

MANAGEMENT DISCUSSION AND ANALYSIS

2ND QUARTER
ENDING
JUNE 30, 2021



INTRODUCTION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as of June 30, 2021 and should be read together with the Delta CleanTech Inc. ("**Delta**" or the "**Corporation**") unaudited interim condensed consolidated financial statements for the six months ending June 30, 2021 (the "**Period**") and related notes attached thereto (collectively referred to as the "**Financial Statements**"), which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian dollars unless otherwise indicated. The Corporation has adopted National Instrument 51-102F1 as the guideline in representing the MD&A. Terms used but not defined in this MD&A shall bear the meaning as set out in Part 1 of National Instruments ("**NI**") 51-102 and NI 14-101 *Definitions* and accounting terms that are not defined herein shall bear the meaning as described or used in IFRS applicable to publicly accountable enterprises.

This MD&A is dated August 27, 2021

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that may cause the Corporation's actual results or outcomes to be materially different from those anticipated and discussed herein. In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this MD&A and accompanying Financial Statements, and to not put undue reliance on such forward-looking statements. Forward-looking statements in this MD&A include statements with respect to: the expected performance of the Corporation and operations and the Corporation's intentions to expand its business and operations; the Corporation's expectations regarding revenue, expenses and anticipated cash needs; the Corporation's plans to expand its purification capabilities; the ability of the Corporation to meet consumer demand; the ability of the Corporation to execute on its strategic priorities and objectives; the size of the market that the Corporation operates in; the Corporation's ability to create engineering and distribution channels. Although *Delta's* management ("**Management**") believes that the expectations reflected in the forward-looking statements are reasonable, Management cannot guarantee future results, levels of activity, performance or achievements, or other future events. Forward-looking statements in this MD&A speak only as of the date on which they are made, and Management is under no duty to update any of its forward-looking statements after the date of this MD&A, other than as required and governed by applicable securities laws.



Corporate Overview

The Company completed the purchase (the “**Asset Purchase**”) of HTC’s Clean Energy Assets, pursuant to an asset purchase agreement between HTC and the Company dated January 27, 2021 (the “**Asset Purchase Agreement**”). The Clean Energy Assets consist of all of the intellectual property and certain contractual agreements for the operation of HTC’s CO₂ capture systems and reclaimer systems. The Asset Purchase Agreement reflects a deemed purchase price of \$4,000,000 however as a result of the accounting treatment of the Common Shares issued, the financial statements reflect a value of \$3,000,000 (“**Purchase Price**”) for the 20,000,000 Common Shares issued.

Following the closing of the Asset Purchase, **Delta** is a clean energy technology business that is dedicated to providing leading clean technology solutions that address the Environmental Social Governance (“**ESG**”) needs of corporations. The principal activity of **Delta** consists of the following four business sectors:

- 1) CO₂ capture;
- 2) hydrogen production (CO₂ capture);
- 3) solvent and ethanol purification; and
- 4) carbon credit validation, certification, and trading.

Delta provides the above services by bundling its patented process design IP, as well as its CO₂ capture and related solvent IP together. The proprietary and patented technologies are designed to reduce the cost of carbon capture and as such have been engineered to lower capital and operating costs, while at the same time delivering superior performance through energy reduction, lowering emissions, and improving the quality of CO₂ captured. Further, **Delta Purification®** is a solvent and glycol purification division, focused in the field of purifying, reclaiming, recycling and reusing solvents and glycols, providing energy processors and heavy industry participants the option of reclaiming and not disposing of these waste materials in underground disposal wells.

DELTA CLEANTECH INC.

Delta has developed proprietary extraction and purification systems for the energy business sector that have been designed to extract CO₂ and waste solids from gases and liquids.

The Corporation benefits from the pedigree, management, experience, proprietary intellectual property, and historic customer brand **Delta** has developed.

CO₂ Capture & Utilization

Environmental, Social and Governance (“**ESG**”) is driving Identity Preserved Waste (“**IPW**”) Solutions. An ESG audit will consider IPW and in the process hold the audited company responsible for its disposed waste. **Delta’s** IPW solutions (CO₂ capture and liquids reclamation) assists with mitigating this liability issue for companies.

The advanced adoption and success of electric vehicle transportation refocuses the call for decarbonized electricity, which can be achieved through **Delta’s** CO₂ capture/utilization IP, while renewable energy such as wind and solar become a growing and larger part of the energy mix in the next 25 years. Hydrocarbon combustion for electricity production will dominate the electric grid and CO₂ capture/utilization is required.

