures will be repaid in cash at maturity on September 30, 2022, subject to earlier conversion by the holder or the Company as detailed below. The Debentures are subject to a four month hold period.

Upon the 10-day volume weighted average trading price (the "Market Price") of the common shares of Company (each, a "Common Share") equaling or exceeding \$0.18, the Debentures will, at the option of the holders or the Company, be convertible into Units at any time prior to the close of business on the business day immediately preceding the maturity date. Each Unit will be comprised of one Common Share and one Common Share purchase warrant (each, a "Warrant").

Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.11 for a period of two years following the date of issuance. The Warrants will vest in three tranches every four months from the date of issuance, provided that the Market Price of the Common Shares has equaled or exceeded \$0.18 prior to the vesting date.

The Debentures are comprised of both a debt and equity portion. The debt component represents the discounted present value of the principal payment required at maturity, using an interest rate of 10% that would have been applicable to a non-convertible debt instrument of comparable risk and term at the date of issuance. The equity component represents the conversion feature and is included in Contributed Surplus. Debenture issuance costs of \$97,223 have been netted against the debt portion and \$10,946 netted against the equity portion.

During the year ended December 31, 2020, the Company sold machinery in excess of \$75,000 and did not obtain prior written consent from its debenture holders as required in the non-financial covenants included in the Debenture agreement. The Company is in compliance with all other debt covenants.

Refer to Note 24 regarding the Company's full extinguishment of this convertible debt and full and final release of all convertible debt obligations subsequent to year-end.

11. Lease liabilities:

The Company's lease liabilities as of December 31, 2020, consist of a photocopier repayable at \$222 per month expiring on June 30, 2022 (2019 – lease liabilities consisted of the Calgary premises office lease, a CNC Lathe machining unit, two vehicle leases repayable and a photocopier).

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

11. Lease liabilities (continued):

	Lease liabilities
Total lease liabilities, January 1, 2019	\$ 664,529
Lease payments	(208,917)
Interest expense	34,127
Effect of movement in foreign exchange rates	640
Total lease liabilities, December 31, 2019	\$ 490,379
Changes in renewal option assumptions	\$ (259,370)
Lease payments	(247,008)
Office Lease addition	86,743
Interest expense	15,484
Effect of movement in foreign exchange rates	4,367
Total lease liabilities, December 31, 2020	\$ 90,595
Less: current portion of lease liabilities	\$ 76,643
Long-term lease liabilities, December 31, 2020	\$ 13,952

As of December 31, 2020, lease liabilities, including short-term lease commitments for one vehicle, mature over the next five fiscal years as follows:

2021	\$ 82,653
2022	14,033
2023	—
2024	—
2025	—
	\$ 96,686

Changes in renewal options assumptions includes the Company electing to not exercise its two-year office lease extension as of August 31, 2020 on its originally lease premises and cancelling its remaining long-term vehicle lease which originally expired on October 15, 2020 on June 30, 2020. The Company also paid the remaining amount owing on its CNC Lathe of \$116,069 on October 7, 2020, after the sale of the machine for \$106,152.

During the year ended December 31, 2020, the Company expensed \$54,184 (2019 - \$63,857) relating to low value lease commitments, \$24,124 (2019 - \$47,429) of variable lease payments for its office space and \$29,691 relating to short-term lease commitments (2019 – nil), all of which are exclusive of GST and included in general and administration expenses. In addition, the Company applied a practical expedient for rent concessions received as a direct consequence of the COVID-19 pandemic resulting in a \$7,793 reduction in office lease operating expenses included in general and administration expenses.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

12. Share capital:

Details of the Company's share capital are as follows:

(a) Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

(b) Issued:

	Common Shares	Amount
Balance, December 31, 2018	113,582,673	\$ 30,140,133
Balance, December 31, 2019	113,582,673	\$ 30,140,133
Balance, December 31, 2020	113,582,673	\$ 30,140,133

(c) Stock options:

The Company grants stock options for the benefit of directors, officers, employees and consultants of the Company. The options may be granted, at the discretion of the Board of Directors, to purchase not more than 10% of the Company's issued and outstanding common shares at any point in time. This rolling option plan was approved by the Company's shareholders on December 5, 2018.

All stock options issued by the Company have an exercise price that is equal to the market price of the underlying shares on the date of the grant. All options granted expire five years after the date of the grant, unless an extension is granted by the Board of Directors not to exceed a maximum term of ten years. The vesting terms vary by grant with one-third released at each of three specified dates during the vesting period.

The following movement of stock options occurred:

	Number	Weighted-average exercise price (\$)
Options outstanding, December 31, 2018	6,990,000	0.31
Options granted	3,000,000	0.11
Options forfeited	(675,000)	0.34
Options expired	(330,000)	1.08
Options outstanding, December 31, 2019	8,985,000	0.21
Options forfeited	(355,000)	0.24
Options expired	(70,000)	1.25
Options outstanding, December 31, 2020	8,560,000	0.20
Options exercisable, December 31, 2020	5,276,667	0.25

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

12. Share capital (continued):

At December 31, 2020, the following options were outstanding and exercisable:

Grant date	Options outstanding			Options exercisable	
	Number of options	Exercise price (\$)	Years to expiry	Number of options	Exercise price (\$)
August 24, 2012	2,251,250	0.24	1.31	2,251,250	0.24
May 29, 2017	860,000	0.205	1.66	860,000	0.205
November 24, 2017	1,598,750	0.24	2.15	1,598,750	0.24
February 23, 2018	700,000	0.39	2.40	466,667	0.39
November 26, 2018	150,000	0.19	3.15	100,000	0.19
September 4, 2019	3,000,000	0.11	3.93	–	0.11
	8,560,000	0.20 ⁽¹⁾		5,276,667	0.25 ⁽¹⁾

(1) Weighted average

During the year ended December 31, 2020, \$143,760 (2019 - \$241,553) of stock-based compensation was recognized in the statement of loss and comprehensive loss.

No stock options were granted during the year ended December 31, 2020. The following weighted average assumptions used in the Black-Scholes option pricing model to determine the fair value of options granted during the year ended December 31, 2019 are as follows:

	2020	2019
Weighted average share price	\$ -	\$ 0.11
Risk free interest rate	-	1.2%
Expected life	-	4.6 yrs
Expected volatility	-	124%
Pre-vest forfeiture rate	-	12%
Expected annual dividend yield	-	0%

The weighted average fair value of options granted during the year ended December 31, 2019 was \$0.07 per option.

Volatility is calculated based on the historical daily price change in the Company's closing price on the TSX-V Exchange over the period prior to the stock option grant date equal to the expected life of the option.

(d) Loss per share calculation:

The weighted average number of common shares used in calculating the net loss per share for the year ended December 31, 2020 is 113,582,673 (2019 – 113,582,673). The effect of all stock options outstanding has been excluded from the calculation in periods where the Company reported a loss, as they are anti-dilutive.

RAISE PRODUCTION INC.

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Years ended December 31, 2020 and 2019

13. Deferred income taxes:

The following table reconciles income taxes calculated at the Canadian statutory income tax rate to the Company's deferred income tax recovery:

	2020	2019
Loss before income taxes	\$ (1,674,579)	\$ (9,629,156)
Statutory income tax rate	24.00%	26.50%
Expected income tax recovery	(401,899)	(2,551,726)
Decrease resulting from:		
Unrecognized deferred tax asset	376,354	2,545,549
Prior year true-ups and other	(27,997)	113
Non-deductible expenses	35,280	357,362
Impact of tax rate changes	18,262	(351,298)
	\$ —	\$ —
Current income taxes	\$ —	\$ —
Deferred income taxes	—	—
	\$ —	\$ —

No deferred tax assets were recognized for the following deductible temporary differences:

	2020	2019
Non-capital losses	\$18,743,978	\$17,282,339
Property and equipment	6,407,241	5,822,899
Deductible scientific research and development expenditures	4,496,702	4,496,702
Intangible assets	798,295	858,274
Share issuance costs	124,651	197,830
Other	(12,948)	(41,000)
	\$30,557,919	\$28,617,044

At December 31, 2020, the Company has non-capital loss carry forward balances of approximately \$18.7 million, which expire in years 2026 to 2040. The Company has not recognized the benefit of these non-capital losses.

The Company has non-refundable investment tax credits of \$1.2 million. These credits can be used to offset future federal income tax and expire in years 2027 to 2037. The Company has not recognized the benefit of these credits.

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company was 24.0% in 2020 and 26.5% in 2019.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 21

Years ended December 31, 2020 and 2019

14. Financial instruments and risk management:

The Company's financial instruments are represented by cash and cash equivalents, trade receivables, deposits, trade payables and convertible debt.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. At December 31, 2020, the Company had cash and accounts receivable of \$329,886 and current liabilities of \$319,325, excluding the deferred revenue and convertible debenture balances. The Company continues to minimize its operational expenses in order to continue to meet its financial liability obligations.

At December 31, 2020, the majority of the Company's financial liabilities are due within one year with the exception of \$14,033 in office and equipment lease liabilities and the Company's convertible debt which contained an original maturity date of September 30, 2022. The convertible debt was extinguished in April 2021 when the convertible debenture creditors accepted the conversion of the principal and accrued interest owing to common shares of the Company (see Note 24).

The Company believes its current cash position and projected revenues will be sufficient to satisfy its financial obligations into mid-2021 based on its continued cost reductions in all aspects of the business. The Company's ability to accomplish its plans throughout 2021 and beyond is dependent upon the Company generating cash from royalties received through the exclusive license granted to its distributor in April 2021 (see Note 24); however, there is no assurance that the Company will achieve this objective. Refer to the going concern discussion in note 2.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At December 31, 2020, cash and cash equivalents totaled \$259,613, of which \$24,304 was held on deposit in a HSBC commercial investment account which does not earn interest for any balances less than \$1,000,000, thus the Company has no exposure to fluctuating market interest rates.

At December 31, 2020, the Company's outstanding convertible debt of \$2,300,000 contained a fixed rate of interest at 6% per annum. The Company has no floating interest rate debt and is not exposed to interest rate risk at this time.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 22

Years ended December 31, 2020 and 2019

14. Financial instruments and risk management (continued):

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash and cash equivalents, trade receivables and deposits as disclosed in the financial statements as at December 31, 2020.

The Company mitigates its exposure to credit risk with respect to cash and cash equivalents by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions.

The trade receivables balance at December 31, 2020 consists of amounts owing from six customers and the federal government for the Canadian Emergency Wage Subsidy program and GST refunds. The majority of the balance owing has been collected subsequent to year-end, other than invoices provided for in its Allowance for Doubtful Accounts provision.

The Company has fully provided for two customer invoices in the amount of \$50,242 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

Foreign Currency Exchange Risk

Events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's incoming revenue is currently earned in U.S. dollars, but a substantial portion of its operating expenses is currently incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company's only exposure to U.S. denominated financial instruments at December 31, 2020 is a cash balance of USD\$31,923.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 23

Years ended December 31, 2020 and 2019

15. Supplemental cash flow information:

Changes in non-cash operating assets and liabilities for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
Trade receivables	\$ 183,140	\$ (191,401)
Inventories	217,410	236,453
Prepaid expenses and deposits	37,004	(40,906)
Trade payables and accrued liabilities	(133,217)	46,317
Other current financial liabilities	(28,052)	25,135
Deferred revenue	10,900	—
Change in non-cash working capital	\$ 287,185	\$ 75,598

16. General and administration expenses:

General and administration expenses for the year ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Salaries and benefits – administration	\$ 417,255	\$ 648,520
Salaries and benefits – HARP commercialization	239,906	704,754
Legal, audit and accounting	162,590	220,861
Sub-contracted and consulting services	77,255	1,198,803
Facilities	55,857	82,488
Other administration	160,790	188,192
	\$ 1,113,653	\$ 3,043,618

The Company has recorded a total gross subsidy under the CEWS program of \$254,447 for the year ended December 31, 2020 (2019 – nil) which is reported as a reduction of salaries and benefits expense.

17. Finance costs:

Finance costs for the year ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Interest on convertible debenture	\$ 138,000	\$ 34,784
Accretion on convertible debenture	100,788	22,951
Accretion on lease liabilities	15,445	34,128
Bank and other interest charges	1,743	2,957
	\$ 255,976	\$ 94,820

RAISE PRODUCTION INC.

Notes to Financial Statements, page 24

Years ended December 31, 2020 and 2019

18. Capital management:

The Company requires capital to safeguard its ability to continue as a going concern, finance the commercialization of its products, as well as for corporate administration and to minimize dilution to existing shareholders whenever possible.

The fundamental components of the Company's capital structure include cash, convertible debt and shareholders' equity. The following table summarizes the Company's capital as at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Cash	\$ 259,613	\$ 1,034,069
Convertible debentures	\$ 2,300,000	\$ 2,300,000
Share capital	\$30,140,133	\$30,140,133
Contributed surplus	4,112,892	3,969,132
Deficit	(36,461,743)	(34,787,164)
Shareholders' equity	\$(2,208,718)	\$ (677,899)

In managing capital, the Company estimates its future cash requirements by preparing a quarterly cash-flow forecast for review by the Company's management and Board of Directors. The cash-flow forecast estimates the costs associated with approved activities for the upcoming year. Forecast to actual variances are prepared quarterly for review by the Company's management.

Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and the need to balance value creation for shareholders against the increased liquidity risks associated with debt.

The Company works toward managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 25

Years ended December 31, 2020 and 2019

19. Warranty Provision:

	Maintenance Warranty
Provision balance, December 31, 2018	\$ 15,865
Additions	37,160
Utilized	(12,025)
Provision balance, December 31, 2019	\$ 41,000
Expired	(36,548)
Additions	13,425
Utilized	(4,929)
Provision balance, December 31, 2020	\$ 12,948

A provision is recognized for expected maintenance warranty claims on products sold during the year. The provision reflects the estimated costs of repair or replacement and free-of-charge services that may be incurred by the Company with respect to products sold. Assumptions used to calculate the provision were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold in Canada. It is expected that most of these costs will be incurred in the next financial year.

20. Deferred Revenue:

	Deferred Revenue
Balance, December 31, 2018	\$ 538,000
Additions	—
Balance, December 31, 2019	\$ 538,000
Additions	10,900
Balance, December 31, 2020	\$ 548,900

The majority of the Company's deferred revenue balance at December 31, 2020 consists of cash payments of \$440,000 (December 31, 2019 - \$440,000) received from a third party during the year ended December 31, 2012. The amount paid will be used as a credit by the third party to apply against future purchases of the Company's products and services.

The additional balances in deferred revenue at December 31, 2020 consist of cash payments received amounting to \$10,900 (December 31, 2019 - \$nil) for one HARP that has been ordered but not yet delivered to the customer and cash payments of \$98,000 (December 31, 2019 - \$98,000) received for project revenue for which services have not yet been completed.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 26

Years ended December 31, 2020 and 2019

20. Deferred Revenue (continued):

The amounts received have been recorded as current deferred revenue as at December 31, 2020 and December 31, 2019 and will be recognized into revenue as future purchases are completed, services completed, or inventory delivered.

21. Related party transactions:

Compensation awarded to the officers and directors of the Company for the years ended December 31, 2020 and 2019 include the following:

	2020	2019
Salaries, bonuses and short-term employee benefits	\$ 405,301	\$ 539,298
Stock-based compensation	141,481	241,330
	<u>\$ 546,782</u>	<u>\$ 780,628</u>

On September 30, 2019, \$494,000 of secured convertible debentures (the "Debentures") were issued to six officers and directors of the Company in exchange for cash and the Company paid \$56,211 of interest related to Debentures to officer and directors on December 31, 2020 (2019 - \$28,644).

The Debentures have a coupon of 6.00% per annum and are convertible into units of the Company at a conversion price of \$0.11 per Unit. The Debentures will be repaid in cash at maturity on September 30, 2022, subject to earlier conversion by the holder or the Company as detailed in note 9.

During the year ended December 31, 2020, \$3,500 was paid to a corporation owned by the spouse of the Chief Financial Officer of the Company for website development services.

22. Segmented Information:

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 27

Years ended December 31, 2020 and 2019

22. Segmented Information (continued):

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers.

An impairment loss was recognized for the year ended December 31, 2019 for the HART segment as detailed in Note 8 for all costs incurred for this segment that were capitalized as HART development costs beginning April 1, 2013 consisting of the value of goodwill of \$259,932 and capitalized development costs since April 1, 2013 of \$5,829,892.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support all segments.

Revenue	2020	2019
Raise Efficient Artificial Lift	\$ 606,331	\$ 1,100,624
Corporate	35,999	21,458
Total	\$ 642,330	\$ 1,122,082

Depreciation and Amortization	2020	2019
Raise Efficient Artificial Lift	\$ 28,059	\$ 49,449
Corporate	125,821	198,046
Total	\$ 153,880	\$ 247,495

Net Loss	2020	2019
Raise Efficient Artificial Lift	\$ (110,684)	\$ (469,016)
Horizontal Artificial Recovery Technology	—	(6,200,081)
Corporate	(1,563,895)	(2,960,059)
Total	\$ (1,674,579)	\$ (9,629,156)

RAISE PRODUCTION INC.

Notes to Financial Statements, page 28

Years ended December 31, 2020 and 2019

22. Segmented Information (continued):

Capital Expenditures (Recoveries)		
	2020	2019
Corporate	\$ 3,472	\$ 22,807
Horizontal Artificial Recovery Technology (Recovery)	–	52,116
Total	\$ 3,472	\$ 74,923

Total Assets		
	2020	2019
Raise Efficient Artificial Lift	\$ 283,460	\$ 847,313
Corporate	483,758	1,900,089
Total	\$ 767,218	\$ 2,747,402

For the year ended December 31, 2020, revenue from two customers was greater than 10% of the Company's total revenue amounting to \$181,995 and \$66,398 of revenue earned in the REAL segment.

23. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers in addition to the segmented information provided in note 22.

Contracts with Customers by Geographical Market		
	2020	2019
Raise Efficient Artificial Lift - Canada	\$ 539,933	\$ 710,699
Raise Efficient Artificial Lift - Romania	66,398	9,651
Raise Efficient Artificial Lift - USA	–	380,274
Total	\$ 606,331	\$1,100,624

RAISE PRODUCTION INC.

Notes to Financial Statements, page 29

Years ended December 31, 2020 and 2019

24. Subsequent Events

On April 20, 2021, the Company granted an exclusive worldwide license agreement to its current distribution partner, Q2 Artificial Lift Services ("Q2 ALS") for its REAL technology, including the HARP technology, in consideration of royalty payments on all REAL and HARP proprietary parts sold by Q2 ALS for a ten-year period. Q2 ALS will be responsible for all marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the REAL and HARP products. Q2 ALS will also take over the Company's existing HARP and REAL inventory with payment to be made on an "as used" basis.

On April 14, 2021, the TSX Venture Exchange approved the issuance of 58,350,688 common shares of the Company from treasury at a deemed price of \$0.04 per share in full settlement of the principal balance and accrued interest of \$2,334,027 to twenty secured convertible debenture creditors.

On February 17, 2021, 1,650,000 of the Company's outstanding stock options were forfeited by a former employee.

On January 14, 2021, the Company issued 1,774,502 common shares from treasury at a deemed price of \$0.035 per share to settle outstanding debt interest of \$62,107.55 to eleven secured convertible debenture creditors.



Audited Financial Statements

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

Management is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on best estimates and judgments of management. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

The Company maintains internal accounting control systems that 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 financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with external auditors and management to review the work of each and the priority of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors, the financial statements and the annual report 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 Ernst & Young LLP as external auditors of the Company.

A handwritten signature in black ink, appearing to read 'Eric Laing', with a stylized flourish at the end.

Eric Laing
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Susan Scullion', with a stylized flourish at the end.

Susan Scullion, CA
Chief Financial Officer

April 28, 2020

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Raise Production Inc.**

Opinion

We have audited the financial statements of Raise Production Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 report. We are independent of the Company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss and comprehensive loss of \$9,629,156 during the year ended December 31, 2019 including a goodwill and intangible asset impairment loss of \$6,089,824 and as of that date, the Company had an accumulated deficit of \$34,787,164. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do 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, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this 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, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 these 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 Company'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 Company'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 Company 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.

We 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Calgary, Canada

April 28, 2020

RAISE PRODUCTION INC.

Statements of Financial Position

	As at December 31, 2019	As at December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,034,069	\$ 2,005,486
Trade receivables (note 14)	253,413	62,012
Inventories (note 7)	450,185	686,637
Prepaid expenses and deposits	89,888	48,982
	1,827,555	2,803,117
Non-current assets:		
Property and equipment (note 8)	395,533	636,296
Right-of-use assets (note 9)	524,314	—
Intangible assets and goodwill (note 8)	—	6,037,708
Deposits	—	37,561
Total Assets	\$ 2,747,402	\$ 9,514,682
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	\$ 362,951	\$ 316,634
Warranty provision (note 19)	41,000	15,865
Current portion of lease liabilities (note 11)	173,720	28,817
Deferred revenue (note 20)	538,000	538,000
	1,115,671	899,316
Non-current liabilities:		
Long-term convertible debt (note 10)	1,992,971	—
Long-term lease liabilities (note 11)	316,659	127,473
Total Liabilities	3,425,301	1,026,789
Shareholders' equity:		
Share capital (note 12)	30,140,133	30,140,133
Warrants (note 12)	—	419,177
Contributed surplus	3,969,132	3,086,591
Deficit	(34,787,164)	(25,158,008)
Total Shareholders' Equity	(677,899)	8,487,893
Total Liabilities and Shareholders' Equity	\$ 2,747,402	\$ 9,514,682

See accompanying notes to financial statements.

Subsequent Events (note 24)

Approved on behalf of the Board:




Director

Director

RAISE PRODUCTION INC.

Statements of Loss and Comprehensive Loss

Years ended December 31

	2019	2018
Revenue from contracts with customers (note 23)	\$1,100,624	\$ 334,791
Cost of sales (note 7)	705,613	270,037
Gross margin	395,011	64,754
Other income	21,458	26,949
Expenses:		
Goodwill and intangible asset impairment (note 8)	6,089,824	—
General and administration (note 16)	3,043,618	1,960,083
Depreciation and amortization (notes 8,9)	247,495	91,634
Stock-based compensation (note 12)	241,553	352,130
Research expenses	171,441	156,742
Inventory impairment (note 7)	156,874	74,574
Finance costs (note 17)	94,820	4,306
	10,045,625	2,639,469
Net loss and comprehensive loss	\$(9,629,156)	\$(2,547,766)
Net loss per common share (note 12(e)):		
Basic and diluted	\$ (0.08)	\$ (0.02)

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Statements of Changes in Shareholders' Equity

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance at December 31, 2017	\$ 26,537,756	\$ 2,734,461	\$ 473,594	\$(22,610,242)	\$ 7,135,569
Net loss	—	—	—	(2,547,766)	(2,547,766)
Shares issued (note 12)	3,500,000	—	—	—	3,500,000
Share issuance expenses (note 12)	(47,790)	—	—	—	(47,790)
Stock-based compensation (note 12)	—	352,130	—	—	352,130
Exercise of agent warrants (note 12)	143,386	—	(47,636)	—	95,750
Exercise of agent warrants (note 12)	6,781	—	(6,781)	—	—
Balance at December 31, 2018	\$ 30,140,133	\$ 3,086,591	\$ 419,177	\$(25,158,008)	\$ 8,487,893
Net loss	—	—	—	(9,629,156)	(9,629,156)
Stock-based compensation (note 12)	—	241,553	—	—	241,553
Expiry of share purchase warrants (note 12)	—	419,177	(419,177)	—	—
Equity component of convertible debt (note 10)	—	232,757	—	—	232,757
Equity component of convertible debt issuance costs (note 10)	—	(10,946)	—	—	(10,946)
Balance at December 31, 2019	\$ 30,140,133	\$ 3,969,132	\$ —	\$(34,787,164)	\$ (677,899)

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Statements of Cash Flows

Years ended December 31

	2019	2018
Operating activities:		
Net loss	\$(9,629,156)	\$(2,547,766)
Items not involving cash:		
Goodwill and intangible asset impairment (note 8)	6,089,824	—
Consulting fee (note 5)	1,100,000	—
Depreciation and amortization	247,495	91,634
Stock-based compensation (note 12)	241,553	352,130
Finance costs on lease liabilities	34,127	—
Accretion of convertible debenture	22,951	—
Unrealized foreign exchange on lease liabilities	640	—
Change in long-term deposits	37,561	(1,254)
Net change in non-cash operating working capital (note 15)	75,598	(112,938)
Cash used in operating activities	(1,779,407)	(2,218,194)
Financing activities:		
Long-term convertible debt issuance (notes 5,10)	1,200,000	—
Long-term convertible debt issuance costs (note 10)	(108,170)	—
Lease payments (note 11)	(208,917)	(17,920)
Private placement issuance (note 12)	—	3,452,210
Issuance of shares – agent warrant exercise (note 12)	—	95,750
Cash provided by financing activities	882,913	3,530,040
Investing activities:		
Horizontal wellbore system development (note 8)	(52,116)	(32,951)
Purchase of property and equipment (note 8)	(22,807)	(58,972)
Horizontal wellbore system development recovery (note 8)	—	159,439
Net change in non-cash investing working capital (note 15)	—	(103,000)
Cash used in investing activities	(74,923)	(35,484)
Net increase (decrease) in cash	(971,417)	1,276,362
Cash, beginning of year	2,005,486	729,124
Cash, end of year	\$ 1,034,069	\$ 2,005,486
Cash interest received on bank balance	\$ 12,390	\$ 26,649
Cash interest paid on lease liabilities and long-term debt	\$ 43,410	\$ 1,791

See accompanying notes to financial statements.