Delta’s CO₂ capture technology, was the selected technology to provide the CO₂ for the NRG COSIA Carbon XPRIZE competition announced in Calgary, Alberta earlier this year.



Solvent, Glycol and Ethanol Reclamation Systems

Delta Purification® is a solvent, glycol and ethanol purification division, focused in the field of purifying, reclaiming, recycling and reusing ethanol, solvents and glycols, providing energy processors and heavy industry participants the option of not disposing of these waste materials in underground disposal wells.

Delta has completed the WTO patenting, commercialization and the construction and commissioning of the **Delta Purification®** System. A **Delta Purification®** System reclaimer unit is like a kidney in the human body, in that it removes the impurities that build up in solvents, ethanol, glycols and liquids used as solvents in commercial clean energy and biomass extraction systems. This system allows these liquids to be reclaimed, recycled, and reused.

The **Delta Purification®** System offers the following commercial products:

- **Delta Solvent Reclaiming System™** - Reclaiming hydrocarbon based and other solvents, such as single, mixed, and formulated amines, for use in natural gas processing, ethanol-based solvents and post-combustion CO₂ capturing processes.
- **Delta Glycol Reclaiming System™** - Reclaims and purifies glycols, such as mono-ethylene glycol and tri-ethylene glycol, used for natural gas dehydration processes.



Hydrogen Fuel Production and Related CO₂ Capture

Grey hydrogen accounts for some 95% of the hydrogen produced in the world today using processes such as steam methane reforming.

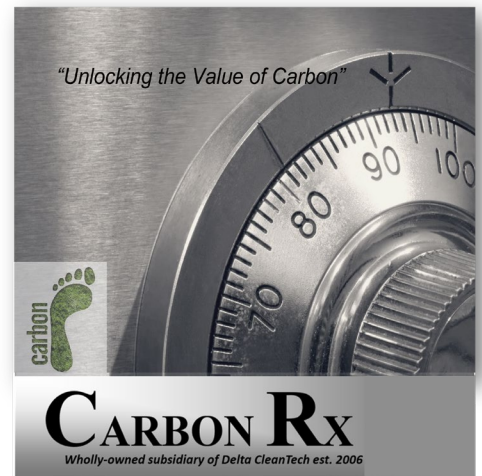
Delta's approach is to integrate its low-cost design, known as the LCDesign®, and its carbon capture technology within the existing large grey hydrogen plants (retrofit), in order to convert these plants to Blue Hydrogen production as well as capturing CO₂ on newly installed blue hydrogen plants.

CURRENT	2021 - 2035	2035 - 2050
Grey Hydrogen	Blue Hydrogen	Green Hydrogen
Split natural gas into hydrogen and CO ₂	Split natural gas into hydrogen and CO ₂	Split water into hydrogen by electrolysis powered by water or wind
CO ₂ emitted in the atmosphere	CO ₂ stored or reused	No CO ₂ emitted

Carbon Validation and Trading

Delta's Carbon Rx IP has been utilized for carbon validation, aggregating and trading on the Chicago Climate Exchange between 2006 and 2009. The trading system utilized, consisted of the trading platform, the clearing and settlement platform, and the registry.

The trading platform was a marketplace for executing trades among registered account holders on the exchange. The clearing and settlement platform processed all transaction information. The registry was the official database for carbon financial instruments owned by registry account holders. Utilization of **Delta's Carbon Rx** IP facilitated the trading, aggregation, and sale of carbon credits, from municipal landfills and agricultural no-till farming industry.



It is intended that the trading and validation of carbon credits will become an integral part of **Delta's** customers' overall carbon program and the Corporation expects to integrate its carbon validation and trading platform at the time that demand for it is created among its customers' projects. The intellectual property related to **Carbon Rx** was acquired by the Corporation as part of the Asset Purchase.

SELECTED FINANCIAL INFORMATION

In Canadian Dollars	Period ending June 30, 2021
Total revenue	375,000
Operating loss	(580,932)
Interest expense	(1,088)
Listing fees	(396,694)
Fair value loss on listed common shares	(37,145)
Net and comprehensive loss	(1,015,859)
Total assets	9,187,247
Lease liability	76,745
Increase in cash	1,632,542

CURRENT ENVIRONMENT

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus ("**COVID-19**"). The emergence of COVID-19 and the steps taken by governments to control the spread of the virus resulted in significant instability in the global economy and a sharp decline in demand for carbon recapture or purification processes as the entire extraction industry dialed back production and investment. This combined with the increased supply of crude oil due to the Russia and Saudi Arabia price war, resulted in an unprecedented collapse in global crude oil prices, and significant volatility during Q2 2020. Global crude oil prices began to recover during the second half of 2020 as Russia and members of OPEC (collectively, "**OPEC+**") agreed to curtail production and governments began to ease restrictions which increased demand. In Q4 2020 vaccines were approved and distribution began, which fueled further optimism that demand will be restored. Vaccine approval and distribution have continued in 2021 and OPEC+ has agreed to continue production curtailments, which has resulted in recent improvements in the industry in 2021.