RAISE PRODUCTION INC.

Notes to Financial Statements

Years ended December 31, 2019 and 2018

1. Corporate information:

Raise Production Inc. ("Raise Production" or the "Company") is an innovative 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.

Raise Production is a public company incorporated under the Business Corporations Act (Alberta) on December 23, 1993 and is listed on the TSX Venture Exchange. The address of its registered office is 2620, 58th Avenue SE, Calgary, Alberta, Canada.

These annual financial statements were approved and authorized for issuance by the Board of Directors (the "Board") on April 28, 2020.

2. Going concern:

These annual financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss and comprehensive loss of \$9,629,156 during the year ended December 31, 2019 including a goodwill and intangible asset impairment loss of \$6,089,824 and as of that date, the Company had an accumulated deficit of \$34,787,164. The Company has not generated significant revenues or cash flows from operations since inception. The continuation of the Company as a going concern is dependent upon the successful commercialization of its proprietary research and development projects and the ability of the Company to continue to obtain external financing in order to fund operations. While the Company has been successful attracting external financing to date (see Notes 10, 12 and 14), there is no assurance that it will continue to do so in the future. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, continue as a going concern.

These annual financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars unless otherwise noted.

The preparation of these financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 4.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 2

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies:

Significant accounting policies applied in the preparation of the financial statements are as follows:

(a) Accounting policies adopted in 2019:

IFRS 16 Leases

IFRS 16, *Leases* ("IFRS 16") replaces IAS 17 *Leases* and related interpretations and is effective January 1, 2019. IFRS 16 establishes a single, on-balance sheet accounting model for lessees which results in the recognition of a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term for most leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively as of January 1, 2019. The nature and effect of these changes are disclosed below.

On initial adoption, the Company applied the following practical expedients permitted under the standard. Some expedients are available on a lease-by-lease basis, while others are applicable by class of underlying asset.

- Certain leases of low value (<\$5,000 USD) that have been identified at January 1, 2019 are not recognized on the Statement of Financial Position;
- Initial direct costs were excluded from the measurement of ROU assets for the purpose of initial measurement on transition; and
- In their initial measurement upon transition, some leases having similar characteristics are measured as a portfolio by applying a single discount rate.

The Company identified all contracts that contain leases as defined by IFRS 16 as at the transition date of January 1, 2019 and quantified the impact of IFRS 16 adoption on the 2019 opening Statement of Financial Position.

IFRS 16 increased the Company's total assets and liabilities by approximately \$508,239 at January 1, 2019 based on an estimated weighted average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 of 5.7%.

The Company's leases recognized in the Statements of Financial Position as at January 1, 2019 include leases of real estate, equipment and vehicles. The Company has quantified the impact of IFRS 16 on its opening Statements of Financial Condition as at January 1, 2019 as follows:

RAISE PRODUCTION INC.

Notes to Financial Statements, page 3

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(a) Accounting policies adopted in 2019 (continued):

Assets	
Property & equipment finance lease, December 31, 2018	\$ 190,607
Increase to assets	508,239
Right-of-use assets, January 1, 2019	\$ 698,846
Liabilities	
Lease obligation, December 31, 2018	\$ 156,290
Increase to liabilities	508,239
Lease liabilities, January 1, 2019	\$ 664,529

The following table presents a reconciliation of commitments as at December 31, 2018 to lease liabilities as at January 1, 2019:

Commitments, December 31, 2018	\$ 414,766
Effect of 2-year renewal option on office lease	273,600
Leases of low-value (computer equipment and services)	(125,686)
Operating lease obligations, January 1, 2019 (undiscounted)	562,680
Effect of discounting cash flows	(54,441)
Total increase to lease liabilities, January 1, 2019	\$ 508,239

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these consolidated financial statements.

The Company assesses whether a contract contains a lease at inception by exercising judgement about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset and lease liability is initially measured based on the present value of the lease payments discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 4

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(a) Accounting policies adopted in 2019 (continued):

The ROU asset is depreciated over the lease term or the useful life of the underlying asset if ownership of the underlying asset transfers to the Company at the end of the lease term. The ROU asset is subject to testing for impairment if indicators of impairment are present. Payments are applied against the lease liability and interest expense is recognized on the lease liability using the effective interest rate method.

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments. Payments for leases that are low value (<\$5,000) and short-term leases (<12 months) are recognized in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term.

The financial statement impact of IFRS 16 is subject to certain management judgments and estimates. Most notably, extension and termination provisions are included in certain lease contracts. In determining the lease term to be recognized, the Company considers all factors that create an economic incentive to exercise an extension option, or not to exercise a termination option.

(b) Cash and cash equivalents:

Cash consists of operating and investment bank accounts. The Company earns a fixed interest of 1.75% per annum in its investment bank account for balances held over \$1,000,000.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price less applicable selling expenses.

(d) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 5

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(d) Property and equipment (continued):

Property and equipment are assessed for indicators of impairment at each reporting date. An item of property and equipment is derecognized when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of loss and comprehensive loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Property and equipment are depreciated over their estimated useful lives at the following rates and methods:

	term of lease	straight-line method
Leasehold improvements		
Shop equipment and office furniture	20%	declining balance method
Machines and equipment	10%	declining balance method
Computer hardware and software	36%	straight-line method
Field trucks and trailers	36%	straight-line method

(e) Leases:

The Company adopted IFRS 16 on January 1, 2019 as discussed above in note (4)(a).

The Company assesses whether a contract contains a lease at inception by exercising judgement about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset and lease liability is initially measured based on the present value of the lease payments discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate.

The ROU asset is depreciated over the lease term or the useful life of the underlying asset if ownership of the underlying asset transfers to the Company at the end of the lease term. The ROU asset is subject to testing for impairment if indicators of impairment are present. Payments are applied against the lease liability and interest expense is recognized on the lease liability using the effective interest rate method.

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments. Payments for leases that are low value (<\$5,000) and short-term leases (<12 months) are recognized in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 6

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(e) Leases (continued):

As at and during the year ended December 31, 2018 (prior to the implementation of IFRS 16), the Company's leases policy was as follows:

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement, which involves assessing whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The classification of leases as financing or operating leases requires the Company to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly, whether the lease requires an asset and liability to be recognized on the balance sheet. Finance leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the Company are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

The Company leases assets, which consist of both operating leases and finance leases. Operating lease payments are recognized as an expense in the statement of loss and comprehensive loss on a straight-line basis over the lease term. Finance lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of loss and comprehensive loss when incurred.

Leasehold inducements are rent-free periods received by the Company on an operating lease for premises from the property owner. Inducements are amortized over the term of the lease and reduce rent expense.

(f) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the statement of loss and comprehensive loss.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or when indicators of impairment are present, at the cash-generating unit level.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 7

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(f) Intangible assets (continued):

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of loss and comprehensive loss when the asset is derecognized.

The Company's intangible assets are comprised of patented technology, licenses and rights and internally generated development costs with finite useful lives and goodwill with an indefinite useful life. The patents, licenses and rights are capitalized and amortized on a straight-line basis in the statement of loss and comprehensive loss over the period of their expected useful lives as follows:

Patented technology, licenses and rights	20%	straight-line method

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are capitalized and recognized as an intangible asset if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met.

The Company determined its Horizontal Artificial Recovery Technology ("HART" or the "System"), which was previously referred to as the Horizontal Wellbore Production System was in the development stage beginning April 1, 2013 and began capitalizing all development costs from that date. All costs incurred prior to this date, related to research were expensed in the statement of loss and comprehensive loss.

The Company has recognized research expenses related to the design and development of patent pending downhole tools that form part of the Company's Raise Efficient Artificial Lift ("REAL") system during the years ended December 31, 2019 and December 31, 2018. All costs incurred related to research have been expensed in the statement of operations.

(g) Impairment of non-financial assets:

Property and equipment and intangible assets are assessed for indicators of impairment at each reporting date. Intangible assets with an indefinite life, intangible assets that are not yet available for use and goodwill are tested for impairment at least annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of assessing indicators of impairment or measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

RAISE PRODUCTION INC.

Notes to Financial Statements, page 8

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(g) Impairment of non-financial assets (continued):

If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. The recoverable amount is determined as the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or groups of assets. Fair value less costs of disposal may be determined using future net cash flows of the asset or CGU. Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of loss and comprehensive loss so as to reduce the carrying amount of the asset to its recoverable amount. Any previously recognized impairment loss will not be reversed unless there is a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset or CGU is increased to its recoverable amount.

The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years. Such reversal is recognized in the statement of loss and comprehensive loss. Goodwill impairments are not reversed in subsequent periods even if the recoverable amount exceeds the carrying amount of the CGU.

(h) Revenue recognition:

The Company currently generates revenue from the sale of a component of its proprietary REAL system, the High Angle Reciprocating Pump ("HARP") and project technology development ("Project Revenue").

Revenue from the sale of HARP's and Project Revenue is recognized at a point in time when control of the underlying goods or services manufactured or developed for the particular performance obligation is transferred to the customer. This is generally met at the time the product is shipped and delivered to the customer and depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

A contract liability is recorded when payment has been received by the Company before delivery of a product or completion of services. If there is no unconditional right to defer delivery of a product or completion of services for a period greater than 12 months, the contract liability is classified as current, otherwise it is classified as long-term. Contract liabilities are recognized as revenue of the Company when the delivery of the product or completion of services occurs. Contract liabilities are removed as a liability of the Company and recognized in income if the product or services are no longer required to be completed.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 9

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(i) Income taxes:

Income tax expense consists of current and deferred taxes. It is recognized in the statement of loss and comprehensive loss, except to the extent that the expense relates to items recognized directly in shareholders' equity, in which case, the income tax is also recognized directly in equity.

Current income tax is the expected tax payable or recoverable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years. Current tax assets and current tax liabilities are offset if a legally enforceable right exists to offset the recognized amounts and the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax assets are recognized to the extent that it is more likely than not that taxable profit will be available against which deductible temporary differences can be utilized and deferred tax liabilities are generally recognized for all taxable temporary differences. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets and liabilities are measured using rates that are expected to be applied to the temporary differences when they reverse. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company's policy is to recognize Scientific Research and Experimental Development ("SR&ED") credits when the research program is approved by the Canada Revenue Agency ("CRA") or is a continuation of a previously approved program. SR&ED credits are recorded as a reduction of capitalized assets.

(j) Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 10

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(j) Financial instruments (continued):

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the financial instrument's classification, as described below:

i) Fair Value through profit or loss ("FVTPL")

Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with subsequent changes in fair value charged to the Statements of Loss.

ii) Amortized cost

Amortized cost and other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method, net of any impairment. The Company includes cash, trade receivables, deposits, trade payables, lease obligations and long-term convertible debt within the amortized cost category.

iii) Fair value through other comprehensive income ("FVTOCI")

Financial assets designated at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not currently have any financial assets classified as FVTOCI.

Any subsequent reclassification of financial assets and liabilities from their initial recognition will be reclassified on the first day of the reporting period.

(k) Impairment of financial assets:

Impairment of financial assets is determined by measuring the assets' expected credit losses ("ECLs"). Due to the Company's financial assets not containing a significant financing component because they are due within 30 days of the invoice date, the Company uses the simplified approach and recognizes lifetime ECL's on its trade receivables. Lifetime ECLs are the anticipated ECLs that result from possible default events over the expected life of a financial asset based on historical observed default rates and adjusted for forward-looking estimates at each reporting date. ECLs are not required to be discounted using the simplified approach.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 11

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(l) Use of estimates and judgments:

These financial statements, prepared in accordance with IFRS, include estimates, judgments and assumptions by management that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The accounting policies and practices that involve the use of estimates that have a significant impact on the Company's financial results include the allowance for doubtful accounts, valuation of inventory, depreciation and amortization, capitalization of development costs, impairment of non-financial assets and stock-based compensation and warrants.

Allowance for doubtful accounts

Customer receivables are regularly monitored and an allowance for doubtful accounts is established based upon lifetime ECL's using historical observed default rates and adjusted for forward-looking estimates at each reporting date.

Valuation of inventory

Inventory is tested for impairment at each reporting date by comparing the cost of the inventory with its net realizable value. The net realizable value is determined from recent sales of the product less applicable selling expenses. If no recent sales by the Company have occurred, sales of the same or similar products by other similar companies will be reviewed if available. If no recent sales information is available, judgment is exercised by management as to whether there have been indicators of impairment such as a lack of market demand for the product and the likelihood of future sales. Management will determine whether a change in one or more indicators of impairment results in a change in the estimated net realizable value amount of the inventory.

Depreciation and amortization

Depreciation and amortization of the Company's property and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the property and equipment or intangible asset.

Development costs

Initial capitalization of development costs is based on management's judgment that the technological feasibility of the product being developed is confirmed such that the product will be available for sale and it is likely that future economic benefits attributable to the asset will

RAISE PRODUCTION INC.

Notes to Financial Statements, page 12

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(l) Use of estimates and judgements (continued):

flow to the Company. This judgment is made when the product development project has reached a defined milestone according to the established project management model. The amounts capitalized are expenditures incurred during the development of the asset.

Management determined its System project was in the development stage and began capitalizing all development costs beginning April 1, 2013. The Company was able to demonstrate the following conditions required for capitalization on this date:

- i) the technical feasibility of completing the System so that it will be available for use or sale;
- ii) its intention to complete the System and use or sell it;
- iii) its ability to use or sell the System;
- iv) how the System will generate future probable economic benefits;
- v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the System; and
- vi) its ability to measure reliably the expenditures attributable to the System during its development.

As disclosed in note 8, an annual impairment test of the carrying amount of the System development costs was conducted at December 31, 2019. An impairment was recognized for the carrying amount of the horizontal pump technology CGU in the Statement of Loss and Comprehensive Loss of \$6,089,824, including goodwill of \$259,932.

Impairment

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. If fair value less costs of disposal is not determinable from recent sales transactions conducted at arm's length, management must estimate the fair value based on its prior sales experience with the product and current market conditions. Management may also use future net cash flows of the asset or CGU to determine fair value.

Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset. Judgment is exercised by management when determining future sales of the asset and cash inflows, the appropriate discount factor, the timing of development and the likelihood of success of development.

Management has determined the Company has two CGU's. One CGU for its horizontal pump technologies, which includes HART development costs, patents, licenses, rights and goodwill (as it arose entirely from the acquisition of the horizontal pump technology). The second CGU is for its vertical rod pump technology (REAL), which includes the HARP and certain downhole tools, such as horizontal separation, sand control, and flow control assemblies.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 13

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(l) Use of estimates and judgements (continued):

Stock-based compensation and warrants

The fair value of stock options and warrants is based on the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures and estimated volatility of the Company's shares.

(m) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

(n) Stock-based compensation:

The Company grants equity-settled stock options to certain employees, directors and consultants. Each tranche of stock option grants is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date. The effect of any revision in forfeiture rates is recognized in the statement of loss and comprehensive loss with a corresponding adjustment to contributed surplus. When options are exercised, the proceeds, together with the amounts previously recorded in contributed surplus, are recorded in share capital.

(o) Provisions:

Provisions for legal claims, where applicable, are recognized in other financial liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and where applicable, records provisions for such contracts.

Provisions for product warranties are recognized in other financial liabilities when the underlying products or services are sold. Provisions are measured at management's best estimate of the expenditure required to settle the obligation based on historical cost information and current information available about returns.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 14

Years ended December 31, 2019 and 2018

4. Summary of significant accounting policies (continued):

(p) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by dividing the net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares. Those potential common shares comprise share options and warrants granted, which are excluded from the calculation in periods where the Company reports a loss, as they are anti-dilutive.

5. Acquisition and Amalgamation of 1955554 Alberta Ltd.:

On September 30, 2019, the Company acquired the shares of 1955554 Alberta Ltd., an arm's length private company ("PrivateCo"), for total consideration of \$1,400,000 in secured convertible debentures. The assets of the PrivateCo consisted of \$300,000 in cash. The balance of \$1,100,000 represents the value of a consulting engagement with the previous shareholders of PrivateCo and has been recognized as a one-time cost and included in the Corporate operating segment as general and administration expenses.

Consulting services expected to be provided will include, without limitation, sourcing, evaluating and negotiating strategic alternatives, including investments, partnerships, joint ventures, acquisitions, divestitures and other forms of business combinations. In addition, the previous shareholders have joined the board of directors of the Company.

1955554 Alberta Ltd. was amalgamated with the Company on December 23, 2019.

6. Credit facility:

The Company had a credit facility with a Canadian bank consisting of a maximum \$500,000 demand revolving loan bearing interest at the lender's prime rate plus 2% per annum available by account overdraft when the Company's EBITDA to total debt service exceeds 1.25:1.00. EBITDA is defined as earnings before interest, taxes and depreciation/amortization, adjusted for any non-cash charges, provisions or extraordinary items. The amount available under the facility at any point in time was subject to margin requirements being the aggregate of 75% of acceptable receivables plus the lesser of 50% of acceptable inventory and/or equipment and \$100,000 minus any priority claims.

On September 30, 2019, the credit facility was cancelled by the Company and all security interests in favour of the Canadian bank were released and discharged.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 15

Years ended December 31, 2019 and 2018

7. Inventories:

	As at December 31, 2019	As at December 31, 2018
Finished goods and third-party products	\$ 410,604	\$ 605,944
Work-in-progress	11,457	55,558
Raw materials	28,124	25,135
	\$ 450,185	\$ 686,637

For the year ended December 31, 2019, the cost of inventories recognized as an expense and included in the cost of sales was \$642,984 (2018 - \$220,751).

For the year ended December 31, 2019, the cost of inventories written off and recognized as an expense and included in the statement of loss and comprehensive loss was \$156,874 (2018 - \$74,574). The inventory write-off is related to the impairment of the HART CGU including the HART inventory as well as inventory parts developed in conjunction with the Company's first-generation HARP that are no longer usable.

8. Non-current assets:

Property and equipment

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Cost						
At December 31, 2017	\$ 398,105	\$ 514,177	\$ 77,567	\$ 44,648	\$ 59,815	\$ 1,094,312
Additions	200,889	19,140	—	—	—	220,029
At December 31, 2018	598,994	533,317	77,567	44,648	59,815	1,314,341
Additions	—	22,807	—	—	—	22,807
Transfer to right-of-use asset	(200,639)	—	—	—	—	(200,639)
At December 31, 2019	\$ 398,355	\$ 556,124	\$ 77,567	\$ 44,648	\$ 59,815	\$ 1,136,509

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Accumulated Depreciation						
At December 31, 2017	\$ 151,626	\$ 264,233	\$ 66,089	\$ 44,648	\$ 59,815	\$ 586,411
Depreciation	34,692	51,903	5,039	—	—	91,634
At December 31, 2018	186,318	316,136	71,128	44,648	59,815	678,045
Depreciation	22,207	45,717	5,039	—	—	72,963
Transfer to right-of-use asset	(10,032)	—	—	—	—	(10,032)
At December 31, 2019	\$ 198,493	\$ 361,853	\$ 76,167	\$ 44,648	\$ 59,815	\$ 740,976

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

8. Non-current assets (continued):

Property and equipment (continued):

	Machines & equipment	Shop equipment & office furniture	Computer hardware & software	Leasehold improvements	Field trucks & trailers	Total
Net book value						
At December 31, 2018	\$ 412,676	\$ 217,181	\$ 6,439	\$ —	\$ —	\$ 636,296
At December 31, 2019	\$ 199,862	\$ 194,271	\$ 1,400	\$ —	\$ —	\$ 395,533

The machines and equipment net book value included in the table above of \$412,676 at December 31, 2018 included one machine under a finance lease with a net carrying amount of \$190,607. This finance lease is reported as a right-of-use asset in Note 9 as of December 31, 2019.

Intangible assets and goodwill

	Patents, licenses and rights	Horizontal Technology	Goodwill	Total
Cost				
At December 31, 2017	\$ 281,597	\$5,904,264	\$1,427,695	\$7,613,556
Additions	—	32,951	—	32,951
Recoveries	—	(159,439)	—	(159,439)
At December 31, 2018	281,597	5,777,776	1,427,695	7,487,068
Additions	—	52,116	—	52,116
At December 31, 2019	\$ 281,597	\$5,829,892	\$1,427,695	\$7,539,184

	Patents, licenses and rights	Horizontal Technology	Goodwill	Total
Accumulated amortization and impairment				
At December 31, 2017	\$ 281,597	\$ —	\$1,167,763	\$1,449,360
Amortization	—	—	—	—
At December 31, 2018	281,597	—	1,167,763	1,449,360
Amortization	—	—	—	—
Impairment	—	5,829,892	259,932	6,089,824
At December 31, 2019	\$ 281,597	\$5,829,892	\$1,427,695	\$7,539,184

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

8. Non-current assets (continued):

Intangible assets and goodwill (continued)

Net book value					
At December 31, 2018	\$	–	\$ 5,777,776	\$ 259,932	\$ 6,037,708
At December 31, 2019	\$	–	\$ –	\$ –	\$ –

The recoveries balances included in the Cost table above of \$159,439 for the year ended December 31, 2018 consists of the reversal of stale-dated accrued liabilities no longer applicable of \$103,000 and the receipt of a SR&ED recovery of \$56,439, both of which are included in the carrying value of the System.

The annual impairment test of the carrying amount of the horizontal pump technology CGU and HART segment (as disclosed in note 22) was conducted at December 31, 2019 (the “Impairment Test”). The recoverable amount of this CGU was determined based on a value-in-use calculation using cash flow projections covering a five-year period, consistent with management’s internal budgeting and forecasting period, and applying a terminal value thereafter. The cash flow projections incorporate management’s best estimates of revenue, gross profit, administration expenditures and capital expenditures.

In assessing value-in-use, the Company reviewed the broad categories of risk within the CGU being general uncertainties related to the oilfield service industry (activity, competition, oil price, etc.) and those specifically related to the development and commercialization of the horizontal pump technology. Although the Company believes its horizontal pump technology remains key to its long-term success, further development has been on hold since mid-2017. The Company requires a partner to assist in development and commercialization of the HART for deeper and higher-pressure wellbores. The difficulties being experienced by the oil and gas industry over the last few years have resulted in the Company being unable to find a development and commercialization partner to date. The key assumptions used in the Impairment Test assume a partner is found in late 2020 and funding, development and testing occurs in 2021 and 2022, resulting in commercialization of the HART system beginning in late 2022.

As a result of the delay in commercialization of the HART system, calculating the present value of the projected five years of cash flows with a terminal value assuming 1% growth in perpetuity and an after-tax discount rate of 15.4% resulted in a negative value for the horizontal pump technology CGU at December 31, 2019 and therefore, an impairment was recognized for the carrying amount of the horizontal pump technology CGU in the Statement of Loss and Comprehensive Loss of \$6,089,824, including goodwill of \$259,932.

Management believes, at December 31, 2019, that there are no reasonable changes in the key assumptions that would lead to the recoverable amount of the horizontal pump technology CGU being higher than the carrying amount.

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Years ended December 31, 2019 and 2018

9. Right-of-Use assets:

The following table provides a reconciliation of the carrying amount of the right-of-use assets on initial adoption of the lease standard on January 1, 2019 pertaining to the Company's corporate office lease, one machining unit, two vehicle leases and one photocopier:

	Office lease	Machines and equipment	Vehicles	Total
Cost				
At January 1, 2019	\$ 449,658	\$ 209,213	\$ 50,007	\$ 708,878
Additions	—	—	—	—
At December 31, 2019	\$ 449,658	\$ 209,213	\$ 50,007	\$ 708,878

	Office lease	Machines and equipment	Vehicles	Total
Accumulated depreciation				
At January 1, 2019	\$ —	\$ 10,032	\$ —	\$ 10,032
Depreciation	122,634	21,510	30,388	174,532
At December 31, 2019	\$ 122,634	\$ 31,542	\$ 30,388	\$ 184,564

Net book value				
At January 1, 2019	\$ 449,658	\$ 199,181	\$ 50,007	\$ 698,846
At December 31, 2019	\$ 327,024	\$ 177,671	\$ 19,619	\$ 524,314

10. Long-term convertible debt:

Balance, December 31, 2018	\$ —
Convertible debenture issuance	2,300,000
Equity component of convertible debenture	(232,757)
Debenture issuance costs	(97,223)
Accretion on convertible debenture	22,951
Balance, December 31, 2019	\$ 1,992,971

On September 30, 2019, the Company completed a \$900,000 private placement of secured convertible debentures (the "Debentures") concurrently with the closing of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for consideration of \$1,400,000 of Debentures. The Debentures are secured by general security over all the Company's assets.

The Debentures have a coupon of 6.00% per annum and are convertible into units of the Company (each, a "Unit") at a conversion price of \$0.11 per Unit. The Debentures will be repaid in cash at maturity on September 30, 2022, subject to earlier conversion by the holder or the Company as

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

10. Long-term convertible debt (continued):

detailed below. The Debentures are subject to a four month hold period.

Upon the 10-day volume weighted average trading price (the "Market Price") of the common shares of Company (each, a "Common Share") equaling or exceeding \$0.18, the Debentures will, at the option of the holders or the Company, be convertible into Units at any time prior to the close of business on the business day immediately preceding the maturity date. Each Unit will be comprised of one Common Share and one Common Share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.11 for a period of two years following the date of issuance. The Warrants will vest in three tranches every four months from the date of issuance, provided that the Market Price of the Common Shares has equaled or exceeded \$0.18 prior to the vesting date.

The Debentures are comprised of both a debt and equity portion. The debt component represents the discounted present value of the principal payment required at maturity, using an interest rate of 10% that would have been applicable to a non-convertible debt instrument of comparable risk and term at the date of issuance. The equity component represents the conversion feature and is included in Contributed Surplus. Debenture issuance costs of \$97,223 have been netted against the debt portion and \$10,946 netted against the equity portion.

At December 31, 2019, the Company is in compliance with all of its debt covenants.

11. Lease liabilities:

The Company's lease liabilities consist of its Calgary premises office lease repayable at \$11,400 per month expiring August 31, 2020 and includes an option to extend for an additional two years after this date, a CNC Lathe machining unit, repayable at USD\$2,390 per month expiring on October 20, 2023 with a \$nil purchase option, two vehicle leases repayable at \$2,620 per month expiring on June 30, 2020 and October 15, 2020 and one photocopier repayable at \$222 per month expiring on June 30, 2022.

	Lease liabilities
Total lease liabilities, January 1, 2019	\$ 664,529
Lease payments	(208,917)
Interest expense	34,127
Effect of movement in foreign exchange rates	640
Total lease liabilities, December 31, 2019	\$ 490,379
Less: current portion of lease liabilities	\$ 173,720
Long-term lease liabilities, December 31, 2019	\$ 316,659

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

11. Lease liabilities (continued):

As of December 31, 2019, lease liabilities, including the two-year office lease extension using the current monthly lease rate, mature over the next five fiscal years as follows:

2020	\$ 199,939
2021	179,627
2022	132,693
2023	33,467
2024	—
	<u>\$ 545,726</u>

During the year ended December 31, 2019, the Company expensed \$63,857 (2018 - \$59,279), relating to low value lease commitments and \$47,429 (2018 - \$44,660) of variable lease payments for its office space, both of which are exclusive of GST and included in general and administration expenses.

12. Share capital:

Details of the Company's share capital are as follows:

(a) Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

(b) Issued:

	Common Shares	Amount
Balance, December 31, 2017	98,616,335	\$ 26,537,756
Private placement issuance	14,583,333	3,452,210
Shares issued upon agent warrant exercise	383,005	143,386
Expiry of agent warrants	—	6,781
Balance, December 31, 2018	113,582,673	\$ 30,140,133
Balance, December 31, 2019	113,582,673	\$ 30,140,133

On May 11, 2018 and June 4, 2018, the Company completed a private placement issuance in two tranches for 14,583,333 common shares for total gross proceeds of \$3,500,000. Net proceeds, after share issuance costs of \$47,790, amounted to \$3,452,210.

For the year ended December 31, 2018, 383,005 agent warrants were exercised for cash proceeds of \$95,750 and 54,524 agent warrants expired on August 11, 2018 which were originally issued through the February 2017 private placement financing. The initial fair value ascribed to these warrants and recorded against share issuance costs was \$54,417 upon issuance based on the Black-Scholes valuation model using an expected life of 1.5 years, a risk-free interest rate of 0.60% and an expected volatility rate of 107% as the underlying

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

12. Share capital (continued):

assumptions. Upon the exercise of the 383,005 agent warrants, \$47,636 of fair value was included in the value of the shares issued for a total share capital value of \$143,386. The remaining fair value of \$6,781 ascribed to the expiry of 54,524 agent warrants was reversed against share issuance costs where it was originally reported, thus increased the value of share capital (which is net of share issuance costs) by the same amount.

In addition, all the share purchase warrants issued through the February 2017 private placement expired on February 11, 2019 and February 21, 2019. See note 12(d) below.

(c) Stock options:

The Company grants stock options for the benefit of directors, officers, employees and consultants of the Company. The options may be granted, at the discretion of the Board of Directors, to purchase not more than 10% of the Company's issued and outstanding common shares at any point in time. This rolling option plan was approved by the Company's shareholders on December 5, 2018.

All stock options issued by the Company have an exercise price that is equal to the market price of the underlying shares on the date of the grant. All options granted expire five years after the date of the grant, unless an extension is granted by the Board of Directors not to exceed a maximum term of ten years. The vesting terms vary by grant with one-third released at each of three specified dates during the vesting period.

The following movement of stock options occurred:

	Number	Weighted-average exercise price (\$)
Options outstanding, December 31, 2017	6,865,000	0.32
Options granted	1,050,000	0.32
Options forfeited	(225,000)	0.39
Options expired	(700,000)	0.42
Options outstanding, December 31, 2018	6,990,000	0.31
Options granted	3,000,000	0.11
Options forfeited	(675,000)	0.34
Options expired	(330,000)	1.08
Options outstanding, December 31, 2019	8,985,000	0.21
Options exercisable, December 31, 2019	5,014,999	0.26

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

12. Share capital (continued):

At December 31, 2019, the following options were outstanding and exercisable:

Grant date	Options outstanding			Options exercisable	
	Number of options	Exercise price (\$)	Years to expiry	Number of options	Exercise price (\$)
August 24, 2012	2,251,250	0.24	2.06	2,251,250	0.24
April 30, 2015	70,000	1.25	0.33	70,000	1.25
October 29, 2015	5,000	0.52	0.83	5,000	0.52
May 29, 2017	860,000	0.205	2.41	573,333	0.205
November 24, 2017	1,948,750	0.24	2.90	1,832,083	0.24
February 23, 2018	700,000	0.39	3.15	233,333	0.39
November 26, 2018	150,000	0.19	3.90	50,000	0.19
September 4, 2019	3,000,000	0.11	4.68	—	0.11
	8,985,000	0.21 ⁽¹⁾		5,014,999	0.26 ⁽¹⁾

(1) Weighted average

During the year ended December 31, 2019, \$241,553 (2018 - \$352,130) of stock-based compensation was recognized in the statement of loss and comprehensive loss.

The following weighted average assumptions used in the Black-Scholes option pricing model to determine the fair value of options granted during the year are as follows:

	2019	2018
Weighted average share price	\$ 0.11	\$ 0.32
Risk free interest rate	1.2%	2.1%
Expected life	4.6 yrs	4.6 yrs
Expected volatility	124%	120%
Pre-vest forfeiture rate	12%	12%
Expected annual dividend yield	0%	0%

The weighted average fair value of options granted during the year ended December 31, 2019 was \$0.07 per option (2018 - \$0.26 per option).

Volatility is calculated based on the historical daily price change in the Company's closing price on the TSX-V Exchange over the period prior to the stock option grant date equal to the expected life of the option.

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Years ended December 31, 2019 and 2018

12. Share capital (continued):

(d) Share purchase warrants:

	Warrants	Amount
Warrants outstanding, December 31, 2018	4,466,072	\$ 419,177
Share purchase warrants expired	(4,466,072)	(419,177)
Warrants outstanding, December 31, 2019	—	\$ —

All share purchase warrants issued through the February 2017 private placement expired on February 11, 2019 and February 21, 2019. The fair value ascribed to these warrants was \$419,177 upon issuance based on the Black-Scholes valuation model using an expected life of 1.5 years, a risk-free interest rate of 0.60% and an expected volatility rate of 107% as the underlying assumptions. The fair value of \$419,177 was transferred to contributed surplus as reported on the Statement of Financial Position on each of the expiry dates.

(e) Loss per share calculation:

The weighted average number of common shares used in calculating the net loss per share for the year ended December 31, 2019 is 113,582,673 (2018 – 107,977,625). The effect of all stock options outstanding has been excluded from the calculation in periods where the Company reported a loss, as they are anti-dilutive.

13. Deferred income taxes:

The following table reconciles income taxes calculated at the Canadian statutory income tax rate to the Company's deferred income tax recovery:

	2019	2018
Loss before income taxes	\$ (9,629,156)	\$ (2,547,766)
Statutory income tax rate	26.50%	27.00%
Expected income tax recovery	(2,551,726)	(687,897)
Decrease resulting from:		
Unrecognized deferred tax asset	2,545,549	641,948
Prior year true-ups and other	113	(29,726)
Non-deductible expenses	357,362	99,119
Impact of tax rate changes	(351,298)	—
Research tax credits	—	(23,444)
	\$ —	\$ —
Current income taxes	\$ —	\$ —
Deferred income taxes	—	—
	\$ —	\$ —

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

13. Deferred income taxes (continued):

No deferred tax assets were recognized for the following deductible temporary differences:

	2019	2018
Non-capital losses	\$17,282,339	\$15,225,371
Property and equipment	5,822,899	393,171
Deductible scientific research and development expenditures	4,496,702	4,259,029
Intangible assets	858,274	727,927
Share issuance costs	197,830	206,468
Other	(41,000)	(14,135)
	\$28,617,044	\$20,797,831

At December 31, 2019, the Company has non-capital loss carry forward balances of approximately \$17.3 million, which expire in years 2026 to 2039. The Company has not recognized the benefit of these non-capital losses.

The Company has non-refundable investment tax credits of \$1.2 million. These credits can be used to offset future federal income tax and expire in years 2027 to 2037. The Company has not recognized the benefit of these credits.

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company was 26.5% in 2019 and 27.0% in 2018.

14. Financial instruments and risk management:

The Company's financial instruments are represented by cash, trade receivables, deposits, trade payables and long-term convertible debt.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk by investing excess cash in a fully liquid investment bank account. This allows the Company to have access to additional funds in a very short time frame. All financial liabilities are due within one year with the exception of the Company's long-term debt which matures on September 30, 2022.

As disclosed in note 10, the Company closed a Debenture private placement for gross proceeds of \$900,000 as well as acquired the assets of 1955554 Alberta Ltd which included \$300,000 in cash for consideration of \$1.4 million of Debentures, both of which closed on September 30, 2019. The Company currently believes this cash injection and projected revenues will be sufficient to complete its strategic objectives through 2020 based on its current sales forecasts. However, the global

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

14. Financial instruments and risk management (continued):

impact of COVID-19 as well as the recent decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time.

The Company's ability to accomplish its plans throughout 2020 and beyond is dependent upon the Company meeting its projected sales forecast for the remainder of the year and if this does not occur, obtaining additional financing to continue operations; however, there is no assurance that the Company will achieve these objectives. Refer to the going concern discussion in note 2.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At December 31, 2019, cash was comprised of \$1,034,069, of which \$863,418 was held on deposit in a HSBC commercial investment account which earns a fixed interest of 1.75% per annum for balances held over \$1,000,000, thus the Company has no exposure to fluctuating market interest rates.

At December 31, 2019, the Company's outstanding convertible debt contained a fixed rate of interest at 6% per annum. The Company has no floating interest rate debt and is not exposed to interest rate risk at this time.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash, trade receivables and deposits as disclosed in the consolidated financial statements as at December 31, 2019.

The Company mitigates its exposure to credit risk with respect to cash by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. The trade receivables balance at December 31, 2019 consists of amounts owing from eight customers and the federal government for GST refunds. The majority of the balance owing has been collected subsequent to year-end.

The Company has fully provided for two customer invoices in the amount of \$50,242 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

14. Financial instruments and risk management (continued):

Foreign Currency Exchange Risk

Events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's incoming revenue is currently earned in U.S. dollars, but a substantial portion of its operating expenses is currently incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company's only exposure to U.S. denominated financial instruments at December 31, 2019 was a receivable of USD\$41,664.

15. Supplemental cash flow information:

Changes in non-cash operating assets and liabilities for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Trade receivables	\$ (191,401)	\$ 190,282
Inventories	236,453	(377,830)
Prepaid expenses and deposits	(40,906)	(828)
Trade payables and accrued liabilities	46,317	(111,427)
Other current financial liabilities	25,135	(14,135)
Deferred revenue	—	98,000
Change in non-cash working capital	\$ 75,598	\$ (215,938)

	2019	2018
Change in non-cash operating working capital	\$ 75,598	\$ (112,938)
Change in non-cash investing working capital	—	(103,000)
Change in non-cash working capital	\$ 75,598	\$ (215,938)

16. General and administration expenses:

General and administration expenses for the year ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Sub-contracted and consulting services	\$ 1,198,803	\$ 90,082
Salaries and benefits – HARP commercialization	704,754	597,118
Salaries and benefits – administration	648,520	578,581
Legal, audit and accounting	220,861	190,232
Facilities	82,488	202,715
Other administration	188,192	301,355
	\$ 3,043,618	\$ 1,960,083

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Years ended December 31, 2019 and 2018

17. Finance costs:

Finance costs for the year ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest on convertible debenture	\$ 34,784	\$ —
Accretion on lease liabilities	34,128	—
Accretion on convertible debenture	22,951	—
Bank and other interest charges	2,957	4,306
	\$ 94,820	\$ 4,306

18. Capital management:

The Company requires capital to finance the commercialization of its products, its planned research and development activities, intellectual property expansion and protection, product manufacturing as well as for corporate administration, capital expenditures and to minimize dilution to existing shareholders whenever possible.

The fundamental components of the Company's capital structure include cash, long-term debt and shareholders' equity. The following table summarizes the Company's capital as at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Cash	\$ 1,034,069	\$ 2,005,486
Long-term convertible debenture	\$ 2,300,000	\$ —
Share capital	\$30,140,133	\$30,140,133
Warrants	—	419,177
Contributed surplus	3,969,132	3,086,591
Deficit	(34,787,164)	(25,158,008)
Shareholders' equity	\$ (677,899)	\$ 8,487,893

In managing capital, the Company estimates its future cash requirements by preparing a quarterly cash-flow forecast for review by the Company's management and Board of Directors. The cash-flow forecast estimates the costs associated with approved activities for the upcoming year. Forecast to actual variances are prepared quarterly for review by the Company's management.

Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and the need

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

18. Capital management (continued):

to balance value creation for shareholders against the increased liquidity risks associated with debt. The Company works toward managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile.

19. Warranty Provision:

	Maintenance Warranty
Provision balance, December 31, 2018	\$ 15,865
Additions	37,160
Utilized	(12,025)
Provision balance, December 31, 2019	\$ 41,000

A provision is recognized for expected maintenance warranty claims on products sold during the year. The provision reflects the estimated costs of repair or replacement and free-of-charge services that may be incurred by the Company with respect to products sold. Assumptions used to calculate the provision were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold in Canada. It is expected that most of these costs will be incurred in the next financial year.

20. Deferred Revenue:

	Deferred Revenue
Balance, December 31, 2018	\$ 538,000
Additions	—
Balance, December 31, 2019	\$ 538,000

The majority of the Company's deferred revenue balance at December 31, 2019 consists of cash payments of \$440,000 (December 31, 2018 - \$440,000) received from a third party during the year ended December 31, 2012. The amount paid will be used as a credit by the third party to apply against future purchases of the Company's products and services.

The additional balance in deferred revenue at December 31, 2019 consist of cash payments of \$98,000 (December 31, 2018 - \$98,000) received for Project Revenue for which services have not yet been completed.

The amounts received have been recorded as current deferred revenue as at December 31, 2019 and December 31, 2018 and will be recognized into revenue as future purchases are completed, services completed, or inventory delivered.

RAISE PRODUCTION INC.

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Years ended December 31, 2019 and 2018

21. Related party transactions:

Compensation awarded to the officers and directors of the Company for the years ended December 31, 2019 and 2018 include the following:

	2019	2018
Salaries, bonuses and short-term employee benefits	\$ 539,298	\$ 546,583
Stock-based compensation	241,330	306,789
	<u>\$ 780,628</u>	<u>\$ 853,372</u>

On September 30, 2019, \$494,000 of secured convertible debentures (the "Debentures") were issued to six officers and directors of the Company in exchange for cash and the Company paid \$28,644 of interest related to Debentures to officer and directors on December 31, 2019.

The Debentures have a coupon of 6.00% per annum and are convertible into units of the Company at a conversion price of \$0.11 per Unit. The Debentures will be repaid in cash at maturity on September 30, 2022, subject to earlier conversion by the holder or the Company as detailed in note 10.

22. Segmented Information:

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers.

An impairment loss was recognized for the year ended December 31, 2019 for the HART segment as detailed in Note 8 for all costs incurred for this segment that were capitalized as HART development costs beginning April 1, 2013 consisting of the value of goodwill of \$259,932 and capitalized development costs since April 1, 2013 of \$5,829,892.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support all segments.

RAISE PRODUCTION INC.

Notes to Financial Statements, page 30

Years ended December 31, 2019 and 2018

22. Segmented Information (continued):

Revenue	2019	2018
Raise Efficient Artificial Lift	\$ 1,100,624	\$ 334,791
Corporate	21,458	26,949
Total	\$ 1,122,082	\$ 361,740

Depreciation and Amortization	2019	2018
Raise Efficient Artificial Lift	\$ 49,449	\$ 10,032
Corporate	198,046	81,602
Total	\$ 247,495	\$ 91,634

Net Loss	2019	2018
Raise Efficient Artificial Lift	\$ (469,016)	\$ (797,765)
Horizontal Artificial Recovery Technology	(6,200,081)	—
Corporate	(2,960,059)	(1,750,001)
Total	\$ (9,629,156)	\$ (2,547,766)

Capital Expenditures (Recoveries)	2019	2018
Raise Efficient Artificial Lift	\$ —	\$ 44,349
Horizontal Artificial Recovery Technology (Recovery)	52,116	(126,488)
Corporate	22,807	32,544
Total	\$ 74,923	\$ (49,595)

Intangible Assets (including Goodwill)	2019	2018
Horizontal Artificial Recovery Technology	\$ —	\$ 6,037,708
Total	\$ —	\$ 6,037,708

RAISE PRODUCTION INC.

Notes to Financial Statements, page 31

Years ended December 31, 2019 and 2018

22. Segmented Information (continued):

Total Assets		
	2019	2018
Raise Efficient Artificial Lift	\$ 847,313	\$ 785,624
Horizontal Artificial Recovery Technology	—	6,296,687
Corporate	1,900,089	2,432,371
Total	\$ 2,747,402	\$ 9,514,682

For the year ended December 31, 2019, revenues from one customer was greater than 10% of the Company's total revenue amounting to \$389,883 of revenue earned in the REAL segment.

23. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers in addition to the segmented information provided in note 22.

Contracts with Customers by Geographical Market		
	2019	2018
Raise Efficient Artificial Lift - Canada	\$ 710,699	\$ 252,641
Raise Efficient Artificial Lift - USA	389,925	82,150
Total	\$1,100,624	\$ 334,791

24. Subsequent Events

The global impact of COVID-19 as well as the recent decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time. However, the influence of these recent developments has impacted the Company's customers' capital and operating spending budgets, which have resulted in a negative effect on the Company's short-term sales. The Company is currently implementing actions to preserve its cash position while maintaining its ability to effectively service and supply its customers.

**SCHEDULE I-2 TO APPENDIX I – RAISE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
SIX MONTHS ENDED JUNE 30, 2021 AND YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

(See Attached)



Management's Discussion and Analysis

For the three and six months ended June 30, 2021

PRESIDENT'S UPDATE

The Company is providing an update to its shareholders on its financial results and recent activities related to its business and operations.

The Company has three systems that can be used independently or in combination in horizontal wellbores:

- 1) the High Angle Reciprocating Pump ("HARP");
- 2) the Raise Efficient Artificial Lift ("REAL") Horizontal Separator
- 3) the Horizontal Artificial Recovery Technology ("HART").

As stated in the Company's press release dated May 27, 2021, Raise finalized its exclusive rights agreement with Q2 Artificial Lift Services ("Q2 ALS") for the manufacturing, sales and service of the Company's HARP™ and REAL™ products in exchange for a ten-year royalty payment on all Raise products sold as complete components or parts. The Company continues to assist Q2 ALS with the license agreement to ensure a smooth transition of Raise's customers and products. All Raise's remaining HARP™ and REAL™ inventory was transferred to Q2 ALS in May 2021 to be paid for on an "as-used" basis once the Q2 ALS's existing HARP™ inventory received through its previous distribution agreement has been exhausted.

As stated in the Company's press release dated July 12, 2021, Raise entered into an arrangement agreement with Cleantek Industries Inc. ("Cleantek") whereby Raise and Cleantek will complete a business combination pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Transaction"). The Transaction will result in an arm's length "reverse takeover" of Raise and the combined business of both companies will continue under the name "Cleantek Industries Inc.". In conjunction with entering into the Transaction, Cleantek entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts basis for minimum gross proceeds of \$10 million (the "Financing").

The Company is pleased to inform its shareholders that the process is proceeding as per the planned schedule with the Financing expected to close on or about August 31, 2021 and the Transaction expected to close on or about October 31, 2021, subject to receiving all required regulatory approvals. The Company will provide further updates when available.

In the interim period, the Company continues to take significant steps to reduce its monthly operating expenses and preserve its cash position to meet its financial liability obligations as they become due. These measures included extinguishing the Company's long-term convertible debt in exchange for common shares, significantly reducing the Company's salary expense through terminations, salary reductions and receiving government assistance through the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs, selling all of its property and equipment, cancelling its office, machine and vehicle leases and reducing general operating expenses to minimum levels.



Eric Laing
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Raise Production Inc. ("Raise Production" or the "Company") as at and for the three and six months ended June 30, 2021 as well as the audited financial statements and MD&A for the year ended December 31, 2020.

Information in this MD&A and the financial statements has been presented in Canadian dollars. The unaudited condensed interim financial statements for the three and six months ended June 30, 2021 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

This MD&A contains forward-looking information. Readers are referred to the advisories concerning such matters under the heading "Forward-Looking Information Disclaimer" below.

This MD&A is dated August 24, 2022. Additional information concerning Raise Production can be found on the SEDAR website at www.sedar.com.

ABOUT RAISE PRODUCTION

Raise Production is an independent Canadian public company, the principal business of which is utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and gas wells.

The Company is considered to be a development stage enterprise, as it is in the initial stages of the commercialization process of its Raise Efficient Artificial Lift ("REAL™") system, which includes the High Angle Reciprocating Pump ("HARP") and has not yet generated revenue from its initially planned principal business, the sale and distribution of its proprietary Horizontal Artificial Recovery Technology ("HART™" or the "System"). Similar to other development stage enterprises, the recoverability of amounts shown for product development and commercialization are dependent on many factors, including the ability of the Company to obtain necessary financing for its planned activities. Failure to obtain the necessary financing would impact the Company's ability to realize its assets and discharge its liabilities in the normal course of business. See "Operational and Business Risks" included in the Company's MD&A for the year ended December 31, 2020.

COVID-19 PANDEMIC IMPLICATONS:

The Company has experienced a significant decline in customer revenue, excluding inventory purchased by the Company's distributor, as a result of the COVID-19 pandemic which contributed to a decline in oil prices in Canada and the United States, reduced operating and capital budgets of the Company's existing customers and prevented the Company from being able to effectively reach new customers due to COVID-19 restrictions during its critical commercialization phase.

As a result of the reduced revenue and incoming cashflow, the Company has taken and continues to take significant steps to reduce its monthly operating expenses and preserve its cash position to meet its financial liability obligations as they become due. These measures included significantly reducing the Company's salary expense through terminations, salary reductions and receiving government assistance (discussed below under Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy) as well as shutting down the Company's internal manufacturing operations, selling all of its property and equipment, cancelling its office, machine and vehicle leases and reducing general operating expenses to minimum levels.

FORWARD-LOOKING INFORMATION DISCLAIMER

The global impact of COVID-19 as well as the disruption to the oil and gas industry in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The COVID-19 pandemic continues to rapidly evolve, and the full impact on the Company's business, operations and financial condition will depend on future developments, which cannot be predicted with any degree of confidence, including but not limited to: the geographic spread of the virus; the duration and extent of the pandemic, the spread of new variant strains of the virus, further actions that may be taken by governmental authorities, including in respect of social and travel restrictions and business disruptions; the severity of the disease; and the effectiveness of actions taken to contain the virus and treat the disease, including access to effective vaccines; domestic and global vaccination rates; and the ability of business to resume regular operations. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time. However, the influence of these recent developments has impacted the Company's customers' capital and operating spending budgets, which have resulted in a negative effect on the Company's short-term sales. To the extent that the COVID-19 pandemic continues to adversely affects the Company's business, operations and financial condition, it may also have the effect of heightening many of the other risks described in this MD&A. The Company continues to implement actions to preserve its cash position while maintaining its ability to effectively service and supply its customers.