REVENUES

	Three months ended June 30, 2021	YTD ended June 30, 2021
Total Revenues	\$350,000	\$375,000

Total revenues during the Period were \$375,000. The revenue earnings during the quarter relate to an ongoing engineering and consulting contract in place during the second quarter with Alco Gas & Oil Production Equipment Ltd. The current contract aligns under the CO₂ capture business sector. Investment and funding during the Period have been directly impacted by the collapse of oil prices in 2020, as well as the impact of COVID-19 on the economy, and the ability of **Delta** to showcase its new technology at tradeshow, competitions and through other means. This is expected to correct in mid to late 2021 and forward, as Alberta and the Canadian Federal government announced in March 2021 that they have formed a federal-provincial working group to specifically explore opportunities with carbon capture utilization and storage technology.

OPERATING EXPENSES

	Three months ended June 30, 2021	YTD ended June 30, 2021
Operating wages and consulting	\$313,719	\$597,736
General and administrative	\$119,179	\$147,180

Operating wages and consulting were \$597,736 during the Period and \$313,719 for the three-month period ending June 30, 2021 (“**Three-Month Period**”). This category consists of the wages, salaries, short-term benefits of the employees of the Corporation, as well as consulting on contract costs incurred to advance the technology at **Delta**. General and administrative costs for the six-month period were \$147,180 and \$119,179 for the Three-Month Period. The expenses included in general and administrative are licencing, insurance, short term or nominal rent, information technology, travel and other expenses that are expected to remain consistent.

AMORTIZATION

	Three months ended June 30, 2021	YTD ended June 30, 2021
Amortization	\$73,484	\$120,950

Amortization for the Period was \$120,950 and \$73,484 for the Three-Month Period. Amortization consists of expenses taken on property, plant and equipment, right-of-use assets, patents, and the remaining other intangible assets.

OPERATING LOSS

	Three months ended June 30, 2021	YTD ended June 30, 2021
Operating loss	\$(246,449)	\$(580,932)

The Corporation had an operating loss for the Period of \$(580,932) and a loss of \$(246,449) for the Three-Month Period. The loss is due to the slow revenue production in the first half of 2021.

LISTING FEES

	Three months ended June 30, 2021	YTD ended June 30, 2021
Listing fees	\$(286,670)	\$(396,694)

The listing fees consist primarily of professional fees associated with listing the Corporation on the Canadian Stock Exchange including legal, accounting, and advisory expenses in preparing the prospectus and meeting all regulatory requirements.

NET AND COMPREHENSIVE LOSS

	Three months ended June 30, 2021	YTD ended June 30, 2021
Net and comprehensive loss	\$(541,740)	\$(1,015,859)

Included in net and comprehensive loss are interest and the change in the fair value of listed common shares. Interest on the lease liabilities for the Three-Month Period was \$624 and \$1,088 for the Period. Fair value loss on listed common shares includes the unrealized gains and losses on investments classified and measured at fair value through profit and loss (“FVTPL”) of \$7,998 for the Three-Month Period and \$38,233 for the Period and represents the net change in the carrying value of the investments to the quoted value.

The net and comprehensive loss for the Period is \$(1,015,859) and \$(541,740) for the Three-Month Period. The loss is primarily driven by slow revenue growth during the Period, combined with operating wages and consulting costs that are still required to advance the technologies combined with share issuance costs and general and administrative costs that are largely driven by the preliminary prospectus filing in the first quarter.

TOTAL ASSETS

Total assets for the Period were \$9,187,247 compared to \$10 as at December 31, 2020. The increase is primarily attributable to the Asset Purchase, that formed the Clean Energy Assets, acquired from HTC. The Clean Energy Assets consist of all of the intellectual property and certain contractual agreements for the operation of HTC’s CO₂ capture systems and reclaimer systems. The Asset Purchase Agreement reflects a deemed purchase price of \$4,000,000 however as a result of the accounting treatment of the Common Shares issued, the financial statements reflect a value of \$3,000,000 for the 20,000,000 Common Shares issued. The fair value of the assets and share consideration has been measured provisionally in the interim financial statements for the period ending March 31, 2021 and may be valued differently in the annual financial statements of the Company to be filed following the completion of the year ending December 31, 2021.