Certain information included in this MD&A constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain or can be identified by statements that include words such as "anticipate", "assume", "based", "believe", "can", "continue", "depend", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "project", "propose", "result", "upon", "will", "within" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to: the completion of the proposed "reverse takeover" business combination transaction with Cleantek Industries Inc., and the anticipated date thereof; the Company's continued listing on the TSX Venture Exchange following the completion of the reverse takeover; the Company's intention to carry out the combined business of the Company and Cleantek under the name Cleantek Industries Inc; the expected composition of shareholders following the completion of the reverse takeover; the completion of the Financing, as defined herein, and the anticipated date thereof; the Company's business strategy, short and long term objectives, strength and focus; the use of the Company's patented products to enhance and increase production in conventional and unconventional horizontal oil and natural gas wells; the license agreement with Q2 ALS and the impact thereof, including the marketing, sale, distribution, production, manufacturing, assembly, installation, servicing and inventory management of the Company's technologies; royalty income resulting from the license agreement with Q2 ALS; sales and marketing activities; increased visibility in the market; estimates and source of funds of future product development and capital and operating expenditures; continued participation in the CEWS and CERS programs; capital raising; the availability of credit; the Company's credit risk; continued usage of service providers and contractors, including Q2 ALS; estimates regarding current cash resources and cash flow, project revenue, and its ability to meet strategic objectives into 2021; anticipated sales; profitability expectations; commercialization plans and the timing thereof; operating and other costs; cost and staff reductions, and the effects thereof; the effect of oil and natural gas market conditions on the Company; financial results and the impacts of International Financial Reporting Standards on these statements.

Such forward-looking statements or information are based on a number of assumptions that may prove to be incorrect. Assumptions have been made regarding, among other things: obtaining regulatory approvals, including from the TSX Venture Exchange, in respect of the reverse takeover transaction with Cleantek and the Financing; commercialization of products and operations; the ability of the Company to meet projected sales forecasts and obtain required capital to finance its product development; the ability of the Company to preserve cash while meeting financial liability obligations as they become due; the successful completion of product testing and timing thereof; the ability to adequately protect proprietary information and technology from its competitors; the ability to obtain and maintain partnering opportunities; the effects of the license agreement with Q2 ALS on the Company's operating expenses, cash flow and profitability; the ability of the Company to generate royalty income from the license agreement with Q2 ALS; the ability to attract and retain key personnel and key collaborators; the availability of skilled labour, services and equipment; general economic and financial market conditions, the legislative and regulatory environment of the jurisdictions where the Company carries on business, the ability to successfully compete in the targeted markets; the potential to increase recoverable reserves for customers by utilization of the HARP™, REAL™ and HART™ systems; estimates regarding projected future cash flows for the HART system; estimates regarding current and projected cash resources and cash flow anticipated sales; the Company's projected revenue; continued availability of the CEWS and CERS programs until September 2021; eligibility for the Company's continued participation in the CEWS and CERS programs; the ability to implement strategic objectives and plans; the ability to attract new customers and develop and maintain existing customers, the Company's expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic and variant strains of the virus on Raise's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; and the future demand for the Company's services and equipment, in particular, in light of the decline in oil prices in Canada and the United States and the COVID-19 pandemic.

The forward-looking statements contained in this MD&A are made as of the date hereof and Raise Production does not undertake any obligation to publicly update or revise any of the included forward-looking statements, except as required by applicable Canadian securities law. Forward-looking statements are based upon the opinions and expectations of management of Raise Production as at the effective date of such statements and, in some cases, information supplied by third parties. Although Raise Production believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statement will not occur. These risks and uncertainties include but are not limited to: deployment and commercialization of the Company's products, competition in the market, regulatory changes, reliance on third party distributors including Q2 ALS, the risk that the low commodity price environment will be sustained for an indefinite period, the impact of the COVID-19 pandemic and variant strains of the virus, and the resulting effects on economic conditions, restrictions imposed by public health authorities or governments, fiscal and monetary responses by governments and financial institutions and disruptions to global supply chains and other general industry, economic, market and business conditions, delays or changes in plans with respect to developing, manufacturing, marketing, distributing and installing the Company's products. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-

looking statements, including but not limited to those described under the headings "*Operational and Business Risks*" and "*Financial Instruments*". Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Raise's cash position, profitability, sales, cost reductions, financing activities and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Raise's future business operations. Raise disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

RESULTS OF OPERATIONS

Statement of Operations

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Revenue from contracts with customers	\$ 110,980	\$ 110,776	\$ 382,963	\$ 229,653
Cost of sales	588	62,760	157,935	124,943
Gross margin	110,392	48,016	225,028	104,710
Other income	4,232	31,661	4,232	33,530
Expenses:				
General and administration	246,450	194,344	396,260	631,615
Inventory impairment	125,069	–	141,822	–
Gain on extinguishment of convertible debt	(117,444)	–	(117,444)	–
Gain on disposal of assets	(80,545)	–	(80,545)	–
Finance costs	15,078	66,656	77,729	132,482
Depreciation and amortization	21,040	57,984	42,999	117,087
Research expenses	6,579	13,211	18,586	50,194
Stock-based compensation	752	4,208	6,440	69,636
	216,979	336,403	485,847	1,001,014
Net loss and comprehensive loss	\$ (102,355)	\$ (256,726)	\$ (256,587)	\$ (862,774)
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy:

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) in order to help employers keep and/or return employees to payrolls in response to challenges posed by the COVID-19 pandemic. In July 2020, the program was redesigned and extended until December 2020, with the Government of Canada announcing in September 2020 a further extension of the CEWS until June 2021 and in April 2021, an additional extension until September 2021.

The Company determined that it met the employer eligibility criteria and applied for CEWS retroactively to March 15, 2020. The Company has received total gross wage subsidy to date of \$379,827 (\$120,146 for the six months ended June 30, 2021) and intends to continue its participation in the CEWS program until September 2021, subject to meeting the eligibility requirements. The CEWS is reported as a reduction of salary expense in the Statement of Operations and Comprehensive Loss.

In October 2020, the Government of Canada announced the Canada Emergency Rent Subsidy (“CERS”) in order to help qualifying tenants and property owners affected by the COVID-19 pandemic. The CERS is available from September 27, 2020 to September 2021 and offers up to 65% of eligible expenses.

The Company determined that it met the tenant eligibility criteria and applied for CERS retroactively to September 27, 2020. The Company has received total gross rent subsidy to date of \$37,180 (\$23,903

for the six months ended June 30, 2021). The CERS is reported as a reduction of facilities expense in the Statement of Operations and Comprehensive Loss.

Segmented Information

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support both the REAL and HART segments.

Revenue

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
REAL™ segment revenue	\$ 110,980	\$ 110,776	\$ 382,963	\$ 229,653

The majority of REAL™ revenue for the quarter ended June 30, 2021 consists of two amounts that were reclassified from deferred revenue during the quarter totaling \$108,900. The revenue recognition is the result of services no longer required for project revenue of \$98,000 previously paid for in 2018 and the delivery of a HARP™ that was previously paid for in 2019.

Excluding the deferred revenue recognized, REAL™ revenue decreased \$105,696 or 95% for the three months ended June 30, 2021 compared to the same period in the prior year due to the continued reduction in HARP™ sales since the start of the COVID-19 pandemic.

Excluding the deferred revenue recognized, REAL™ revenue increased \$44,410 or 19% for the six months ended June 30, 2021 compared to the same period in the prior year primarily due to the Q2 Artificial Lift Services ("Q2 ALS") continuing to complete the purchase of HARP™ inventory during the first quarter of 2021 as specified in its exclusive distribution agreement executed in September 2020 for the marketing, sale and installation of the Company's HARP™ and REAL™ technologies in the North American market.

The Company subsequently granted Q2 ALS an exclusive worldwide license agreement for its REAL™ technology on April 20, 2021 for the marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the Company's HARP™ and REAL™ products in exchange for consideration of royalty payments for a ten-year period.

Cost of Sales

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
REAL™ segment cost of inventory	\$ 5,508	\$ 57,172	\$ 157,253	\$ 109,870
Warranty provision	(4,920)	4,920	(1,920)	9,840
Field service & other cost of inventory	–	668	2,602	5,233
Total	\$ 588	\$ 62,760	\$ 157,935	\$ 124,943

The decrease in REAL™ segment cost of inventory of \$62,172 or 99% for the three months ended June 30, 2021 compared to the same period in the prior year is due to the reduction in REAL™ revenue as noted above excluding the project revenue of \$98,000 reclassified from deferred revenue which does not have an associated cost of sales. In addition, the Company has recognized a warranty provision reversal of \$4,920 for expired claims during the second quarter of 2021.

The increase in REAL™ segment cost of inventory of \$32,992 or 26% for the six months ended June 30, 2021 compared to the same period in the prior year is consistent with the increase in revenue as noted above and is primarily the result of the majority of sales consisting of inventory purchases by Q2 ALS. The cost of sales for the six months ended June 30, 2021 excludes the project revenue of \$98,000 reclassified from deferred revenue which does not have an associated cost of sales.

Gross Margin

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Gross margin	\$ 110,392	\$ 48,016	\$ 225,028	\$ 104,710

The Company's gross margin as a percentage of total revenue during the three months ended June 30, 2021 was 99% compared to 43% for the same period in the prior year. The increase is the result of project revenue of \$98,000 reclassified from deferred revenue which does not have an associated cost of sales as well as the \$4,920 reversal of the warranty provision for expired claims. Excluding these two amounts the gross margin as a percentage of total revenue for the second quarter of 2021 is 57%.

The Company's gross margin as a percentage of total revenue during the six months ended June 30, 2021 was 59% compared to 45% for the same period in the prior year. The increase is primarily the result of project revenue of \$98,000 reclassified from deferred revenue which does not have an associated cost of sales as well as the \$1,920 reversal of the warranty provision for expired claims. Excluding these two amounts the gross margin as a percentage of total revenue for the six months ended June 30, 2021 is 43%.

Other Income

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Other income	\$ 4,232	\$ 31,661	\$ 4,232	\$ 32,644
Interest income	–	–	–	886
Total	\$ 4,232	\$ 31,661	\$ 4,232	\$ 33,530

The decrease in other income for the three and six months ended June 30, 2021, compared to the same periods in 2020, is due to \$30,048 received from the Alberta government in June 2020 for the Company's 2017 Scientific Research and Experimental Development ("SR&ED") claim.

General and Administration

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Salaries and benefits ⁽¹⁾	\$ 138,724	\$ 64,242	\$ 192,430	\$ 211,832
Salaries and benefits ⁽²⁾	19,897	37,318	52,494	183,563
Audit and accounting	30,660	19,425	44,304	40,896
Sub-contracted and consulting services	10,976	18,831	27,234	47,622
Public company costs	11,643	5,231	22,771	8,551
Insurance	10,049	12,173	20,097	23,907
Legal	1,784	15,248	2,125	52,071
Facilities	(3,073)	9,584	(12,587)	30,208
Other	25,790	12,292	47,392	32,965
Total	\$ 246,450	\$ 194,344	\$ 396,260	\$ 631,615

(1) Administration

(2) HARP commercialization

Overall general and administration expenses increased \$52,106 or 27% for the three-month period ended June 30, 2021 compared to same period in 2020. Significant changes within the general and administration expenses consisted of:

- a \$74,482 increase in salaries and benefits for Administration mainly due to final severance and accrued vacation of \$90,029 paid to five terminated employees, offset by \$25,960 in government assistance received from the CEWS program for salaries incurred during the quarter; and
- an \$11,235 increase in audit and accounting mainly due to a second quarter financial statement review completed by the Company's auditor; offset by
- a \$17,421 decrease in salaries and benefits for HARP™ commercialization mainly due to the termination of four employees during the quarter and including \$9,384 in government assistance received from the CEWS program for salaries incurred during the quarter; and
- a \$12,657 decrease in facilities expenses due to the move to a smaller office and shop space in September 2020 resulting in reduced operating costs as well as receiving \$11,465 in government assistance from the CERS program during the quarter ended June 30, 2021.

Overall general and administration expenses decreased \$235,355 or 37% for the six months ended June 30, 2021 compared to the prior year mainly as a result of the COVID-19 pandemic beginning in mid-March 2020 and the Company significantly reducing its cost structure since that time as a result of reduced sales. Significant changes within the general and administration expenses consisted of:

- a \$131,068 decrease in salaries and benefits for HARP™ commercialization, including \$47,304 in government assistance received from the CEWS program for salaries incurred, mainly due to work reduction schedules implemented for all staff in June 2020 and the termination of eight employees in this area since the beginning of the COVID-19 pandemic;
- a \$49,946 decrease in legal expenses mainly due to a decrease in patent application legal fees related to the REAL™ system and corporate legal fees; and
- a \$42,795 decrease in facilities expenses due to the move to a smaller office and shop space in September 2020 resulting in reduced operating costs as well as receiving \$23,903 in government assistance from the CERS program.

Inventory Impairment

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Inventory impairment	\$ 125,069	\$ –	\$ 141,822	\$ –

During the three and months ended June 30, 2021, the Company wrote off \$125,069 and \$141,822 of inventory, respectively, that was transferred to Q2 ALS at no initial cost with any potential future proceeds to be received on an “as-used” basis as well as second generation HARP™ development that is no longer usable and had a carrying value in excess of its net realizable value. As of June 30, 2021, the Company closed its shop space and does not hold any inventory.

Gain on extinguishment of convertible debentures

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Gain on extinguishment of convertible debentures	\$ 117,444	\$ –	\$ 117,444	\$ –

On March 31, 2021, the Company entered into shares for debt agreements with its twenty secured convertible debenture creditors for the full settlement of the principal and accrued interest balance of \$2,334,027 in exchange for 58,350,688 common shares of the Company from treasury at a deemed price of \$0.04 per share. Upon receipt of approval from the TSX Venture Exchange, the common shares were issued to the creditors on April 20, 2021 when the Company's share price closed at \$0.035 resulting in a gain of \$126,317 in comparison to the book value of the convertible debt on that date.

On December 31, 2020, the Company entered into shares for debt agreements with eleven secured convertible debenture creditors for the full settlement of the accrued interest balance of \$62,108 in exchange for 1,774,502 common shares of the Company at a deemed price of \$0.035 per share. Upon receipt of approval from the TSX Venture Exchange, the common shares were issued to the creditors on January 14, 2021 when the Company's share price closed at \$0.04 resulting in a loss of \$8,873 in comparison to the book value of the accrued interest on that date.

Gain on disposal of assets

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Gain on disposal of assets	\$ 80,545	\$ –	\$ 80,545	\$ –

The Company disposed of all of its property and equipment (other than its accounting software program which is fully depreciated) in June 2021 through an auction process and received proceeds in excess of the carrying value and net of disposal costs of \$80,545.

Finance Costs

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on convertible debenture	\$ –	\$ 34,123	\$ 34,027	\$ 68,623
Accretion on convertible debenture	13,773	25,692	40,805	49,312
Accretion on lease liabilities	651	4,585	1,493	9,691
Bank and other interest charges	654	2,256	1,404	4,856
Total	\$ 15,078	\$ 66,656	\$ 77,729	\$ 132,482

The decrease in finance costs of \$51,578 for the three months ended June 30, 2021 and \$54,753 for the six months ended June 30, 2021 compared to the same periods in the prior year is due to the extinguishment of the Company's convertible debt on April 20, 2021 as well as the reduction in accretion on lease liabilities due to the sale of leased machinery and the move to a smaller office and shop space in September 2020.

Depreciation and Amortization

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Depreciation of right-of-use assets	\$ 18,280	\$ 43,157	\$ 38,400	\$ 86,313
Depreciation of fixed assets	2,760	14,827	4,599	30,774
Total	\$ 21,040	\$ 57,984	\$ 42,999	\$ 117,087

The decrease in depreciation and amortization expense of \$36,944 for the three months ended June 30, 2021 and \$74,088 for the six months ended June 30, 2021 compared to the same periods in the prior year is due to the Company moving to a smaller office and shop space in September 2020, selling its HAAS Horizontal Machining unit and HAAS ST-35Y in July and October 2020 and cancelling its vehicle leases in June 2020 and May 2021.

The Company cancelled its remaining right-of-use leased assets as of June 30, 2021 and disposed of all of its property and equipment (other than its accounting software program which is fully depreciated) in June 2021 through an auction process.

Research Expenses

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Research expenses	\$ 6,579	\$ 13,211	\$ 18,586	\$ 50,194

Research expenses consist of expenditures incurred for the design and development of the Company's patent pending downhole tools that form part of the REAL™ system. The expenditures mainly consist of an internal engineer's salary and benefits.

The decrease in research expenses for the three months ended June 30, 2021 of \$6,632 and \$31,608 for the six months ended June 30, 2021 compared to the same periods in prior year is due the termination of the internal engineer in April 2021 as well government assistance received from the CEWS program for salaries incurred prior to the termination date.

Stock-based Compensation

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Stock-based compensation	\$ 752	\$ 4,208	\$ 6,440	\$ 69,636

Stock-based compensation expense relates to options granted to the Company's management, employees, consultants and directors and is recognized over the vesting period of the options. The Company uses the Black-Scholes model to calculate the fair value of the options at the time of grant.

The decrease in stock-based compensation expense of \$3,456 for the three months ended June 30, 2021 and \$63,196 for the six months ended June 30, 2021 compared to the same periods in the prior year is due to the timing of the stock option grants, the vesting period associated with each option grant and any conditions associated with the vesting period.

The Company did not grant any stock options during the six months ended June 30, 2021 and June 30, 2020. The last stock option grant was in September 2019 and therefore the majority of stock-based compensation expense was recognized prior to 2021.

The Company had 3,860,000 options exercisable at June 30, 2021 compared to 5,326,667 at June 30, 2020.

Deferred Income Taxes

The Company has not recognized any deferred income tax asset given the uncertainty of profitability with its future operations. At June 30, 2021, the Company has a non-capital loss carry forward balance and deductible scientific research and development expenditures totaling approximately \$23 million

Net Loss and Net Loss per Share

Net loss for the three months ended June 30, 2021 was \$102,355, compared to a net loss of \$256,726 for the same period in 2020, representing a 60% decrease. The \$154,371 decrease is mainly the result of a \$117,444 gain on extinguishment of debt, an \$80,545 gain on disposal of assets, a \$62,376 increase in gross margin, a \$51,578 decrease in finance costs and a \$36,944 decrease in depreciation

and amortization offset by a \$125,069 increase in inventory impairment and a \$52,106 increase in general and administration expenditures, the details of which are explained above.

Net loss for the six months ended June 30, 2021 was \$256,587, compared to a net loss of \$862,774 for the same period in 2020, representing a 70% decrease. The \$606,187 decrease is mainly the result of a \$235,355 decrease in general and administration expenditures, a \$120,318 increase in gross margin, a \$117,444 gain on extinguishment of debt, an \$80,545 gain on disposal of assets, a \$74,088 decrease in depreciation and amortization, a \$54,754 decrease in finance costs and a \$63,196 decrease in stock-based compensation offset by a \$141,822 increase in inventory impairment, the details of which are explained above.

The net loss per share of \$0.00 for the three months ended June 30, 2021 and \$0.00 for the six months ended June 30, 2021 is consistent with the net loss per share for the same periods in 2020.

Cash Used in Operating Activities

Cash flows used in operating activities for the six months ended June 30, 2021 of \$198,813 are 70% lower than cash flows used in operating activities for the six months ended June 30, 2020 of \$672,566.

This decrease is primarily due to a reduction in general and administration expenses, excluding non-cash items and including the CEWS and CERS cash receipts during the year offset by an increase in non-cash working capital due to the timing of receipts of trade receivables and inventories and the timing of payments of trade payables and accrued liabilities.

OUTSTANDING SHARE DATA

The Company's outstanding shares, options and warrants of the date of this report consist of:

	Number
Common shares:	
Balance, December 31, 2020	113,582,673
Shares issued for convertible debt interest	1,774,502
Shares issued for convertible debt principal and interest	58,350,688
Common shares, as of August 24, 2021	173,707,863
Stock options:	
Balance, December 31, 2020	8,560,000
Options forfeited	(1,710,000)
Stock options outstanding, as of August 24, 2021	6,850,000
Stock options exercisable, as of August 24, 2021	3,800,000

On January 14, 2021, the Company issued 1,774,502 common shares from treasury at a price of \$0.04 per share based on an agreement to settle outstanding debt interest of \$62,107 at a deemed price of \$0.035 per share to eleven secured convertible debenture creditors.

On April 20, 2021, the Company issued 58,350,688 common shares of the Company from treasury at a price of \$0.035 per share based on an agreement to settle in full the principal balance and accrued interest of \$2,334,027 at a deemed price of \$0.04 per share to twenty secured convertible debenture creditors.

CONTRACTUAL OBLIGATIONS

The Company's remaining contractual obligations consisting of a corporate office lease and photocopier were terminated as of June 30, 2021.

SUMMARY OF QUARTERLY RESULTS (selected financial information)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	\$ 115,212	\$ 271,983	\$ 298,866	\$ 80,280
Net loss	(102,355)	(154,232)	(407,273)	(404,531)
Per share	(0.00)	(0.00)	(0.00)	(0.00)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	\$ 142,437	\$ 120,746	\$ 359,533	\$ 310,034
Net loss	(256,726)	(606,048)	(6,798,631)	(1,740,336)
Per share	(0.00)	(0.01)	(0.06)	(0.02)

The net loss decrease of \$51,877 or 34% for the second quarter of 2021 compared to the first quarter of 2021 is mainly the result of a \$117,444 gain on extinguishment of debt, a \$80,545 gain on disposal of assets and a \$47,573 decrease in finance costs offset by a \$108,316 increase in inventory impairment and a \$96,638 increase in general and administration expenditures, the details of which are explained above.

The net loss decrease of \$253,041 or 62% for the first quarter of 2021 compared to the fourth quarter of 2020 is mainly the result a loss on disposal and derecognition of assets of \$156,621 recognized during the fourth quarter of 2020 due to the sales of two machines and write-off of surface unit equipment as well as a \$61,053 reduction in general and administrative expenses primarily the result of a severance payment made during the fourth quarter of 2020.

The net loss of \$407,273 for the fourth quarter of 2020 is consistent with the third quarter of 2020 net loss of \$404,531 however some significant changes within the net loss figures between the periods consist of a \$123,203 increase in loss on disposal and derecognition of assets due to the sales of two machines and write-off of surface unit equipment, a \$121,541 increase in gross margin primarily due to the Company signing a Distribution Agreement with Q2 ALS in late September resulting in the sale of inventory to Q2 ALS in the fourth quarter, a \$60,309 decrease in general and administrative expenses due to a reduction in the audit expense accrual, no moving costs being incurred in the fourth quarter and the CERS subsidy occurring in the fourth quarter, and a \$57,691 increase in inventory impairment due to the carrying value of some inventory items being in excess of the net realizable value during the fourth quarter.

The net loss increase of \$147,806 or 58% for the third quarter of 2020 compared to the second quarter of 2020 is the result of a \$76,829 increase in general and administrative expenses mainly due to severances for two terminated employees and moving costs incurred during the third quarter, a \$59,617

increase in stock-based compensation, and a \$38,230 decrease in gross margin offset by a \$31,941 decrease in depreciation and amortization expense.

The net loss decrease of \$349,323 or 58% for the second quarter of 2020 compared to the first quarter of 2020 is mainly the result of a \$242,928 decrease in general and administrative expenses, a \$61,220 decrease in stock-based compensation, a \$23,771 decrease in research expenses and the receipt of \$30,048 for the Company's 2017 SR&ED claim.

The net loss decrease of \$6,192,583 or 91% for the first quarter of 2020 compared to the fourth quarter of 2019 is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019 for all capitalized costs incurred for the Company's HART™ segment.

The net loss increase of \$5,058,295 or 291% for the fourth quarter of 2019 compared to the third quarter of 2019 is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019; offset by a \$1,160,012 decrease in general and administrative expenses fees due to the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized on September 30, 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, the Company had negative working capital of \$349,515. Excluding the \$440,000 deferred revenue balance, the Company's working capital is \$90,485.

As discussed in the COVID-19 Pandemic Implications section of this report, the Company has taken and continues to make significant measures to reduce its operating expenses since the pandemic began in March 2020 as well as take advantage of available government assistance in order to maintain staff, preserve cash and continue to operate.

The significant cost reductions completed by the Company since March 2020 consist of extinguishing the Company's long-term convertible debt in exchange for common shares, terminating 10 employees, selling all property and equipment, terminating office, machinery and vehicle leases, and reducing working hours for the remaining staff resulting in up to 80% salary reductions.

On April 20, 2021, the Company granted an exclusive worldwide license agreement to its current distribution partner, Q2 ALS for its REAL technology, including the HARP technology, in consideration of ongoing royalty payments on all REAL and HARP proprietary parts sold by Q2 ALS for a ten year period. Q2 ALS will be responsible for all marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the REAL and HARP products. Q2 ALS also received all of the Company's existing HARP and REAL inventory in May 2021 with payment to be made on an "as used" basis. The granting of this license will allow the Company to further reduce its operating expenses while generating royalty income until an alternate corporate strategy is determined.

On July 12, 2021, the Company announced it has entered into an arrangement agreement with Cleantek Industries Inc. ("Cleantek") whereby a "reverse takeover" business combination (the "Transaction") with the Company will be completed subject to the receipt of all required regulatory, governmental, shareholder and other third party approvals as well as the completion of a brokered financing for minimum gross proceeds of not less than \$10 million (the "Financing").

Upon completion of the Transaction, the Company will remain listed on the TSX Venture Exchange and will carry on the combined business of the Company and Cleantek under the name Cleantek Industries Inc. The Company will acquire each issued and outstanding common share of Cleantek in exchange

for the issuance of 58.3 common shares of Raise. Following completion of the Transaction, shareholders of Raise will hold approximately 15% of the combined company and shareholders of Cleantek will hold the remaining approximately 85%, not including the completion of the Financing.

On August 4, 2021, the Company announced a syndicate of investment dealers led by Eight Capital have fully allocated \$10 million of the Financing, including a President's List in excess of \$1 million. The Financing is expected to close on or about August 31, 2021.

The Company believes its current cash position will be sufficient to satisfy its financial obligations until the end of the fourth quarter of 2021 based on its continued cost reductions in all aspects of the business. The Company's ability to accomplish its plans throughout the remainder 2021 and beyond is dependent upon the Company closing the proposed "reverse takeover" business combination transaction with Cleantek Industries Inc. as well as generating cash from royalties received through the exclusive license granted to Q2 ALS; however, there is no assurance that the Company will achieve either of these objectives. Refer to the going concern discussion in note 2 of the Company's condensed interim financial statements for the three and six months ended June 30, 2021.

FINANCIAL INSTRUMENTS

The Company's financial instruments are represented by cash, trade receivables, deposits and trade payables.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. At June 30, 2021, the Company had cash and accounts receivable of \$155,014 and current liabilities of \$99,433, excluding deferred revenue. The Company continues to minimize its operational expenses in order to continue to meet its financial liability obligations. At June 30, 2021, all of the Company's financial liabilities are due within one year.

On April 20, 2021, the Company granted an exclusive worldwide license agreement to Q2 Artificial Lift Services ("Q2 ALS") for its REAL technology, including the HARP technology, in consideration of royalty payments on all REAL and HARP proprietary parts sold by Q2 ALS for a ten-year period. Q2 ALS will be responsible for all marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the REAL and HARP products. Q2 ALS has also received all of the Company's remaining HARP and REAL inventory with payment to be made on an "as used" basis.

The Company believes its current cash position will be sufficient to satisfy its financial obligations until the end of the fourth quarter of 2021 based on its continued cost reductions in all aspects of the business. The Company's ability to accomplish its plans throughout the remainder 2021 and beyond is dependent upon the Company closing the proposed "reverse takeover" business combination transaction with Cleantek Industries Inc. as well as generating cash from royalties received through the exclusive license granted to Q2 ALS; however, there is no assurance that the Company will achieve either of these objectives. Refer to the going concern discussion in note 2 of the Company's condensed interim financial statements for the three and six months ended June 30, 2021.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At June 30, 2021, cash and cash equivalents totaled \$143,733, none of which is earning interest thus the Company has no exposure to fluctuating market interest rates.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash and cash equivalents, trade receivables and deposits as disclosed in the financial statements as at June 30, 2021.

The Company mitigates its exposure to credit risk with respect to cash and cash equivalents by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions.

The trade receivables balance at June 30, 2021 consists of amounts owing from two customers and the federal government for the CEWS and CERS programs. The majority of the balance owing has been collected subsequent to quarter-end, other than invoices provided for in its Allowance for Doubtful Accounts provision. The Company has fully provided for one customer invoice in the amount of \$23,475 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

Foreign Currency Exchange Risk

The Company's only exposure to U.S. denominated financial instruments at June 30, 2021 is a cash balance of USD\$19,942.

OPERATIONAL AND BUSINESS RISKS

Information with respect to the operational and business risks faced by the Company is included in the Company's MD&A for the year ended December 31, 2020.



Management's Discussion and Analysis
For the Year ended December 31, 2020

PRESIDENT'S UPDATE

The Company is providing an update to its shareholders on its annual financial results and recent activities related to its operations.

The Company has three systems that can be used independently or in combination in horizontal wellbores:

- 1) the High Angle Reciprocating Pump ("HARP™");
- 2) the Raise Efficient Artificial Lift ("REAL™") Horizontal Separator; and
- 3) the Horizontal Artificial Recovery Technology ("HART™").

During 2020 the Company continued to experience a decline in revenues and activity due to the COVID-19 pandemic creating lower global demand and subsequent lower oil pricing. Reduced capital budgets and cashflow that the Company's customers also experienced impacted the overall industry and the Raise commercialization strategy for the HARP™ and REAL™ product lines.

As stated in previous releases, the Company took significant steps to reduce overhead and this included re-locating to smaller premises, reducing staffing levels, shutting down the manufacturing facility, selling machines and receiving government assistance with the wage and rent subsidy programs.

In addition to the above measures, the Company entered into an exclusive agreement for North America with Q2 Artificial Lift Services ("Q2 ALS") for the distribution of its commercial product line in September 2020. Q2 ALS is a major supplier, worldwide, of artificial lift products to the rod pumping market segment. The agreement included the sale of the majority of Raise's existing HARP™ inventory to Q2 ALS.

During the last few months, it became clear that a recovery of the rod pumping market segment will be slower than anticipated and the Company has looked at alternatives to ensure that its proprietary products remain commercial and generate value for stakeholders. In order to accomplish this objective, the Company has proceeded with the following subsequent to year-end:

- On April 20, 2021, the Company completed the conversion of the principal and accrued interest balance of its secured convertible debentures to common shares effectively eliminating the majority of the Company liabilities and debt;
- On April 20, 2021, the Company signed a worldwide exclusive License Agreement with Q2 ALS that supersedes the distribution agreement and allows Q2 ALS to manufacture, distribute and service the HARP™ and REAL™ products in exchange for a ten-year royalty payment on all Raise products sold as complete components or parts;
- Moved two staff permanently to Q2 ALS in engineering design and engineering technical support to ensure product continuation and market development of the products in addition to providing current customers with high standards of service; and
- Q2 ALS will also assume all costs for patent maintenance and patent filing fees.

The advantages of the License Agreement allow the Company to continue to significantly reduce its operating costs while pursuing alternatives for the Company including a partner to develop the HART™ horizontal pumping system while realizing payments from royalties.

The License Agreement also allows Q2 ALS to provide timely inventory levels to its locations while realizing better manufacturing costs as the products are absorbed into a much larger and more efficient machining and inventory system with a worldwide distribution network.

The Company believes that under the present state of the industry and restrictions caused by the COVID-19 pandemic it has realized the best path forward for all stakeholders. The Company will provide updates as it proceeds and evaluates these potential alternative scenarios.

A handwritten signature in black ink, appearing to read 'Eric Laing', with a horizontal line underneath.

Eric Laing
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Raise Production Inc. ("Raise Production" or the "Company") as at and for the years ended December 31, 2020 and 2019.

Information in this MD&A and the financial statements has been presented in Canadian dollars. The financial statements for the years ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking information. Readers are referred to the advisories concerning such matters under the heading "Forward-Looking Information Disclaimer" below.

This MD&A is dated April 28, 2021. Additional information concerning Raise Production can be found on the SEDAR website at www.sedar.com.

ABOUT RAISE PRODUCTION

Raise Production is an independent Canadian public company, the principal business of which is utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and gas wells.

The Company is considered to be a development stage enterprise, as it is in the initial stages of the commercialization process of its Raise Efficient Artificial Lift ("REAL™") system, which includes the High Angle Reciprocating Pump ("HARP") and has not yet generated revenue from its initially planned principal business, the sale and distribution of its proprietary Horizontal Artificial Recovery Technology ("HART™" or the "System"). Similar to other development stage enterprises, the recoverability of amounts shown for product development and commercialization are dependent on many factors, including the ability of the Company to obtain necessary financing for its planned activities. Failure to obtain the necessary financing would impact the Company's ability to realize its assets and discharge its liabilities in the normal course of business. See "Operational and Business Risks" below.

COVID-19 PANDEMIC IMPLICATIONS:

The Company experienced a 42% decline in customer revenue for the last three quarters of 2020 compared to the same period in the prior year as a result of the COVID-19 pandemic which contributed to a decline in oil prices in Canada and the United States, reduced operating and capital budgets of the Company's existing customers and not being able to effectively reach new customers due to COVID-19 restrictions during its critical commercialization phase.

As a result of the reduced revenue and incoming cashflow, the Company has taken and continues to take significant steps to reduce its monthly operating expenses and preserve its cash position to meet its financial liability obligations as they become due. These measures included significantly reducing the Company's salary expense through layoffs, terminations, salary reductions and receiving government assistance (discussed below under Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy), moving the Company to a smaller facility to reduce monthly shop and office rent, shutting down the Company's internal manufacturing operations, selling its largest value machinery in July and October 2020 and reducing general operating expenses wherever possible.

During the cost reduction process, the Company has significantly reduced its contractual obligations due to short-term leases being signed for office and vehicle leases as well as the sale of machinery under a finance lease. The only remaining long-term leases as of the date of this report consists of the Company's current office space and photocopier which expire in February 2022 and June 2022, respectively, as detailed in the Contractual Obligations section below.

FORWARD-LOOKING INFORMATION DISCLAIMER

The global impact of COVID-19 as well as the decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time. However, the influence of these recent developments has impacted the Company's customers' capital and operating spending budgets, which have resulted in a negative effect on the Company's short-term sales. The Company continues to implement actions to preserve its cash position while maintaining its ability to effectively service and supply its customers.

Certain information included in this MD&A constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain or can be identified by statements that include words such as "anticipate", "assume", "based", "believe", "can", "continue", "depend", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "project", "propose", "result", "upon", "will", "within" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to: the Company's business strategy, short and long term objectives, strength and focus; strategic alternatives; the use of the company's patented products to enhance and increase production in conventional and unconventional horizontal oil and natural gas wells; the distribution agreement with Q2 ALS; the license agreement with Q2 ALS and the impact thereof, including the marketing, sale, distribution, production, manufacturing, assembly, installation, servicing and inventory management of HARP™ and REAL™ systems; discussions with Q2 ALS regarding HART™ technology; royalty income resulting from the license agreement with Q2 ALS; sales and marketing activities, including the expansion of such activities to target locations in the USA and Canada; increased visibility in the market; estimates and source of funds of future product development and capital and operating expenditures; estimates in respect of potential maintenance warranty claims related to the commercialization of HARP; continued participation in the CEWS and CERS programs; capital raising; the availability of credit; the Company's credit risk; continued usage of service providers and contractors, including Q2 ALS and Visual Strategies & Associates Inc.; estimates regarding current cash resources and cash flow, project revenue, and its ability to meet strategic objectives into 2021; anticipated sales; profitability expectations; commercialization plans and the timing thereof; the results and timing of product testing; operating and other costs, including rent expenses for the Company's office lease, office equipment leases and vehicle leases; cost and staff reductions, and the effects thereof; the effect of oil and natural gas market conditions on the Company; financial results and the impacts of International Financial Reporting Standards on these statements.

Such forward-looking statements or information are based on a number of assumptions that may prove to be incorrect. Assumptions have been made regarding, among other things: commercialization of products and operations; the ability of the Company to meet projected sales forecasts and obtain required capital to finance its product development; the ability of the Company to preserve cash while meeting financial liability obligations as they become due; the successful completion of product testing and timing thereof; the ability to adequately protect proprietary information and technology from its competitors; the ability to obtain and maintain partnering opportunities; the effects of the license agreement with Q2 ALS on the Company's operating expenses, cash flow and profitability; the ability of the Company to generate royalty income from the license agreement with Q2 ALS; the ability to attract and retain key personnel and key collaborators; the availability of skilled labour, services and equipment; general economic and financial market conditions, the legislative and regulatory environment of the jurisdictions where the Company carries on business, the ability to successfully compete in the targeted markets; the potential to increase recoverable reserves for customers by utilization of the HARP™, REAL™ and HART™ systems;

estimates regarding projected future cash flows for the HART system; estimates regarding current and projected cash resources and cash flow anticipated sales; the Company's projected revenue; eligibility for continued participation in the CEWS and CERS programs; the ability to implement strategic objectives and plans; the ability to expand the Company's training and product assembly initiative to target locations; the ability to attract new customers and develop and maintain existing customers, the Company's expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic on Raise's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; and the future demand for the Company's services and equipment, in particular, in light of the recent decline in oil prices in Canada and the United States and the COVID-19 pandemic.

The forward-looking statements contained in this MD&A are made as of the date hereof and Raise Production does not undertake any obligation to publicly update or revise any of the included forward-looking statements, except as required by applicable Canadian securities law. Forward-looking statements are based upon the opinions and expectations of management of Raise Production as at the effective date of such statements and, in some cases, information supplied by third parties. Although Raise Production believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statement will not occur. These risks and uncertainties include but are not limited to: deployment and commercialization of the Company's products, competition in the market, regulatory changes, reliance on third party distributors including Q2 ALS, the risk that the low commodity price environment will be sustained for an indefinite period, the impact of the COVID-19 pandemic and the resulting effects on economic conditions, restrictions imposed by public health authorities or governments, fiscal and monetary responses by governments and financial institutions and disruptions to global supply chains and other general industry, economic, market and business conditions, delays or changes in plans with respect to developing, manufacturing, marketing and distributing and installing the Company's products. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements, including but not limited to those described under the headings "*Operational and Business Risks*" and "*Financial Instruments*". Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Raise's cash position, profitability, sales, cost reductions, financing activities and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as a set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Raise's future business operations. Raise disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

RESULTS OF OPERATIONS

Statement of Operations

	December 31, 2020	December 31, 2019	December 31, 2018
Revenue from contracts with customers	\$ 606,331	\$ 1,100,624	\$ 334,791
Cost of sales	360,506	705,613	270,037
Gross margin	245,825	395,011	64,754
Other Income	35,999	21,458	26,949
Expenses			
General and administration	1,113,653	3,043,618	1,960,083
Finance costs	255,976	94,820	4,306
Loss on disposal and derecognition of assets	156,621	–	–
Depreciation and amortization	153,880	247,495	91,634
Stock-based compensation	143,760	241,553	352,130
Research expenses	74,822	171,441	156,742
Inventory impairment	57,691	156,874	74,574
Goodwill and intangible asset impairment	–	6,089,824	–
	1,956,403	10,045,625	2,639,469
Net loss	\$ (1,674,579)	\$ (9,629,156)	\$ (2,547,766)
Net loss per share – basic and diluted	\$ (0.01)	\$ (0.08)	\$ (0.02)

Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy:

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) in order to help employers keep and/or return employees to payrolls in response to challenges posed by the COVID-19 pandemic. In July 2020, the program was redesigned and extended until December 2020, with the Government of Canada announcing in September 2020 a further extension of the CEWS until June 2021.

The Company determined that it met the employer eligibility criteria and applied for CEWS retroactively to March 15, 2020. The Company has received total gross wage subsidy to date of \$344,569 and intends to continue its participation in the CEWS program until June 2021, subject to meeting the eligibility requirements. The CEWS is reported as a reduction of salary expense in the Statement of Operations and Comprehensive Loss.

In October 2020, the Government of Canada announced the Canada Emergency Rent Subsidy (“CERS”) in order to help qualifying tenants and property owners affected by the COVID-19 pandemic. The CERS is available from September 27, 2020 to June 2021 and offers up to 65% of eligible expenses.

The Company determined that it met the tenant eligibility criteria and applied for CERS retroactively to September 27, 2020. The Company has received total gross rent subsidy to date of \$26,691 and intends to continue its participation in the CERS program until June 2021, subject to meeting the eligibility requirements. The CERS is reported as a reduction of facilities expense in the Statement of Operations and Comprehensive Loss.

In April 2021, the Government of Canada announced a further extension of CEWS and CERS until September 2021.

Segmented Information

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers. An impairment loss was recognized for the year ended December 31, 2019 for all costs incurred for this segment that were capitalized as HART development costs beginning April 1, 2013 consisting of the value of goodwill of \$259,932 and capitalized development costs since April 1, 2013 of \$5,829,892.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support both the REAL and HART segments.

Revenue

	2020	2019	% change
REAL™ segment revenue	\$ 606,331	\$ 1,100,624	(45%)

The decrease in REAL™ segment revenue of \$494,293 or 45% for the year ended December 31, 2020 compared to the prior year is primarily due to a \$422,600 or 49% reduction in Canadian HARP™ sales, excluding inventory purchased by the Company's distribution partner, Q2 Artificial Lift Services ("Q2 ALS"), in 2020. The Company entered into an exclusive distribution agreement with Q2 ALS for the marketing, sale and installation of its HARP™ and REAL™ technologies for the North American market and cancelled its USA distribution agreement with Endurance Lift Solutions ("ELS") in September 2020.

Sales of HARP™ inventory to Q2 ALS during the year ended December 31, 2020 amounted to \$251,660, which is a \$129,317 or 34% decrease from the prior years sales to ELS in 2019, offset by a \$56,747 increase in sales to CDI Oilfield Services, an ELS subsidiary located in Romania in 2020.

Cost of Sales

	2020	2019	% change
REAL™ segment cost of inventory	\$ 383,629	\$ 668,453	(43%)
Warranty provision	(23,123)	37,160	(162%)
Total	\$ 360,506	\$ 705,613	(49%)

The decrease in REAL™ segment cost of inventory of \$284,824 or 43% for year ended December 31, 2020 compared to the prior year is consistent with the reduction in revenue as noted above.

In addition, the Company has recognized a net warranty provision reversal of \$23,123 for the year ended December 31, 2020 for expired claims compared to a warranty provision of \$37,160 in the prior year for potential maintenance warranty claims related to the commercialization of its HARP™.

Gross Margin

	2020	2019	% change
Gross margin	\$ 245,825	\$ 395,011	(38%)

The decrease in gross margin was \$149,186 or 38% for the for year ended December 31, 2020 compared to the prior year. Excluding the warranty provision reversal noted above, the decrease in gross margin was \$185,734 or 47% which is consistent with the reduction in revenue as noted above

The Company's gross margin as a percentage of total revenue excluding the warranty provision reversal was 35% during the year ended December 31, 2020 compared to 36% in the prior year.

Other Income

	2020	2019	% change
Interest income	\$ 886	\$ 12,390	(93%)
Other income	35,113	9,068	287%
Total	\$ 35,999	\$ 21,458	68%

The decrease in interest income for the year ended December 31, 2020, compared to the prior year is the result of the Company's lower cash balance during 2020. The Company does not earn any interest in its investment account for balances less than \$1 million.

The increase in other income for the year ended December 31, 2020, compared to the prior year is primarily due to \$30,048 received from the Alberta government in June 2020 for the Company's 2017 Scientific Research and Experimental Development ("SR&ED") claim as well as the sale of miscellaneous scrap items with no recorded value from the Company's shop.

General and Administration

	2020	2019	% change
Salaries and benefits ⁽¹⁾	\$ 417,255	\$ 648,520	(36%)
Salaries and benefits ⁽²⁾	239,906	704,754	(66%)
Legal	95,569	152,949	(37%)
Sub-contracted and consulting fees	77,255	1,198,803	(94%)
Audit and accounting services	67,021	67,912	(1%)
Facilities	55,857	82,488	(32%)
Insurance	46,702	45,348	3%
Other	114,088	142,844	(20%)
Total	\$ 1,113,653	\$ 3,043,618	(63%)

(1) Administration

(2) HARP commercialization

Overall general and administration expenses decreased \$1,929,965 or 63% for the year ended December 31, 2020 compared to 2019. Significant changes within the general and administration expenses consisted of:

- a \$1,121,548 decrease in sub-contracted and consulting fees due to the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company, on September 30, 2019 for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized;
- a \$464,848 decrease in salaries and benefits for HARP™ commercialization mainly due to two employees temporarily laid off in April 2020 and terminated in September 2020, work reduction schedules implemented for the remaining staff in June 2020 and \$133,072 in government assistance received from the CEWS program; and
- a \$231,265 decrease in salaries and benefits for Administration mainly due to one employee temporarily laid off in April 2020 and terminated in October 2020, work reduction schedules implemented for the remaining staff in June 2020 and \$105,028 in government assistance received from the CEWS program.

Finance Costs

	2020	2019	% change
Convertible debenture interest expense	\$ 138,000	\$ 34,784	297%
Accretion on convertible debenture	100,788	22,951	339%
Accretion on lease liabilities	15,445	34,128	(55%)
Bank and other interest charges	1,743	2,957	(41%)
Total	\$ 255,976	\$ 94,820	170%

The increase in finance costs for the year ended December 31, 2020 compared to the prior year is mainly due to the interest and accretion expense on the convertible debentures issued in September 2019. On April 20, 2021, the Company issued 58,350,688 common shares from treasury at a deemed price of \$0.04 per share in full settlement of the principal balance and accrued interest of \$2,334,027 to twenty secured convertible debenture creditors.

Loss on Disposal and Derecognition of Assets

	2020	2019	% change
Loss on disposal and derecognition of assets	\$ 156,621	\$ –	100%

The loss on disposal of assets of \$156,621 for the year ended December 31, 2020 is mainly due to the sale of the Company's HAAS Horizontal Machining unit and ST-35Y Lathe machine for net proceeds of \$262,163 as well as the write-off of the Company's surface unit equipment that had a carrying value in excess of its recoverable amount.

Depreciation and Amortization

	2020	2019	% change
Depreciation of right-of-use assets	\$ 102,720	\$ 174,532	(41%)
Depreciation of fixed assets	51,160	72,963	(30%)
Total	\$ 153,880	\$ 247,495	(38%)

The \$71,812 decrease in depreciation of right-of-use assets for the year ended December 31, 2020 compared to the prior year is mainly due to the Company electing to not exercise its two-year office lease extension as of August 31, 2020, selling its HAAS ST-35Y machine in October 2020 and cancelling its remaining vehicle lease on June 30, 2020.

The \$21,803 decrease in depreciation of fixed assets for the year ended December 31, 2020 compared to the prior year is mainly due to the Company selling its HAAS Horizontal Machining unit which had a net book value of \$177,053 in July 2020.

Stock-based Compensation

	2020	2019	% change
Stock-based compensation	\$ 143,760	\$ 241,553	(40%)

Stock-based compensation expense relates to options granted to the Company's management, employees, consultants and directors that are not directly related to the HART™ development and is recognized over the vesting period of the options. Stock options granted to individuals directly related to the HART™ development are capitalized and included in the carrying value of the HART™. The Company uses the Black-Scholes model to calculate the fair value of the options at the time of grant.

The 40% decrease in the stock-based compensation expense for the year ended December 31, 2020 compared to the prior year is mainly due to the timing of the stock option grants, the vesting period associated with each option grant and any conditions associated with the vesting period. No stock options were granted by the Company during the year ended December 31, 2020 compared to 3,000,000 stock options granted during the year ended December 31, 2019.

The 3,000,000 stock options granted in 2019 do not vest until the Company's 10-day volume weighted average trading price has equaled or reached \$0.18 per share resulting in a lower fair value for these options compared to prior stock option issuances which did not contain a market price vesting provision.

The Company has 5,276,667 options exercisable at December 31, 2020 compared to 5,014,999 at December 31, 2019.

Research Expenses

	2020	2019	% change
Research expenses	\$ 74,822	\$ 171,441	(56%)

Research expenses decreased \$96,619 for the year ended December 31, 2020 compared to the prior year due to one employee temporarily laid off in May 2020 and terminated in November 2020, \$16,347 in government assistance received from the CEWS program and a \$16,266 decrease in REAL™ testing expenses .

Inventory Impairment

	2020	2019	% change
Inventory impairment	\$ 57,691	\$ 156,874	(63%)

During the year ended December 31, 2020, the Company wrote off \$57,691 of inventory related to the second generation HARP™ development as well as raw material and surface unit inventory that is no longer usable and had a carrying value in excess of its net realizable value.

At December 31, 2019, the Company recorded impairment of \$110,257 of HARP™ inventory as a result of the impairment of the HARP™ CGU discussed above. Approximately \$46,617 in inventory parts developed in conjunction with the Company's first-generation HARP™ that are no longer usable were also written off during the year ended December 31, 2019.

Goodwill and Intangible Asset Impairment

	2020	2019	% change
HARP™ development costs impairment	\$ –	\$ 5,829,892	(100%)
HARP™ goodwill impairment	–	259,932	(100%)
Total	\$ –	\$ 6,089,824	(100%)

As a result of the delay in commercialization of the HARP™ system and in accordance with IAS 36 "Impairment of Assets", the Company recognized an impairment loss for the year ended December 31, 2019 for all costs incurred for the HARP™ segment that were capitalized as HART development costs beginning April 1, 2013 consisting of the value of goodwill of \$259,932 and capitalized development costs since April 1, 2013 of \$5,829,892. The impairment was calculated using the present value of the projected five years of cash flows with a terminal value assuming 1% growth in perpetuity and an after-tax discount rate of 15.4% resulted in a negative value for the HART CGU at December 31, 2019.