On January 27, 2021, immediately following the closing of the Asset Purchase, the Corporation completed the first tranche of a non-brokered, private placement financing (the “**Private Placement**”). The first tranche of the Private Placement comprised of 36,200,000 units of **Delta** (the “**Units**”) at a price of \$0.20 per Unit for gross proceeds of \$7,240,000. These funds were used in the first quarter to purchase investments and fund ongoing operations, with the remainder in cash as at June 30, 2021.

Investments purchased in the first quarter included a redeemable GIC that matures in February 2021 and has a value as at June 30, 2021 of \$4,000,000. The Corporation also purchased \$100,000 unlisted common shares in Plexus Technology Corp. As at June 30, 2021, the cost of the unlisted common shares approximate the fair value due to the recency of the purchase. The Corporation also recognized \$96,282 in right-of-use assets in the first quarter of 2021.

Patents

	Total \$
Cost:	
Balance, December 31, 2020	-
Additions	6,693
Acquisition	750,000
Balance, June 30, 2021	756,693
Accumulated amortization:	
Balance, December 31, 2020	-
Amortization	20,945
Balance, June 30, 2021	20,945
Carrying amounts:	
Balance, June 30, 2021	735,748

Delta has completed the WTO patenting, commercialization and the construction and commissioning of the Delta Purification System®. Reclaiming hydrocarbon-based and other solvents, such as single, mixed, and formulated amines, for use in natural gas processing of ethanol-based solvents and post combustion CO₂ capturing processes.

Intangible assets

	PDOengine® \$	LCDesign® CCS \$	Delta Reclaimer® System (\$)	CO ₂ Technologies Pty Ltd IP \$	Carbon Rx IP \$	Total \$
Cost:						
Balance, December 31, 2020	-	-	-	-	-	-
Acquisition	550,000	550,000	550,000	100,000	250,000	2,000,000
Balance, June 30, 2021	550,000	550,000	550,000	100,000	250,000	2,000,000
Accumulated amortization:						
Balance, December 31, 2020	-	-	-	-	-	-
Amortization	22,917	22,917	22,917	4,166	5,208	78,125
Balance, June 30, 2021	22,917	22,917	22,917	4,166	5,208	78,125
Carrying amounts:						
Balance, June 30, 2021	527,083	527,083	527,083	95,834	244,792	1,921,875

Goodwill

	Total \$
Cost:	
Balance, December 31, 2020	-
Acquisition	59,623
Balance, June 30, 2021	59,623

CURRENT LIABILITIES

Current liabilities are \$80,213 for the Period. The balance is primarily comprised of accounts payable, accrued liabilities, and current portion of the lease liabilities.

CASH FLOW

Cash flows used in operating activities were \$(1,319,970) for the Period, which is primarily attributable to the net loss of \$(1,015,859) offset by reversing amortization as it is a non-cash item and the change in working capital.

Cash flows used in investing activities were \$(4,151,137) for the Period. The Corporation purchased a GIC for \$4,000,000 in cash as well as an investment in Plexus Technologies Corp. for \$100,000 cash during the Period.

Cash flows provided by financing activities were \$7,103,649 for the Period. **Delta** was able to raise \$7,326,094 in tranche 1 and tranche 2 of the Private Placement during the first quarter of 2021 and a \$34,600 raise in the current Three-Month Period. Share issuance costs have been offset against the raise.

The net change in cash position was an increase of \$1,632,542 for the Period, as a result of the cash flows used in operating activities, used in investing activities and provided by financing activities as outlined above.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions include transactions with corporate investors who have representation on the Board of Directors of **HTC**.

During the Period, the Corporation paid \$8,169 for legal services for a law firm that a director is a partner of. As of June 30, 2021, there are \$Nil amounts owing to the law firm (December 31, 2021 - \$Nil).

Clearview Financial Services Inc. ("**Clearview**") is a related party due to one common director. During the Period, the Corporation paid \$37,500 in consulting and \$4,800 in rent expense. At June 30, 2021, there are amounts payable of \$Nil (December 31, 2020 - \$Nil).

KF Group of Companies ("**KF Group**") is a related party due to one common director. During the Period, the Corporation paid \$6,490 in rent expense.

HTC is a related party due to common directors. On January 27, 2021, **Delta** announced it had acquired assets comprising **HTC's** Clean Energy, pursuant to an Asset Purchase. The Clean Energy Assets consist of all the intellectual property and certain contractual agreements for the operation of **HTC's** CO₂ capture systems and reclaimer systems (see Note 5).