The Company determined that there has been no change in the estimates used to determine the HARP™ CGU's recoverable amount since December 31, 2019, thus no reversal of the impairment loss is required for the year ended December 31, 2020.

Deferred Income Taxes

The Company has not recognized any deferred income tax asset given the uncertainty with its future operations. At December 31, 2020, the Company has a non-capital loss carry forward balance and deductible scientific research and development expenditures totaling approximately \$23 million.

Net Loss and Net Loss Per Share

The net loss for year ended December 31, 2020 was \$1,674,579, compared to a net loss of \$9,629,156 for the year ended December 31, 2019.

The decrease in the net loss of \$7,954,577 or 83% for the year ended December 31, 2020 compared to the prior year is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 and a one-time consulting fee of \$1,100,000, as a result of the acquisition of 1955554 Alberta Ltd. (an arms-length private consulting company), recognized for the year ended December 31, 2019. The decrease is also the result of a \$696,113 reduction in salaries and benefits expense during the year ended December 30, 2020 due to layoff and subsequent termination of three employees, work

reduction schedules implemented for the remaining staff and \$254,447 in government assistance received from the CEWS program

The \$0.07 decrease in the net loss per share of \$0.01 for the year ended December 31, 2020 compared to \$0.08 for the year ended December 31, 2019 is a direct result of the decrease in the net loss discussed above.

Cash Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2020 of \$816,860 are 54% lower than cash flows used in operating activities for the year ended December 31, 2019 of \$1,779,407. This decrease is primarily due to a 45% reduction in revenue earned in 2020 as well as a 43% reduction in general and administration expenses, excluding non-cash items and including the CEWS and CERS cash receipts during the year.

TOTAL ASSETS

	2020	2019	2018
Total assets	\$ 767,218	\$ 2,747,402	\$ 9,514,682

Total assets at December 31, 2020 of \$767,218 are 72% lower than total assets at December 31, 2019. This decrease is the result of a \$774,456 reduction in cash, a \$433,897 reduction in right of use assets due to the sale of leased equipment and reduction in leased office space and vehicles, a \$334,276 reduction in property and equipment due to the sale of machinery and write-off of surface unit equipment, a \$217,411 reduction in inventories due to sales and write-off of inventory, and a \$183,140 reduction in accounts receivable due to reduced sales compared to the prior year.

Total assets at December 31, 2019 of \$2,747,402 are 71% lower than total assets at December 31, 2018. This decrease is the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized as at December 31, 2019 as well as a \$971,417 reduction in cash.

TOTAL NON-CURRENT LIABILITIES

	2020	2019	2018
Total non-current liabilities	\$ 13,952	\$ 2,309,630	\$ 127,473

Non-current liabilities decreased by \$2,295,678 at December 31, 2020 compared to December 31, 2019 mainly due to the reclassification of the Company's convertible debt from a long-term liability to a current liability in 2020 and the sale and subsequent full payment of the lease liability for the Company's HAAS ST-35Y machine in October 2020.

Non-current liabilities increased by \$2,182,157 at December 31, 2019 compared to December 31, 2018 due to the issuance of \$2,300,000 secured convertible debentures at September 30, 2019 (\$2,067,243 was allocated to debt and \$232,757 to equity pre-issuance costs) as well as the adoption of IFRS 16 – *Leases* on January 1, 2019 requiring the Company's office, equipment and vehicle leases to be capitalized and reported on the Statement of Financial Position.

RELATED PARTY TRANSACTIONS

Compensation awarded to the officers and directors of the Company for the years ended December 31, 2020 and 2019 include the following:

	2020	2019
Salaries, bonuses and short-term employee benefits	\$ 405,301	\$ 539,298
Stock-based compensation	141,481	241,330
	<u>\$ 546,782</u>	<u>\$ 780,628</u>

The Company paid \$56,211 of interest related to Debentures to officer and directors during the year ended December 31, 2020 (2019 - \$28,644). On September 30, 2019, \$494,000 of secured convertible debentures (the "Debentures") were issued to six officers and directors of the Company in exchange for cash.

During the year ended December 31, 2020, \$3,500 was paid to Visual Strategies & Associates Inc., a corporation owned by the spouse of the Chief Financial Officer of the Company for website development services. Visual Strategies will continue to provide these services to the Company when requested by the Chief Executive Officer. The measurement basis used for this transaction was based on the actual invoice received and paid by the Company.

FOURTH QUARTER RESULTS

(selected financial information)

The following is a summary of the Company's results for the three months ended December 31, 2020 with comparative amounts for the three months ended September 30, 2020 and December 31, 2019.

	Three Months Ended		
	December 31, 2020	September 30, 2020	December 31, 2019
Revenue	\$ 321,648	\$ 55,029	\$ 351,735
Cost of sales	190,320	45,242	210,879
Gross margin	131,328	9,787	140,856
Other income	(22,782)	25,251	7,798
Expenses			
General and administration	210,864	271,173	468,997
Loss on disposal and derecognition of assets	139,912	16,709	—
Finance costs	61,675	61,818	65,754
Inventory impairment	57,691	—	112,298
Research expenses	24,629	—	42,040
Depreciation and amortization	10,750	26,043	70,703
Stock-based compensation	10,298	63,826	97,669
Goodwill and intangible asset impairment	—	—	6,089,824
	<u>515,819</u>	<u>439,569</u>	<u>6,947,285</u>
Net loss	\$ (407,273)	\$ (404,531)	\$ (6,798,631)

The net loss of \$407,273 for the fourth quarter of 2020 is consistent with the third quarter of 2020 net loss of \$404,531 however some significant changes within the net loss figures between the periods consist of:

- a \$123,203 increase in loss on disposal and derecognition of assets due to the sales of two machines and write-off of surface unit equipment as discussed above;
- a \$121,541 increase in gross margin primarily due to the Company signing a Distribution Agreement with Q2 ALS in late September resulting in the sale of inventory to Q2 ALS in the fourth quarter;
- a \$60,309 decrease in general and administrative expenses due to a reduction in the audit expense accrual, no moving costs being incurred in the fourth quarter and the CERS subsidy occurring in the fourth quarter; and a
- a \$57,691 increase in inventory impairment due to the carrying value of some inventory items being in excess of the net realizable value during the fourth quarter.

The decrease in the net loss of \$6,491,029 or 95% for the fourth quarter of 2020 compared to the fourth quarter of 2019 is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019 and a \$258,133 decrease in general and administrative expenses mainly due to a reduction in staff, a reduction in salary for existing staff and CEWS received during the fourth quarter.

SUMMARY OF QUARTERLY RESULTS (selected financial information)

2020	Q4	Q3	Q2	Q1
Total Revenue	\$ 298,866	\$ 80,280	\$ 142,437	\$ 120,746
Net loss	(407,273)	(404,531)	(256,725)	(606,048)
Per share	(0.00)	(0.00)	(0.00)	(0.01)
2019	Q4	Q3	Q2	Q1
Total Revenue	\$ 359,533	\$ 310,034	\$ 231,961	\$ 220,550
Net loss	(6,798,631)	(1,740,336)	(557,072)	(533,116)
Per share	(0.06)	(0.02)	(0.00)	(0.01)

See Fourth Quarter Results above regarding the net loss increase of \$2,742 or 1% in the fourth quarter of 2020 compared to the third quarter of 2020.

The net loss increase of \$147,806 or 58% for the third quarter of 2020 compared to the second quarter of 2020 is the result of a \$76,829 increase in general and administrative expenses mainly due to severances for two terminated employees and moving costs incurred during the third quarter, a \$59,617 increase in stock-based compensation, and a \$38,230 decrease in gross margin offset by a \$31,941 decrease in depreciation and amortization expense.

The net loss decrease of \$349,323 or 58% for the second quarter of 2020 compared to the first quarter of 2020 is mainly the result of a \$242,928 decrease in general and administrative expenses, a \$61,220 decrease in stock-based compensation, a \$23,771 decrease in research expenses and the receipt of \$30,048 for the Company's 2017 SR&ED claim.

The net loss decrease of \$6,192,583 or 91% for the first quarter of 2020 compared to the fourth quarter of 2019 is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019 for all capitalized costs incurred for the Company's HART™ segment.

The net loss increase of \$5,058,295 or 291% for the fourth quarter of 2019 compared to the third quarter of 2019 is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019; offset by a \$1,160,012 decrease in general and administrative expenses fees due to the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized on September 30, 2019.

The net loss increase of \$1,183,264 or 212% in the third quarter of 2019 compared to the second quarter of 2018 is mainly the result of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company, on September 30, 2019 for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized.

The net loss increase of \$23,956 or 4% in the second quarter of 2019 compared to the first quarter of 2019 is mainly the result of a \$22,006 increase in general and administration expense primarily in the HARP™ commercialization expenses.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as of the date of this report:

	2021	2022	2023	2024	2025
Office lease	\$ 50,800	\$ 12,700	\$ —	\$ —	\$ —
Equipment lease	1,777	1,333	—	—	—
Vehicle leases	1,262	—	—	—	—
Total	\$ 53,839	\$ 14,033	\$ —	\$ —	\$ —

Office Lease:

The office lease commitment is for the Calgary manufacturing and assembly facility and office space located at 6708 – 30th Street S.E beginning September 1, 2020. Monthly rent excluding GST is \$6,350 per month until February 28, 2022.

Equipment Leases:

The Company has committed to a sixty-month lease of a photocopier which expires June 30, 2022.

Vehicle Leases:

The Company has committed to one vehicle lease with a six-month term expiring on June 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had negative working capital of \$2,346,440. Excluding the reclassification of the Company's convertible debentures from a long-term liability to a current liability in 2020, the negative working capital is \$252,681.

As discussed in the COVID-19 Pandemic Implications section of this report, the Company has taken significant measures to reduce its operating expenses since the pandemic began in March 2020 as well as take advantage of available government assistance in order to maintain staff, preserve cash and continue to operate.

The significant cost reductions completed by the Company over the past year consisted of moving premises, shutting down the Company's internal manufacturing operations, terminating 4 employees, selling machinery, early termination of machinery and vehicle leases, and reducing working hours for the remaining 8 staff resulting in up to 40% salary reductions. Additional cost and staff reductions will be necessary to continue to preserve cash while meeting financial liability obligations as they become due until an alternate corporate strategy is determined

On April 14, 2021, the TSX Venture Exchange approved the issuance of 58,350,688 common shares of the Company from treasury at a deemed price of \$0.04 per share in full settlement of the principal balance and accrued interest of \$2,334,027 to twenty secured convertible debenture creditors. The share issuance was completed on April 20, 2021.

On April 20, 2021, the Company granted an exclusive worldwide license agreement to its current distribution partner, Q2 ALS for its REAL technology, including the HARP technology, in consideration of ongoing royalty payments on all REAL and HARP proprietary parts sold by Q2 ALS for a ten year period. Q2 ALS will be responsible for all marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the REAL and HARP products. Q2 ALS will also take over the Company's existing HARP and REAL inventory with payment to be made on an "as used" basis. The granting of this license will allow the Company to further reduce its operating expenses while generating royalty income until an alternate corporate strategy is determined.

The Company believes its current cash position and projected revenues will be sufficient to satisfy its financial obligations into mid-2021 based on its continued cost reductions in all aspects of the business. The Company's ability to accomplish its plans throughout 2021 and beyond is dependent upon the Company generating cash from royalties received through the exclusive license granted to its distributor in April 2021; however, there is no assurance that the Company will achieve this objective.

Refer to the going concern discussion in note 2 of the Company's annual financial statements for the year ended December 31, 2020.

OUTSTANDING SHARE DATA

The Company's outstanding shares and options of the date of this report consist of:

	Number
Common shares:	
Balance, December 31, 2020	113,582,673
Shares issued for convertible debt interest, January 15, 2021	1,774,502
Shares issued for convertible debt principal and interest, April 20, 2021	58,350,688
Common shares, as of April 28, 2021	173,707,863
Stock options:	
Balance, December 31, 2020	8,560,000
Options forfeited	(1,650,000)
Stock options outstanding, as of April 28, 2021	6,910,000
Stock options exercisable, as of April 28, 2021	3,860,000

FINANCIAL INSTRUMENTS

The Company's financial instruments are represented by cash and cash equivalents, trade receivables, deposits, trade payables and convertible debt.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. At December 31, 2020 the Company had cash and accounts receivable of \$329,886 and current liabilities of \$319,325, excluding the deferred revenue and convertible debenture balances. The Company continues to minimize its operational expenses in order to continue to meet its financial liability obligations.

At December 31, 2020, the majority of the Company's financial liabilities are due within one year with the exception of \$14,033 in office and equipment lease liabilities and the Company's convertible debt which contained an original maturity date of September 30, 2022. The convertible debt was extinguished in April 2021 when the convertible debenture creditors accepted the conversion of the principal and accrued interest owing to common shares of the Company.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At December 31, 2020, cash and cash equivalents totaled \$259,613, of which \$24,304 was held on deposit in a HSBC commercial investment account which does not earn interest for any balances less than \$1,000,000, thus the Company has no exposure to fluctuating market interest rates.

At December 31, 2020, the Company's outstanding convertible debt of \$2,300,000 contained a fixed rate of interest at 6% per annum. The Company has no floating interest rate debt and is not exposed to interest rate risk at this time.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash and cash equivalents, trade receivables and deposits as disclosed in the financial statements as at December 31, 2020.

The Company mitigates its exposure to credit risk with respect to cash and cash equivalents by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions.

The trade receivables balance at December 31, 2020 consists of amounts owing from six customers and the federal government for the Canadian Emergency Wage Subsidy program and GST refunds. The majority of the balance owing has been collected subsequent to year-end, other than invoices provided for in its Allowance for Doubtful Accounts provision.

The Company has fully provided for two customer invoices in the amount of \$50,242 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

Foreign Currency Exchange Risk

Events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's incoming revenue is currently earned in U.S. dollars, but a substantial portion of its operating expenses is currently incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company's only exposure to U.S. denominated financial instruments at December 31, 2020 is a cash balance of USD\$31,923.

OPERATIONAL AND BUSINESS RISKS

Similar to other oilfield service enterprises, the Company faces several key risks in its business including the following:

Dependence on Outside Agents and Distributors

The Company's success will depend, to a significant extent, upon the level of success of sales efforts of the HARP™ and REAL™ products by Q2 ALS and subsequent cash receipts received by the Company from the granting of the exclusive license in consideration for royalty payments. There can be no assurance that the exclusive license for all the marketing, sales, distribution, production, manufacturing, assembly, installation and servicing of the HARP™ and REAL™ products will prove successful over the course of the Company's future operations.

Negative Operating Cash Flow

The Company has made significant investments in research and development and general and administrative expenses over the years in order to develop and commercialize its proprietary technologies and expand its business. The Company reported negative cash flow from operating activities of \$816,860 for the financial year ended December 31, 2020. Although the Company has significantly reduced expenditures in general and administrative expense in 2020, it anticipates that it will continue to have negative cash flow until it reaches a sufficient level of royalty payments to cover operating expenses. As such, there is no assurance that the Company will not report negative operating cash flow in future periods.

Protection of Intellectual Property

The success and ability of the Company's products to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technologies. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology. The Company also relies on third parties from whom licenses have been received to protect their proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether or not the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technologies that are similar or superior to the technology of the

Company or such third parties or design around the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Competition

The industry in which the Company operates is highly competitive. The Company's focus on utilizing its patented products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and natural gas wells differentiates it from its competitors. However, there is no assurance that competitors will not provide services and products similar or superior to the Company's. Many of the current and potential competitors are also organizations with a more established reputation and with access to greater financial, technological, personnel and other resources than the Company. Because of their greater resources, some of the Company's competitors may be able to adapt more quickly to new or emerging technologies, government changes and customer requirements, or devote greater resources to the promotion and sales of their products than the Company can, when the market evolves sufficiently where the customer uptake and demands warrant their attention and vast resources. Any improvement in the Company's competitors' ability to provide their products and services more effectively or to develop successful technologies could adversely affect the Company's business, financial conditions and results of operations.

Additional Financing Requirements and Access to Capital

The Company will require additional capital to pursue further research and development, sales and marketing efforts for the Company's products, and for working capital in support of its growth objectives. From time to time, the Company may raise additional funds through public or private financing or obtain financing from other sources. The Company has recently investigated possible capital raising strategies and has not been able to generate any prospect of success under reasonable terms.

Economic Environment and Volatility of the Oil and Natural Gas Industry

The Company's activities depend on general economic factors and conditions in the oil and natural gas industry, many of which are out of the Company's control. The global economic environment triggers demand for oil and natural gas, thus affecting the price of these commodities and, in turn, industry's willingness to invest in exploration and development capital expenditure, including for the types of equipment provided by the Company. Market events and conditions, including disruptions in international credit markets and other financial systems, the deterioration of global economic conditions, and expectations about future oil and natural gas prices, can, and have, caused significant volatility to commodity prices. Any substantial reduction in demand for oil and natural gas accompanied by lower prices and reductions in capital expenditure programs, could adversely affect the Company's business, financial condition and results of operations.

Geopolitical and Global Events

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of the Company's operations. In addition, the current United States administration has called for changes to domestic and foreign policy. The Company cannot predict the impact, if any, of the policies adopted by the current United States administration will have on the Company's business.

Changes in Legislation

It is possible that the Canadian federal and provincial government or regulatory authorities could choose to change the Canadian environmental and intellectual property laws or other laws applicable to the Company and that any such changes could materially adversely affect the Company, its shareholders and the market value of the Common Shares.

Legal Proceedings

The alleged failure by the Company to comply with applicable laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of any applicable permits or licenses by governmental authorities. In addition, the Company may be subject of litigation by customers, suppliers and other third parties. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could adversely affect the Company's business, financial condition and results of operations. Litigation is expensive and time consuming and may divert management's attention away from the operations of the business.

Product Liability

The Company's products may expose it to product liability claims. Although the Company maintains adequate product liability insurance, a product liability claim brought against the Company or a third-party that the Company is required to indemnify, whether with or without merit, could have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

Share Price Volatility

The Company's share price has historically been subject to volatility. Accordingly, the price of the Company's common shares may decrease in the future due to a number of Company and industry-specific or general economic factors. The price of the Company's common shares may fluctuate substantially in the future due to, among other things: the failure of quarterly or annual operating results to meet expectations; the reaction of markets and securities analysts to announcements and developments involving the Company; adverse developments in the worldwide, Canadian, or United States economy, financial markets or the market that the Company serves; actions by key competitors; additions or departures of key staff; announcements of legal proceedings or regulatory matters; general volatility in the stock market. The Company's share price could also be adversely affected if a large number of its common shares are offered for sale or sold. If the supply of the Company's common shares is significantly greater than the associated demand, the market price of the Company's common shares may significantly decline. In addition, the stock market has experienced volatility that has affected the market prices of the equity securities of many companies and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond the Company's control, could also cause the market price of the Company's common shares to fluctuate substantially.

Tax Matters

Although management is of the view that all expenses and tax credits claimed by the Company, including research and development expenses ("tax credits"), are reasonable, deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree with this assessment. If the Canadian taxation authorities successfully challenge such expenses or the correctness of any income tax credits claimed, the Company's operating results could be adversely affected. If the Canadian taxation authorities reduce the tax credits, either by reducing the rate of the grant or the criteria for eligibility of some research and development expenses in the future, the Company's operating results could be adversely affected.



Management's Discussion and Analysis
For the Year ended December 31, 2019

PRESIDENT'S UPDATE

The Company is pleased to provide an update to its shareholders on its financial results and recent activities related to its operations.

The Company has three systems that can be used independently or in combination in horizontal wellbores:

- 1) the High Angle Reciprocating Pump ("HARP™");
- 2) the Raise Efficient Artificial Lift ("REAL™") Horizontal Separator
- 3) the Horizontal Artificial Recovery Technology ("HART™").

During 2019, the Company continued to grow its technology footprint, particularly its High Angle Reciprocating Pump ("HARP™") product line. The commercialization of this product line has been proven to be beneficial in new wells and in older wells. The second half of 2019 proved to be the most successful period to date with particularly good results in the Grande Prairie Charlie Lake formations. The Company also broke ground with some major E & P companies and started to record run life on its HARP™ exceeding industry norms.

The Company also saw the install of its first REAL™ horizontal separator system with a successful deployment in a Cardium well bore. Raise has had high interest from a number of operators for this technology and we will continue to pursue these during 2020.

In January 2020, the Company added 2 highly experienced sales and operational engineers, Daryl Winnicky, P. Eng. and Aaron Roche, P. Eng., each have extensive practical experience with all facets of production, reservoir and exploitation engineering for major, junior and small E & P operators. Their experience and knowledge of the technical and financial aspects of the operating companies have already proven a factor in improving the Company's sales and operational offering to be in line with changing customer challenges.

The Company added new board members Al Stark and Rick McHardy who also bring a new dimension to Raise from an operational and strategic direction. The Company has also been working diligently to define and identify a partner for its HART™ technology throughout the last year and in January 2020 Stifel FirstEnergy was engaged to commence a strategic alternatives process. Although the process has slowed over the last few weeks due mainly to travel restrictions and the need for physical distancing, the Company anticipates the process will begin again as soon as we return to a form of normal business.

For the year ended December 31, 2019, total revenue earned on the sales of the Company's HARP™ increased 229% to \$1,100,624 compared to \$334,791 during the year ended December 31, 2018.

INDUSTRY OUTLOOK

The recent downturn in oil prices resulting from significantly reduced demand due to the Covid-19 pandemic and recent OPEC actions is anticipated to significantly reduce oil well drilling in North America in 2020. However, in a lower price environment, producers tend to put more emphasis on production optimization activities to mitigate their natural production declines. The Company's HARP™ pump and REAL™ horizontal gas separator are products designed to increase well production and reduce operating costs in existing producing wells.

HARP™ (High Angle Reciprocating Pump)

Canada

The Company continued to grow its footprint with the HARP™ technology in 2019. Due to the recent price differentials and oil surplus, it is difficult to project sales with any certainty. However, the Company is focusing its efforts on how to sell its products and services as it believes the industry approach will be different for some time due to less face to face

interactions, physical distancing and more reliance on conference calls and video communications. New initiatives will include targeted advertising with emphasis on social media as well as educational webcasts and video postings. Strategic pricing to target operating budgets and increased awareness on other aspects and features that relate to operational issues and cost savings for the customers is also being emphasized. As disclosed in the last press release dated April 6, 2020, the Company will continue to focus on the reduction of internal costs where and when possible along with application for any government assistance as may be offered at the federal and provincial level.

USA

The USA is forecasting a significant reduction in sales and services as a result of the current economic environment. Raise will be collaborating with its partner Endurance Lift Solutions (“ELS”) on its marketing and sales approach and sharing its initiatives with them. Raise and ELS continue to make progress on a new multi-year distribution agreement which will provide both parties with the ability to accelerate development of Raise’s products and provide Raise with a long-term footprint in the United States.

REAL™ (Raise Efficient Artificial Lift)

The first installation of a REAL™ system in the fourth quarter of 2019 has provided the Company with valuable information. While the installation was successful and the REAL™ is still in service, the Company has identified refining improvements to this product. These changes have been implemented and version 2 is now ready to be installed in the next REAL™ candidate well. Although a number of operators did commit to installs in the second quarter of 2020, the Company expects that these may be delayed until the last quarter of 2020.

HART™ (Horizontal Artificial Recovery Technology)

The Company continues to pursue all available paths to bring this technology to the market and will provide shareholders with updates as they occur.

For the year ended December 31, 2019, the Company recorded a full impairment of the HART™ development costs capitalized to date of \$5,829,892 and goodwill of \$259,932. The impairment was a result of applying a value-in-use calculation using cash flow projections covering a five-year period, consistent with management’s internal budgeting and forecasting period, and applying a terminal value thereafter. As previously stated, the Company requires a partner to assist in development and commercialization of the HART™ for deeper and higher-pressure wellbores. The difficulties being experienced by the oil and gas industry over the last few years have resulted in the Company being unable to find a development and commercialization partner to date. The key assumptions used in the impairment calculation assume a partner is found in late 2020 resulting in commercialization of the HART™ system beginning in late 2022.

UPCOMING

All stakeholders are encouraged to view our regular corporate progress through the Company’s LinkedIn Profile and its website.

The Board of Directors and Management would like to thank all shareholders for their support and encouragement as the Company navigates through this extraordinary period.



Eric Laing
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Raise Production Inc. ("Raise Production" or the "Company") as at and for the years ended December 31, 2019 and 2018.

Information in this MD&A and the financial statements has been presented in Canadian dollars. The financial statements for the years ended December 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking information. Readers are referred to the advisories concerning such matters under the heading "Forward-Looking Information Disclaimer" below.

This MD&A is dated April 28, 2020. Additional information concerning Raise Production can be found on the SEDAR website at www.sedar.com.

ABOUT RAISE PRODUCTION

Raise Production is an independent Canadian public company, the principal business of which is utilizing its proprietary products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and gas wells.

The Company is considered to be a development stage enterprise, as it has recently begun the commercialization process of its Raise Efficient Artificial Lift ("REAL™") system, which includes the High Angle Reciprocating Pump ("HARP"), and has not yet generated revenue from its initially planned principal business, the sale and distribution of its proprietary Horizontal Artificial Recovery Technology ("HART™" or the "System"), which was previously referred to as the Horizontal Wellbore Production System by the Company. Similar to other development stage enterprises, the recoverability of amounts shown for product development and commercialization are dependent on many factors, including the ability of the Company to obtain necessary financing for its planned activities. Failure to obtain the necessary financing would impact the Company's ability to realize its assets and discharge its liabilities in the normal course of business. See "Operational and Business Risks" below.

FORWARD-LOOKING INFORMATION DISCLAIMER

The global impact of COVID-19 as well as the recent decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time. However, the influence of these recent developments has impacted the Company's customers' capital and operating spending budgets, which have resulted in a negative effect on the Company's short-term sales. The Company is currently implementing actions to preserve its cash position while maintaining its ability to effectively service and supply its customers.

Certain information included in this MD&A constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain or can be identified by statements that include words such as "anticipate", "assume", "based", "believe", "can", "continue", "depend", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "project", "propose", "result", "upon", "will", "within" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to: estimates and source of funds of future product development and capital and operating expenditures, capital raising, the availability of credit, the Company's credit risk, business strategy and short and long term strategic objectives, continued usage of service providers and

contractors, estimates regarding current cash resources and cash flow, anticipated sales, commercialization plans and the timing thereof, the results and timing of product testing, operating and other costs, the effect of oil and natural gas market conditions on the Company, financial results and the impacts of International Financial Reporting Standards on these statements.

Such forward-looking statements or information are based on a number of assumptions that may prove to be incorrect. Assumptions have been made regarding, among other things: commercialization of products and operations, the ability of Raise Production to obtain required capital to finance its product development, the successful completion of product testing and timing thereof, the ability to adequately protect proprietary information and technology from its competitors, the ability to obtain partnering opportunities, the ability to attract and retain key personnel and key collaborators, the availability of skilled labour, services and equipment, general economic and financial market conditions, the legislative and regulatory environment of the jurisdictions where the Company carries on business, and the ability to successfully compete in the targeted markets.

The forward-looking statements contained in this MD&A are made as of the date hereof and Raise Production does not undertake any obligation to publicly update or revise any of the included forward-looking statements, except as required by applicable Canadian securities law. Forward-looking statements are based upon the opinions and expectations of management of Raise Production as at the effective date of such statements and, in some cases, information supplied by third parties. Although Raise Production believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements, including but not limited to those described under the headings "*Operational and Business Risks*" and "*Financial Instruments*". Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

RESULTS OF OPERATIONS

Statement of Operations

	December 31, 2019	December 31, 2018	December 31, 2017
Revenue from contracts with customers	\$ 1,100,624	\$ 334,791	\$ 330,594
Cost of sales	705,613	270,037	258,838
Gross margin	395,011	64,754	71,756
Other Income	21,458	26,949	25,611
Expenses			
Goodwill and intangible asset impairment	6,089,824	–	–
General and administration	3,043,618	1,960,083	1,576,892
Depreciation and amortization	247,495	91,634	100,703
Stock-based compensation	241,553	352,130	330,786
Research expenses	171,441	156,742	98,790
Inventory impairment	156,874	74,574	–
Finance costs	94,820	4,306	7,840
	10,045,625	2,639,469	2,115,011
Net loss	\$ (9,629,156)	\$ (2,547,766)	\$ (2,017,644)
Net loss per share – basic and diluted	\$ (0.08)	\$ (0.02)	\$ (0.02)

Segmented Information

The Company's segmented information disclosure is based on reportable operating segments according to the products and services each segment provides.

The patent pending Raise Efficient Artificial Lift ("REAL") system segment provides an artificial lift solution for the build and vertical section of a horizontal wellbore. REAL addresses the production challenges and downtime associated with currently available artificial lift technology, particularly in high gas to oil ratio wells. REAL includes the High Angle Reciprocating Pump ("HARP") with the addition of certain downhole tools, such as horizontal separation, sand control, velocity flow tubes and pack off assemblies for flow control. The initial sales to date for this segment have included the HARP only.

The patented Horizontal Artificial Recovery Technology ("HART") segment provides an artificial lift solution for the lateral section of a horizontal wellbore which consists of multiple pumps running in parallel along the horizontal wellbore to access trapped or stranded reserves and draw fluid from the toe area of the wellbore. This product is in the development stage and has not yet generated revenue from commercial sales to external customers. An impairment loss was recognized for the year ended December 31, 2019 for all costs incurred for this segment that were capitalized as HART development costs beginning April 1, 2013 consisting of the value of goodwill of \$259,932 and capitalized development costs since April 1, 2013 of \$5,829,892.

The Corporate segment includes interest earned on cash balances and costs related to administrative activities that support both the REAL and HART segments.

Revenue

	2019	2018	% change
REAL™ segment revenue	\$ 1,100,624	\$ 334,791	229%

The increase in REAL™ revenue of \$765,833 or 229% for the year ended December 31, 2019 compared to the prior year is due to increased sales of the Company's HARP™ in the Canadian and United States markets. Canadian sales increased by \$458,058 or 181% year over year due to successful installations which have resulted in repeat orders from existing customers as well as interest from new customers and the Company being able to increase its HARP™ sales prices as it moves from the prototype phase. USA sales increased by \$307,775 or 375% year over year due to successful installations of the Company's re-designed HARP™ Generation 2 occurring in the USA market resulting in Endurance Lift Solutions ("ELS") ordering 20 complete HARP's™ (including ten HARP's™ with upgraded materials for deeper and more corrosive wellbores) and 25 additional HARP™ assemblies in 2019 in order to meet its increasing demand.

Cost of Sales

	2019	2018	% change
REAL™ segment cost of inventory	\$ 668,453	\$ 239,210	179%
Warranty provision	37,160	30,000	24%
Other cost of inventory	–	827	(100%)
Total	\$ 705,613	\$ 270,037	161%

The increase in REAL™ cost of inventory of \$429,243 or 179% for the year ended December 31, 2019 compared to the prior year is due to increased sales of the Company's HARP™ in the Canadian and USA markets and the increased cost of the HARP's™ with upgraded materials for the deeper and more corrosive wellbores in the USA market as noted above.

In addition, the Company has recognized an additional provision of \$37,160 for the year ended December 31, 2019 compared to \$30,000 in the prior year for potential maintenance warranty claims related to the commercialization of its HARP™.

Gross Margin

	2019	2018	% change
Gross margin	\$ 395,011	\$ 64,754	510%

The Company's gross margin as a percentage of total revenue was 36% during the year ended December 31, 2019 compared to 20% in the prior year. Excluding the ELS inventory sales, which earn minimal margin until the Company receives its 50% portion of completed ELS sales, and the warranty provision of \$37,160 the year ended December 31, 2019, the Company's gross margin as a percentage of total revenue was 48% compared to 28% in the prior year. The increase in Canadian gross margin is due to increased HARP™ sales prices in addition to reduced manufacturing costs.

Other Income

	2019	2018	% change
Interest income	\$ 12,390	\$ 26,649	(53%)
Other income	9,068	300	2,923%
Total	\$ 21,458	\$ 26,949	(20%)

The \$14,259 decrease in interest income for the year ended December 31, 2019 compared to the same period in 2018, is the result of the Company's lower cash balance during 2019 compared to the prior year. The Company does not earn any interest in its investment account for balances less than \$1 million.

The \$8,768 increase in other income is the result of additional income earned in 2019 on the sale of unusable shop metal, manufacturing requests from external vendors and shipping charge recoveries.

Goodwill and Intangible Asset Impairment

	2019	2018	% change
HART™ development costs impairment	\$ 5,829,892	\$ –	100%
HART™ goodwill impairment	259,932	–	100%
Total	\$ 6,089,824	\$ –	100%

In accordance with IAS 36 "*Impairment of Assets*", the Company is required to assess its HART™ cash-generating unit ("CGU") by comparing its carrying amount with its recoverable amount (the "Impairment Test") if there is any indication of impairment at the end of each reporting period or, at a minimum, on an annual basis. The HART CGU consists of the Company's horizontal pump technologies, which includes HART development costs, patents, licenses, rights and goodwill (as it arose entirely from the acquisition of the horizontal pump technology).

The recoverable amount of this CGU was determined based on a value-in-use calculation using cash flow projections covering a five-year period, consistent with management's internal budgeting and forecasting period, and applying a terminal value thereafter. The cash flow projections incorporate management's best estimates of revenue, gross profit, administration expenditures and capital expenditures.

In assessing value-in-use, the Company reviewed the broad categories of risk within the CGU being general uncertainties related to the oilfield service industry (activity, competition, oil price, etc.) and those specifically related to the development and commercialization of the horizontal pump technology. Although the Company believes its horizontal pump technology remains key to its long-term success, further development has been on hold since mid-2017. The Company requires a partner to assist in development and commercialization of the HART for deeper and higher-pressure wellbores. The difficulties being experienced by the oil and gas industry over the last few years have resulted in the Company being unable to find a development and commercialization partner to date. The key assumptions used in the Impairment Test assume a partner is found in late 2020 and funding, development and testing occurs in 2021 and 2022, resulting in commercialization of the HART system beginning in late 2022.

As a result of the delay in commercialization of the HART system, calculating the present value of the projected five years of cash flows with a terminal value assuming 1% growth in perpetuity and an after-tax discount rate of 15.4% resulted in a negative value for the HART CGU at December 31, 2019 and

therefore, an impairment was recognized for the carrying amount of the HART CGU in the Statement of Loss and Comprehensive Loss of \$6,089,824, including goodwill of \$259,932.

General and Administration

	2019	2018	% change
Sub-contracted and consulting fees	\$ 1,198,803	\$ 90,082	1,231%
Salaries and benefits ⁽¹⁾	704,754	597,118	18%
Salaries and benefits ⁽²⁾	648,520	578,581	12%
Legal	152,949	95,069	61%
Facilities	82,488	202,715	(59%)
Audit and accounting services	67,912	95,163	(29%)
Insurance	45,348	44,294	2%
Travel & meal expenses	23,030	62,453	(63%)
Public company costs	23,843	29,230	(18%)
Automotive expenses	4,859	21,504	(77%)
Other	91,112	143,874	(37%)
Total	\$ 3,043,618	\$ 1,960,083	55%

(1) HARP commercialization

(2) Administration

Overall general and administration expenses increased \$1,083,535 or 55% for the year ended December 31, 2019 compared to 2018. Significant changes within the general and administration expenses consisted of:

- a \$1,108,721 increase in sub-contracted and consulting fees due to the acquisition of 195554 Alberta Ltd., an arms-length private consulting company, on September 30, 2019 for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized;
- a \$107,637 increase in salaries and benefits for HARP™ commercialization mainly due to the addition of four new employees in the areas of Commercial Sales, Field Operations and Internal Manufacturing during the third and fourth quarters of 2018 to assist in the commercialization of the HARP™;
- a \$69,939 increase in salaries and benefits for Administration mainly due to the addition of one new employee to assist with procurement and inventory control in the third quarter of 2018; and
- a \$57,880 increase in legal expenses mainly due to an increase in patent application legal fees related to the REAL™ system being expensed during the year ended December 31, 2019 compared to the prior year; offset by
- a \$120,226 decrease in facilities expense and a \$16,645 decrease in automotive expenses due to the adoption of IFRS 16 – Leases on January 1, 2019 requiring the Company's office and vehicle lease payments to be capitalized and reported on the Statement of Financial Position with only the monthly operating expense payments reported in General & Administration expense as discussed above; and
- a \$39,423 decrease in travel and meals expenses due to the fewer trips to the United States required in 2019.

Depreciation and Amortization

	2019	2018	% change
Depreciation of right-of-use assets	\$ 174,532	\$ –	100%
Depreciation of fixed assets	72,963	91,634	(20%)
Total	\$ 247,495	\$ 91,634	170%

The 170% increase in depreciation and amortization for the year ended December 31, 2019 compared to the prior year is mainly due to the adoption of IFRS 16 – *Leases* on January 1, 2019 requiring the Company to capitalize its lease contracts as Right-of-Use (“ROU”) assets and report the amortization of these assets as depreciation and amortization expense rather than as lease payments included in general and administration expenses.

Stock-based Compensation

	2019	2018	% change
Stock-based compensation	\$ 241,553	\$ 352,130	(31%)

Stock-based compensation expense relates to options granted to the Company’s management, employees, consultants and directors that are not directly related to the HART™ development and is recognized over the vesting period of the options. Stock options granted to individuals directly related to the HART™ development are capitalized and included in the carrying value of the HART™. The Company uses the Black-Scholes model to calculate the fair value of the options at the time of grant.

The 31% decrease in the stock-based compensation expense for the year ended December 31, 2019 compared to the prior year is mainly due to the timing of the stock option grants, the vesting period associated with each option grant and any conditions associated with the vesting period. The 3,000,000 stock options issued in 2019 do not vest until the Company’s 10-day volume weighted average trading price has equaled or reached \$0.18 per share resulting in a lower fair value for these options compared to prior stock option issuances which did not contain a market price vesting provision.

The Company granted 3,000,000 stock options during the year ended December 31, 2019 and 1,050,000 stock options during the year ended December 31, 2018.

The Company has 5,014,999 options exercisable at December 31, 2019 compared to 4,841,667 at December 31, 2018.

Research Expenses

	2019	2018	% change
Research expenses	\$ 171,441	\$ 156,742	9%

Research expenses for the year ended December 31, 2019 consisted of expenditures incurred for the design and development of the Company’s patent pending downhole tools that form part of the REAL™ system. The expenditures mainly consisted of an internal engineer’s salary and benefits as well as testing of the REAL™ system. The 9% increase in research expenses for the year ended December 31, 2019 is due to an increase in REAL™ testing expenses compared to the prior year.

Inventory Impairment

	2019	2018	% change
Inventory impairment	\$ 156,874	\$ 74,574	110%

At December 31, 2019, the Company recorded impairment of \$110,257 of HART™ inventory as a result of the impairment of the HART™ CGU discussed above. Approximately \$46,617 in inventory parts developed in conjunction with the Company's first-generation HARP™ that are no longer usable were also written off during the year ended December 31, 2019. During the year ended December 31, 2018, the Company wrote off \$74,574 of inventory related to the first generation HARP™ development that is no longer usable.

Finance Costs

	2019	2018	% change
Convertible debenture interest expense	\$ 34,784	\$ –	100%
Accretion on lease liabilities	34,128	–	100%
Accretion on convertible debenture	22,951	–	100%
Bank and other interest charges	2,957	4,306	(31%)
Total	\$ 94,820	\$ 4,306	2,102%

The 2,102% increase in finance costs for the year ended December 31, 2019 compared to the prior year is due to the actual interest paid on and accretion of the convertible debentures for the fourth quarter of 2019 as well as the adoption of IFRS 16 – *Leases* on January 1, 2019 requiring the Company to capitalize its lease contracts and report interest expense and accretion expense on the lease liability included as finance costs rather than as lease payments included in the general and administration expense.

Deferred Income Taxes

The Company has not recognized any deferred income tax asset given the uncertainty with its future operations. At December 31, 2019, the Company has a non-capital loss carry forward balance and deductible scientific research and development expenditures totaling approximately \$21.8 million.

Net Loss and Net Loss Per Share

The net loss for year ended December 31, 2019 was \$9,629,156, compared to a net loss of \$2,547,766 for the year ended December 31, 2018.

The increase in the net loss of \$7,081,390 or 278% for the year ended December 31, 2019 compared to the prior year is mainly the result of a goodwill and intangible asset impairment loss of \$6,089,824 as at December 31, 2019 and the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company, on September 30, 2019 for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1,100,000 consulting fee being recognized.

The \$0.06 increase in the net loss per share of \$0.08 for the year ended December 31, 2019 compared to \$0.02 for the year ended December 31, 2018 is a direct result of the increase in the net loss discussed above.

Cash Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2019 of \$1,779,407 are 20% lower than cash flows used in operating activities for the year ended December 31, 2018 of \$2,218,194. This decrease is due to an increase in sales activity in 2019 resulting in a \$330,257 increase in gross margin as well as a \$188,536 change in non-cash working capital between the periods due to the timing of receipts of trade receivables and timing of payments of trade payables and accrued liabilities.

TOTAL ASSETS

	2019	2018	2017
Total assets	\$ 2,747,402	\$ 9,514,682	\$ 8,046,784

Total assets at December 31, 2019 of \$2,747,402 are 71% lower than total assets at December 31, 2018. This decrease is the result of a goodwill and intangible asset impairment loss of \$6,089,824 recognized as at December 31, 2019 as well as a \$971,417 reduction in cash.

Total assets at December 31, 2018 of \$9,514,682 are 18% higher than total assets at December 31, 2017. This increase is mainly due to the increase in cash of \$1,276,362 due to the closing of an equity financing in June 2018 and an increase in inventory of \$377,829 related to the commercialization of HARP™.

TOTAL NON-CURRENT LIABILITIES

	2019	2018	2017
Total non-current liabilities	\$ 2,309,630	\$ 127,473	\$ –

Non-current liabilities increased by \$2,182,157 at December 31, 2019 compared to December 31, 2018 due to the issuance of \$2,300,000 secured convertible debentures at September 30, 2019 (\$2,067,243 was allocated to debt and \$232,757 to equity pre-issuance costs) as well as the adoption of IFRS 16 – *Leases* on January 1, 2019 requiring the Company's office, equipment and vehicle leases to be capitalized and reported on the Statement of Financial Position.

Non-current liabilities increased \$127,473 at December 31, 2018 compared to December 31, 2017 due to a new long-term finance lease for a CNC Lathe machining unit entered into on October 20, 2018, which expires on October 20, 2023.

RELATED PARTY TRANSACTIONS

Compensation awarded to the officers and directors of the Company for the years ended December 31, 2019 and 2018 include the following:

	2019	2018
Salaries, bonuses and short-term employee benefits	\$ 539,298	\$ 546,583
Stock-based compensation	241,330	306,789
	\$ 780,628	\$ 853,372

On September 30, 2019, \$494,000 of secured convertible debentures (the “Debentures”) were issued to six officers and directors of the Company in exchange for cash and the Company paid \$28,644 of interest related to Debentures to officer and directors on December 31, 2019.

FOURTH QUARTER RESULTS **(selected financial information)**

The following is a summary of the Company’s results for the three months ended December 31, 2019 with comparative amounts for the three months ended September 30, 2019 and December 31, 2018.

	Three Months Ended		
	December 31, 2019	September 30, 2019	December 31, 2018
Revenue	\$ 351,735	\$ 305,378	\$ 45,373
Cost of sales	210,879	193,959	55,871
Gross margin	140,856	111,419	(10,498)
Other income	7,798	4,656	10,261
Expenses			
Goodwill and intangible asset impairment	6,089,824	—	—
General and administration	468,997	1,629,010	601,353
Inventory impairment	112,298	44,576	74,574
Stock-based compensation	97,669	64,603	74,992
Research expenses	42,040	49,746	37,012
Depreciation and amortization	70,703	59,839	31,449
Finance costs	65,754	8,637	2,071
	6,947,285	1,856,411	821,451
Net loss	\$ (6,798,631)	\$ (1,740,336)	\$ (821,688)

The increase in the net loss of \$5,058,295 or 291% for the fourth quarter of 2019 compared to the third quarter of 2019 is mainly the result of:

- a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019; offset by a
- a \$1,160,012 decrease in general and administrative expenses fees due to the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized on September 30, 2019.

The increase in the net loss of \$5,976,943 or 727% for the fourth quarter of 2019 compared to the fourth quarter of 2018 is mainly the result of:

- a goodwill and intangible asset impairment loss of \$6,089,824 recognized on December 31, 2019; offset by a
- a \$151,354 increase in gross margin during the fourth quarter of 2019 compared to the fourth quarter of 2018 due to an increase in sales of HARP™ pumps.

SUMMARY OF QUARTERLY RESULTS
(selected financial information)

2019	Q4	Q3	Q2	Q1
Total Revenue	\$ 359,533	\$ 310,034	\$ 231,961	\$ 220,550
Net loss	(6,798,631)	(1,740,336)	(557,072)	(533,116)
Per share	(0.06)	(0.02)	(0.00)	(0.01)
2018	Q4	Q3	Q2	Q1
Total Revenue	\$ 55,634	\$ 91,787	\$ 68,080	\$ 146,239
Net loss	(821,688)	(663,675)	(553,831)	(508,572)
Per share	(0.01)	(0.01)	(0.01)	(0.01)

See Fourth Quarter Results above regarding the net loss increase of \$5,058,295 or 291% in the fourth quarter of 2019 compared to the third quarter of 2019.

The net loss increase of \$1,183,264 or 212% in the third quarter of 2019 compared to the second quarter of 2018 is mainly the result of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company, on September 30, 2019 for total consideration of \$1,400,000 which was satisfied through the issuance of secured convertible debentures and resulted in a one-time \$1.1 million consulting fee being recognized.

The net loss increase of \$23,956 or 4% in the second quarter of 2019 compared to the first quarter of 2019 is mainly the result of a \$22,006 increase in general and administration expense primarily in the HARPTM commercialization expenses.

The net loss decrease of \$288,572 or 35% in the first quarter of 2019 compared to the fourth quarter of 2018 is mainly the result of a \$139,550 decrease in general and administration expense due to the adoption of IFRS 16 resulting in previously reported general and administration operating lease payments now being capitalized and included on the Statement of Financial Position as well as expense reductions in meals and travel expenses, bad debt expenses, audit expenses, legal expenses and public company costs; a \$80,192 increase in gross margin due to increased sales and a \$74,574 decrease in inventory impairment.

The net loss increase of \$158,013 or 24% in the fourth quarter of 2018 compared to the third quarter of 2018 is mainly the result of a \$74,574 inventory impairment recognized in the fourth quarter of 2018 related to first generation HARPTM inventory that is no longer usable and a \$36,151 decrease in gross margin.

The net loss increase of \$109,844 or 20% in the third quarter of 2018 compared to the second quarter of 2018 is mainly the result of a \$132,325 increase in general and administration expenses due to the increase in employees and other expenses related to commercialization of the HARPTM and an increase in legal fees related to patents, partially offset by a \$12,327 decrease in stock option expense.

The net loss increase of \$45,259 or 9% in the second quarter of 2018 compared to the first quarter of 2018 is mainly the result of a \$32,403 increase in general and administration expenses, a \$12,178 increase in stock option expense and a \$13,862 decrease in gross margin, offset by a \$6,905 decrease in facilities expense and a \$5,741 increase in interest income.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations, including the two-year office lease extension using the current monthly lease rate, as of the date of this report:

	2020	2021	2022	2023	2024
Office lease	\$ 91,200	\$ 136,800	\$ 91,200	\$ —	\$ —
Machines & equipment leases	28,551	42,827	41,493	33,467	—
Vehicle leases	9,833	—	—	—	—
Total	\$ 129,584	\$ 179,627	\$ 132,693	\$ 33,467	\$ —

Office Lease:

The office lease commitment is for the Calgary prototype manufacturing facility and office space located at 2620, 58th Avenue S.E. Monthly rent excluding operating costs and GST is \$11,400 per month until August 31, 2020 and includes an option to extend for an additional two years after this date.

Machine and Equipment Leases:

The Company committed to a ninety-month finance lease for a CNC Lathe machine which expires October 20, 2023 and a ninety-month lease of a photocopier which expires June 30, 2022.

Vehicle Leases:

The Company has committed to two vehicle leases each with twenty-four month terms which expire on June 30, 2020 and October 15, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Company had positive working capital of \$0.7 million. The Company's policy is to invest its cash only in an interest-bearing commercial investment account with a major international bank.

On September 30, 2019, the Company completed a \$900,000 private placement of secured convertible debentures concurrently with the closing of the acquisition of 1955554 Alberta Ltd., an arms-length private consulting company, which held \$300,000 in cash, for consideration of \$1,400,000 in convertible debentures.

The Company currently believes this cash injection and projected revenues will be sufficient to complete its strategic objectives through 2020 based on its current sales forecasts. However, the global impact of COVID-19 as well as the recent decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time.

The Company's ability to accomplish its plans throughout 2020 and beyond is dependent upon the Company meeting its projected sales forecast for the remainder of the year and if this does not occur, obtaining additional financing to continue operations; however, there is no assurance that the Company will achieve these objectives.

Refer to the going concern discussion in note 2 of the Company's annual financial statements for the year ended December 31, 2019.

The Company's credit facility with a Canadian bank was cancelled on September 30, 2019 in conjunction with the acquisition of 1955554 Alberta Ltd. It consisted of a maximum \$500,000 demand revolving loan bearing interest at the lender's prime rate plus 2% per annum available by account overdraft when the Company's EBITDA to total debt service exceeded 1.25:1.00. The Company was not able to draw on the facility during its existence due to its negative EBITDA. EBITDA is defined as the previous nine months earnings before interest, taxes and depreciation/amortization, adjusted for any non-cash charges, provisions or extraordinary items. Total debt service is defined as the sum of all interest and principal paid by the borrower on any third-party indebtedness, if not postponed to the bank after the previous nine months, and interest payments on the demand revolving loan assuming full advance over the previous nine months.

OUTSTANDING SHARE DATA

The Company's outstanding shares, options and warrants of the date of this report consist of:

	Number
Common shares:	
Balance, December 31, 2019	113,582,673
Common shares, as of April 28, 2020	113,582,673
Stock options:	
Balance, December 31, 2019	8,985,000
Options forfeited	(205,000)
Stock options outstanding, as of April 28, 2020	8,780,000
Stock options exercisable, as of April 28, 2020	4,876,667

FINANCIAL INSTRUMENTS

The Company's financial instruments are represented by cash, trade receivables, deposits, trade payables and long-term convertible debt.

The Company is exposed to financial risks arising from normal course business operations and its financial assets and liabilities. The financial risks include liquidity risk, interest rate risk, credit risk and foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk by investing excess cash in a fully liquid investment bank account. This allows the Company to have access to additional funds in a very short time frame. All financial liabilities are due within one year with the exception of the Company's long-term debt which matures on September 30, 2022.

As disclosed in note 10 of the Company's annual audited financial statements for the year ended December 31, 2019, the Company closed a Debenture private placement for gross proceeds of \$900,000 as well as acquired the assets of 1955554 Alberta Ltd which included \$300,000 in cash for consideration of \$1.4 million of Debentures, both of which closed on September 30, 2019. The Company currently believes this cash injection and projected revenues will be sufficient to complete its strategic objectives through 2020 based on its current sales forecasts. However, the global impact of COVID-19 as well as the recent decline in oil prices in Canada and the United States have resulted in significant uncertainty as to the health of the global economy and specifically the oil and gas industry. The potential impact that these events will have on the Company's future sales and financial results cannot be reasonably estimated at this time.

The Company's ability to accomplish its plans throughout 2020 and beyond is dependent upon the Company meeting its projected sales forecast for the remainder of the year and if this does not occur, obtaining additional financing to continue operations; however, there is no assurance that the Company will achieve these objectives. Refer to the going concern discussion in note 2 of the Company's annual audited financial statements for the year ended December 31, 2019.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk if the cash flows generated from its cash fluctuate in response to changes in market interest rates.

At December 31, 2019, cash was comprised of \$1,034,069, of which \$863,418 was held on deposit in a HSBC commercial investment account which earns a fixed interest of 1.75% per annum for balances held over \$1,000,000, thus the Company has no exposure to fluctuating market interest rates.

At December 31, 2019, the Company's outstanding convertible debt contained a fixed rate of interest at 6% per annum. The Company has no floating interest rate debt and is not exposed to interest rate risk at this time.

Credit risk

The Company is exposed to credit risk where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company's maximum credit risk exposure is limited to the carrying values of its cash, trade receivables and deposits as disclosed in the Company's annual audited financial statements for the year ended December 31, 2019.

The Company mitigates its exposure to credit risk with respect to cash by maintaining its bank accounts and cash investments with a major international bank, thus the Company's management believes the credit risk associated with cash is low.

The Company manages its credit risk with respect to trade receivables and deposits by performing credit evaluations of its customers and only grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. The trade receivables balance at December 31, 2019 consists of amounts owing from eight customers and the federal government for GST refunds. The majority of the balance owing has been collected subsequent to year-end. The Company has fully provided for two customer invoices in the amount of \$50,242 in its Allowance for Doubtful Accounts provision. The Company's historical expected credit loss is insignificant.

Foreign Currency Exchange Risk

Events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's incoming revenue is currently earned in U.S. dollars, but a substantial portion of its operating expenses is currently incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company's only exposure to U.S. denominated financial instruments at December 31, 2019 was a receivable of USD\$41,664.

OPERATIONAL AND BUSINESS RISKS

Similar to other development stage enterprises, the Company faces several key risks in its business including the following:

Early Stage of Development and Limited Product Line

The Company has generated limited revenues from the commercialization of its products. Most of the Company's products have not been fully developed or tested, and there can be no assurance that any such products, if and when fully developed and tested, will perform in accordance with the Company's expectations, that necessary regulatory approvals, or clearances, will be obtained in a timely manner, if at all, or that any of the Company's products can be successfully and profitably developed, produced and marketed.

Market Acceptance of New Technology

The markets for the Company's products, technologies and services, and in particular its patented proprietary HART System, are characterized by rapidly changing technology, evolving industry standards and frequent product innovations. The Company's products and services embody complex technology and are designed to be compatible with current and evolving industry standards. Significant resources are invested in the development of products for the markets served by the Company. As with any new technology, there is substantial risk that the marketplace may not accept the Company's products and services. The Company's success depends upon market acceptance of existing products, technologies and services and the Company's ability to enhance those products, technologies and services. Market acceptance of the Company's offerings depends, in large part, upon its ability to demonstrate its performance and cost-effectiveness over competing alternatives and upon the success of its sales efforts as well as those of its customers. The Company may not be able to market its products and services successfully and no assurance can be given that any of its current or future products or services will be accepted in the marketplace.

Competition

The industry in which the Company operates is highly competitive. The Company's focus on utilizing its patented products to enhance and increase ultimate production in both conventional and unconventional horizontal oil and natural gas wells differentiates it from its competitors. However, there is no assurance that competitors will not provide services and products similar or superior to the Company's. Many of the current and potential competitors are also organizations with a more established reputation and with access to greater financial, technological, personnel and other resources than the Company. Because of their greater resources, some of the Company's competitors may be able to adapt more quickly to new or emerging technologies, government changes and customer requirements, or devote greater resources to the promotion and sales of their products than the Company can, when the market evolves sufficiently where the customer uptake and demands warrant their attention and vast resources. Any improvement in the Company's competitors' ability to provide their products and services more effectively or to develop successful technologies could adversely affect the Company's business, financial conditions and results of operations.

Penetration of Markets and Continued Growth

Should the Company fail to penetrate core markets and existing geographic markets or to successfully expand its business into new markets, the growth in sales of the products, technologies and services, along with the Company's operating results, could be materially and adversely affected. The ability to further penetrate core markets and existing geographic markets in which the Company competes is subject to numerous factors, many of which are beyond the Company's control. The Company cannot assure that the efforts to increase market penetration will be successful. The failure to do so could adversely affect the Company's business, financial condition and results of operations.

Protection of Intellectual Property

The success and ability of the Company to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technologies. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology. The Company also relies on third parties from whom licenses have been received to protect their proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether or not the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technologies that are similar or superior to the technology of the Company or such third parties or design around the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Reliance on Key Personnel

The Company's ability to successfully implement its strategy and to operate profitably is dependent on the abilities, experience and efforts of members of senior management and key production, sales and marketing, engineering and research and development personnel. The Company could be adversely impacted if any of its key employees become unable or unwilling to continue their employment with the Company. The Company is dependent upon a small group of key individuals who have the technical knowledge required for the successful development of its technologies and the execution of its strategic plan.

The loss of key employees to a competitor and an inability to attract and retain experienced key employees could disrupt the Company's operations, delay the development and commercialization of Company's products and adversely affect Company's business, financial condition and results of operations.

Dependence on Outside Agents and Distributors

The Company's success will also depend, to a significant extent, upon the ability to develop strategic alliances with distributors. Furthermore, the initial market penetration for the Company's products and services will heavily depend on the level of success of sales efforts. There can be no assurance that such alliances will develop or that they will prove successful over the course of the Company's future operations.

Additional Financing Requirements and Access to Capital

The Company may require additional capital to pursue further research and development, sales and marketing efforts for the Company's products, and for working capital in support of its growth objectives. From time to time, the Company may raise additional funds through public or private financing or obtain

financing from other sources. Additional funding may not be available on terms which are acceptable to the Company, or at all. If adequate funding is not available on reasonable terms, the Company may need to delay, reduce or eliminate research and development, sales and marketing efforts or obtain funds on terms less favorable than would otherwise be acceptable. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of those securities will result in dilution to the shareholders. Moreover, the incurrence of debt financing could result in a substantial portion of the operating cash flow being dedicated to the payment of principal and interest on this indebtedness and could impose restrictions on the operations. This could render the Company more vulnerable to competitive pressures and economic downturns. Any debt financing entered into by the Company may involve covenants that restrict the operations. These restrictive covenants, which may include limitations on borrowing, specific restrictions on the use of the assets as well as prohibitions on the ability to create liens, pay dividends, redeem capital stock or make investments, could adversely affect the Company's business, financial condition and results of operations. In the event the Company enters into such debt covenants, the Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance cash flow, which will be subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which will be beyond its control.

Negative Operating Cash Flow

The Company has made significant investments in research and development and general and administrative expenses in order to develop its proprietary technologies and expand its business. The Company reported negative cash flow from operating activities of \$1,779,407 for the financial year ended December 31, 2019. Because the Company continues to incur significant expenditures in general and administrative expenses and development expenses, the Company anticipates that it will continue to have negative cash flow until it reaches a sufficient level of sales with positive gross margins to cover operating expenses. As such, there is no assurance that the Company will not report negative operating cash flow in future periods.

Economic Environment and Volatility of the Oil and Natural Gas Industry

The Company's activities depend on general economic factors and conditions in the oil and natural gas industry, many of which are out of the Company's control. The global economic environment triggers demand for oil and natural gas, thus affecting the price of these commodities and, in turn, industry's willingness to invest in exploration and development capital expenditure, including for the types of equipment provided by the Company. Market events and conditions, including disruptions in international credit markets and other financial systems, the deterioration of global economic conditions, and expectations about future oil and natural gas prices, can, and have, caused significant volatility to commodity prices. Any substantial reduction in demand for oil and natural gas accompanied by lower prices and reductions in capital expenditure programs, could adversely affect the Company's business, financial condition and results of operations.

Geopolitical and Global Events

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of the Company's operations. In addition, the current United States administration has called for changes to domestic and foreign policy. The Company cannot predict the impact, if any, of the policies adopted by the current United States administration will have on the Company's business.

Changes in Legislation

It is possible that the Canadian federal and provincial government or regulatory authorities could choose to change the Canadian environmental and intellectual property laws or other laws applicable to the Company and that any such changes could materially adversely affect the Company, its shareholders and the market value of the Common Shares.

Legal Proceedings

The alleged failure by the Company to comply with applicable laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of any applicable permits or licenses by governmental authorities. In addition, the Company may be subject of litigation by customers, suppliers and other third parties. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could adversely affect the Company's business, financial condition and results of operations. Litigation is expensive and time consuming and may divert management's attention away from the operations of the business.

Product Liability

The Company's products may expose it to product liability claims. Although the Company maintains adequate product liability insurance, a product liability claim brought against the Company or a third-party that the Company is required to indemnify, whether with or without merit, could have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

Share Price Volatility

The Company's share price has historically been subject to volatility. Accordingly, the price of the Company's common shares may decrease in the future due to a number of Company and industry-specific or general economic factors. The price of the Company's common shares may fluctuate substantially in the future due to, among other things: the failure of quarterly or annual operating results to meet expectations; the reaction of markets and securities analysts to announcements and developments involving the Company; adverse developments in the worldwide, Canadian, or United States economy, financial markets or the market that the Company serves; actions by key competitors; additions or departures of key staff; announcements of legal proceedings or regulatory matters; general volatility in the stock market. The Company's share price could also be adversely affected if a large number of its common shares are offered for sale or sold. If the supply of the Company's common shares is significantly greater than the associated demand, the market price of the Company's common shares may significantly decline. In addition, the stock market has experienced volatility that has affected the market prices of the equity securities of many companies and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond the Company's control, could also cause the market price of the Company's common shares to fluctuate substantially.

Tax Matters

Although management is of the view that all expenses and tax credits claimed by the Company, including research and development expenses ("tax credits"), are reasonable, deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree with this assessment. If the Canadian taxation authorities successfully challenge such expenses or the correctness of any income tax credits claimed, the Company's operating results could be adversely affected. If the Canadian taxation authorities reduce the tax credits, either by reducing the rate of the grant or the criteria for eligibility of some research and development expenses in the future, the Company's operating results could be adversely affected.

**APPENDIX J - RESULTING ISSUER UNAUDITED *PRO FORMA* CONSOLIDATED
FINANCIAL INFORMATION**

(See Attached)



Unaudited Pro Forma Financial Statements

Cleantek Industries Inc.

June 30, 2021 Pro forma Consolidated Statement of Financial Position

<i>(Canadian \$000's)</i>	Cleantek	Raise	Notes	Pro forma adjustments	Total
ASSETS					
Current assets					
Cash and cash equivalents	1,169	144	(b)	9,436	10,749
Accounts receivable	1,274	11		-	1,285
Prepays and deposits	120	27		-	147
Total current assets	2,563	182		9,436	12,181
Non-current assets					
Property and equipment	9,009	-		-	9,009
Intangible assets	524	-		1,100	1,624
Right-of-use assets	354	-		-	354
Long-term receivables	547	-		-	547
Total non-current assets	10,434	-		1,100	11,534
Total assets	12,997	182		10,536	23,715
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	4,715	89	(c)	1,250	6,054
Warranty provision	-	11		-	11
Deferred revenue	-	440		-	440
Current portion of long-term debt	12,711	-		(750)	11,961
Current portion of convertible notes	1,053	-	(c)	(980)	73
Current portion of lease liabilities	356	-		-	356
Total current liabilities	18,835	540		(480)	18,895
Non-current liabilities					
Long-term debt	676	-		-	676
Lease liabilities	517	-		-	517
Provisions	56	-		-	56
Deferred tax	216	-		-	216
Total non-current liabilities	1,465	-		-	1,465
Total liabilities	20,300	540		(480)	20,360
Shareholders' equity					
Share capital	52,228	32,241	(b)	(32,241)	66,969
			(b)	3,575	
			(b)	10,003	
			(b)	(567)	
			(b)	750	
			(c)	980	
Contributed surplus	1,407	4,119	(b)	(4,119)	1,407
Accumulated other comprehensive income	80	-		-	80
Accumulated deficit	(61,018)	(36,718)	(b)	36,718	(65,101)
			(b)	(1,250)	
			(b)	(2,833)	
Total shareholder's equity (deficit)	(7,303)	(358)		11,016	3,355
Total liabilities and shareholders' equity	12,997	182		10,536	23,715

Cleantek Industries Inc.

June 30, 2021 Pro forma Consolidated Statement of Net Loss and Comprehensive Loss

<i>(Canadian \$000's, except per share amounts)</i>	Cleantek	Raise	Notes	Pro forma adjustments	Total
Revenue	4,402	383		-	4,785
Direct operating expenses	2,051	158		-	2,209
Gross profit	2,351	225		-	2,576
Other expenses					
General and administrative	1,640	396		-	2,036
Depreciation and amortization	1,499	43	(b)	55	1,597
Research	(688)	19		-	(669)
Share-based compensation	327	6		-	333
Impairment	-	142		-	142
Finance costs, net	954	(39)		-	915
Gain on disposal of property and equipment	3	(81)		-	(78)
Foreign exchange (gain) loss	(78)	-		-	(78)
Other income	-	(4)		-	(4)
	3,657	482		55	4,194
Loss before income taxes	(1,306)	(257)		(55)	(1,618)
Income tax (recovery) expense					
Current	-	-		-	-
Deferred	(495)	-		-	(495)
	(495)	-		-	(495)
Net loss	(811)	(257)		(55)	(1,123)
Other comprehensive gain (loss)					
Foreign currency translation gain (loss)	(61)	-		-	(61)
Total comprehensive loss	(872)	(257)		(55)	(1,184)
Pro forma basic and diluted loss per share				\$	(0.04)
Pro forma basic and diluted weighted average number of shares			(b)		27,579,890

December 31, 2020 Pro forma Consolidated Statement of Net Loss and Comprehensive Loss

Cleantek Industries Inc.

<i>(Canadian \$000's, except per share amounts)</i>	Cleantek	Raise	Notes	Pro forma adjustments	Total
Revenue	7,607	606		-	8,213
Direct operating expenses	4,242	360		-	4,602
Gross profit	3,365	246		-	3,611
Other expenses					
General and administrative	4,291	1,114		-	5,405
Depreciation and amortization	3,180	154	(b)	110	3,444
Research	(1,811)	75		-	(1,736)
Share-based compensation	1,228	144		-	1,372
Impairment	8,246	58		-	8,304
Finance costs, net	10,535	256		-	10,791
Loss on disposal of property and equipment	(201)	156		-	(45)
Foreign exchange (gain) loss	(38)	-		-	(38)
Other income	-	(36)		-	(36)
	25,430	1,921		110	27,461
Loss before income taxes	(22,065)	(1,675)		(110)	(23,850)
Income tax (recovery) expense					
Current	9	-		-	9
Deferred	302	-		-	302
	311	-		-	311
Net loss	(22,376)	(1,675)		(110)	(24,161)
Other comprehensive gain (loss)					
Foreign currency translation gain (loss)	(38)	-		-	(38)
Total comprehensive loss	(22,414)	(1,675)		(110)	(24,199)
Pro forma basic and diluted loss per share				\$	(0.93)
Pro forma basic and diluted weighted average number of shares			(b)		26,115,075

Cleantek Industries Inc.

1. BASIS OF PRESENTATION

The Unaudited Pro Forma Consolidated Statement of Financial Position and Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss have been prepared for inclusion in the Joint Management Information Circular in connection with a proposed arrangement involving Cleantek Industries Inc. and Raise Production Inc. dated September 30, 2021. The pro forma consolidated statement has been prepared from:

- a) Audited consolidated financial statements of Cleantek Industries Inc., together with the accompanying notes thereto, as at and for the years ended December 31, 2020 and December 31, 2019;
- b) Unaudited consolidated interim condensed financial statements of Cleantek Industries Inc. as at and for the six months ended June 30, 2021.
- c) Audited financial statements of Raise Production Inc., together with the accompanying notes thereto, as at and for the years ended December 31, 2020, 2019, and 2018.
- d) Unaudited condensed interim financial statements of Raise Production Inc. as at and for the six months ended June 30, 2021.

The Unaudited Pro Forma Consolidated Statement of Financial Position and Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss have been prepared by management based on the principles of International Financial Reporting Standards ("IFRS").

The Unaudited Pro Forma Consolidated Statement of Financial Position gives effect to the transaction described above as if it had occurred on June 30, 2021.

The Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss give effect to the transaction as if it occurred on January 1, 2020.

The Unaudited Pro Forma Consolidated Statement of Financial Position and Unaudited Pro Forma Consolidated Statement of Net Loss and Comprehensive Loss may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future.

It is the recommendation of management that these Pro Forma Consolidated Financial Statements should be read in conjunction with the financial statements and notes referenced above. It is management's opinion that the Pro Forma Consolidated Financial Statements contain all adjustments necessary for the fair presentation, in all material respects. Accounting policies used in preparation of the pro-forma consolidated financial statements are in accordance with those disclosed in Cleantek's consolidated financial statements for the year ended December 31, 2020 and six months ended June 30, 2021 as applicable.

2. PRO FORMA FINANCIAL STATEMENTS

The pro forma financial information may not reflect the financial condition or operating results of the combined or reorganized entity or may not be useful in predicting its future condition and operating results. The pro forma consolidated financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. The pro forma financial statements may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Cleantek Industries Inc.

3. THE ARRANGEMENT

On July 12, 2021, Cleantek and Raise entered into an Arrangement Agreement (the "Arrangement") to achieve the amalgamation. In connection with the Arrangement Agreement:

- i) Raise shall change its name to Cleantek Industries Inc. (the "Resulting Issuer")
- ii) Each Class A common share of Cleantek shall be cancelled and its holder receive 58.3 fully paid and non-assessable common shares of the Resulting Issuer

Although the Arrangement will result in Cleantek becoming a wholly-owned subsidiary of Raise, it will constitute a reverse takeover ("RTO") for accounting purposes as the former Cleantek shareholders will own a substantial majority of the common shares of the Resulting Issuer. The majority of the members of the Board of Directors and all members of management of the Resulting Issuer will be designees of Cleantek. Upon completion of the Arrangement, the business of the Company will be the continuation of the business of Cleantek. Completion of the Arrangement is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange (the "TSXV").

If the Arrangement Agreement is terminated under certain circumstances, Cleantek may be required to pay a termination fee to Raise of \$2.5 million. The Arrangement Agreement has a condition that dissent rights cannot exceed 5% of the outstanding Cleantek shares. For pro forma purposes, it is assumed that dissent rights are not exercised.

4. PRO FORMA ACCOUNTING ADJUSTMENTS

- a) In conjunction with the reverse takeover, Cleantek has entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts of Cleantek on a best-efforts agency basis at a price of \$1.75 per subscription receipt for aggregate gross proceeds of a minimum of \$10.0 million. This private placement closed on September 3, 2021.
- b) All of the outstanding common shares of Cleantek Industries Inc. are being acquired by Raise Production Inc. in exchange for approximately 1,007,403,245 shares valued at approximately \$0.03 per share. Following this transaction, Cleantek Industries Inc. shareholders will own approximately 85% of the outstanding shares of the Resulting Issuer.
 - i) Immediately following the completion of the transaction, the Resulting Issuer will consolidate its outstanding common shares at a ratio of 58.3 pre-consolidation shares for each post-consolidation share, which is expected to result in a total issued and outstanding common shares of approximately 20,259,196 shares outstanding
 - ii) In accordance with the private placement, an approximate additional 5,716,123 shares will be issued at \$1.75 for gross proceeds of \$10,003. Share issue costs associated with this private placement are \$567, for net proceeds of \$9,436.
 - iii) In conjunction with the private placement, an approximate additional 428,571 shares will be issued at \$1.75 upon the conversion of \$750 interest owing on Term Debt to OKR Financial.

Cleantek Industries Inc.

- iv) Based on the Unaudited Statement of Financial Position at June 30, 2021 of Raise Production Inc., the net assets at fair value are expected to be acquired by Cleantek Industries Inc. as follows:

Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents		144
Accounts receivable		11
Prepays and deposits		27
Intangible assets	(x)	1,100
Accounts payable and accrued liabilities		(89)
Warranty provision		(11)
Deferred revenue		(440)
Fair value of net assets acquired		742
Consideration		
Common shares issued		3,575
Total consideration		3,575
Listing expense		2,833

(x) Intangible assets include an exclusive license granted to a distribution partner

- v) Cleantek's transaction costs associated with the Arrangement are estimated at \$1,250.
- vi) Share capital of the Resulting Issuer is expected to be as follows:

<i>(Canadian \$000's, except per share amounts)</i>	Number of Common Shares	Amount
Opening balance for Raise	173,707,863	32,241
Opening balance for Cleantek	(y) 17,279,644	52,228
Issued on amalgamation	1,007,403,245	-
Elimination on amalgamation	(17,279,644)	(32,241)
Accounting adjustment to share capital of resulting issuer as a result of reverse take-over transaction	-	3,575
Share consolidation	(1,160,851,913)	-
Gross proceeds from private placement	5,716,123	10,003
Share issue costs associated with private placement		(567)
Conversion of interest on term debt to OKR Financial	428,571	750
Conversion of convertible debt	1,176,000	980
Share capital	27,579,890	66,969

(y) – in August 2021, Cleantek completed share consolidation where it exchanged its outstanding common shares at a ratio of 12 pre-consolidation shares for each post-consolidation share

- c) In conjunction with the reverse takeover, the \$980 outstanding principal of convertible debentures will be converted to approximately 1,176,000 common shares of the Resulting Issuer at \$1.20 per common share. Accrued interest of \$73 will remain outstanding after the conversion.
- d) In addition, common share purchase warrants are which are exercisable for shares in the Resulting Issuer:
- 137,167 warrants are issued in conjunction with the Cleantek common shares issued in 2021 with each such warrant entitling the holder thereof to acquire one common share of the Resulting Issuer at a price of \$1.20 at any time up to March 1, 2023;
 - 316,667 warrants are issued upon the conversion of the \$600 convertible debentures with each such warrant entitling the holder thereof to acquire one common share of the Resulting Issuer at a price of \$1.20 at any time up to 24 months from the closing of the Arrangement;

Cleantek Industries Inc.

- iii) Approximately 2,857,143 warrants are issued in conjunction with the conversion of the \$10,003 private placement, with each whole Warrant will entitle the holder thereof to purchase one Share at an exercise price of \$2.25 for a period of 36 months following the satisfaction of the Escrow Release Condition. If, for any consecutive 10 trading days following completion of the Transaction, the volume-weighted average price of the Shares is equal to or greater than \$3.50, the Company may accelerate the expiry date of the Warrants by giving notice to the holders and, in such case, the Warrants will expire on the 30th day after the date of such notice
- iv) Approximately 214,286 warrants are issued in conjunction with the conversion of the \$750 interest owing on Term Debt to OKR Financial, with each whole Warrant will entitle the holder thereof to purchase one Share at an exercise price of \$2.25 for a period of 36 months following the satisfaction of the Escrow Release Condition. If, for any consecutive 10 trading days following completion of the Transaction, the volume-weighted average price of the Shares is equal to or greater than \$3.50, the Company may accelerate the expiry date of the Warrants by giving notice to the holders and, in such case, the Warrants will expire on the 30th day after the date of such notice.