The Corporation has identified all of the directors and officers as its key management personnel. During the Period, the Corporation did not incur transactions with directors and officers, or companies that are controlled by directors or officers of the Corporation, other than disclosed above.

DIRECTOR AND OFFICER COMPENSATION

The remuneration of key management personnel included in the Statements of Loss were:

For the six months ended	June 30, 2021
Operating wages and consulting	
Salaries and short-term benefits	\$ 83,519
Consulting	37,500
Total key management compensation	\$ 121,019

The key management personnel of the Corporation consist of the executive officers and members of the Board. Key management personnel include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly.

The Corporation has an employment agreement with its Chairman and CEO, and CFO, and a consulting agreement with its President. Yearly compensation is paid in accordance with the remuneration package agreed upon by the disinterested Board of Directors and the individual respectively.

Under the Chairman and CEO employment agreement, the Corporation may terminate the agreement without cause, and the employee may terminate for good cause, and in both instances: (i) the Corporation shall be liable to pay, in lieu of notice, or any combination of both, a severance equal to 36 months, based on the base salary and bonus commitments; (ii) all unvested Stock Options and/or RSU will immediately vest and be exercisable. In the event of a change in control, all unvested securities granted or issued shall automatically vest and, at the option of the employee, the employee may resign and be entitled to a lump sum payment equal to the value of his base salary and any bonus, equal to 36 months.

During the Period, no director fees were paid. In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans.

ADDITIONAL INFORMATION ON DELTA CLEANTECH

DELTA CLEANTECH invites you to review current and historical press releases and News Express releases. This material can be viewed on the Corporation's web site at <https://deltacleantech.ca/news-releases/>.

RISKS AND UNCERTAINTIES

Risks and uncertainties relate to dependence of CO₂ emitters being legislated or provided incentive, to adapt CO₂ capture technology and the price of oil for adoption of CO₂ EOR.

The preparation of the Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the Period.

Significant items subject to judgment, estimates and assumptions include: revenue recognition (judgments on principal versus agent relationship, the identification of performance obligations within contracts, and estimation of the allocation of transaction price to different performance obligations), non-financial asset impairment, inventory provision, underlying estimations of useful lives of depreciable assets, fair value of financial instruments, environmental remediation and contingent liabilities, if any.

The Financial Statements are based on Management's best estimates using information available. Uncertainty regarding the timing of anticipated large-scale market demand for carbon capture technology, related legislative incentives, and uncertainty in financial markets has complicated the estimation process. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future years by a material amount.

CHANGES IN ACCOUNTING PRINCIPLES

Standards issued but not yet effective

Amendments to IAS 1 - Presentation of Financial Statements ("IAS 1")

In January 2020, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Corporation will assess the impact, if any, of adoption of the amendment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Investments classification

As part of the evaluation of whether the Corporation has significant influence over any investee, management must exercise judgment based on current information. Determination of whether or not an investment should be classified and accordingly accounted for as a subsidiary, significant influence or equity investment has a material impact on the financial statements. Management takes into account all facts and circumstances in concluding the classification of an investment.

Fair value measurement of financial instruments

When the fair value of financial assets recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow method. The inputs to these models are taken from observable markets where possible.

Asset impairment

The carrying amounts of the Corporation's non-financial assets, other than inventories which are reviewed regularly, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared to the carrying amount of the cash generating unit ("CGU") to which the asset belongs. There was no impairment in the Period.

The Corporation's most significant estimates and assumptions involve values associated with determining the recoverable amounts of product development costs, property, plant and equipment, patents, and intangible assets. These estimates and assumptions include those with respect to future cash inflows and outflows, discount rates, asset lives, and the determination of CGUs.

Leases

The Corporation applies judgment in determining whether the contract contains an identified asset, whether the Corporation has the right to control the asset, and the lease term. Lease terms reflect the period over which the lease payments are reasonably certain including renewal options that the Corporation is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and right of use assets, for which the lease term is the basis for determining useful life.

Warrants

The Corporation utilizes the Black-Scholes Option Pricing Model to determine the fair value of warrants issued as part of a unit. The Corporation uses judgment in the evaluation of the input variables in the Black-Scholes Calculation which includes; estimates of the future volatility of the Corporation's share price, forfeiture rates, expected lives of the underlying security, expected dividends and other relevant assumptions.

Business combinations

For acquisition accounting purposes, all identifiable assets, liabilities, and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition. Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration is recognized, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

FINANCIAL INSTRUMENTS

For all current assets and liabilities, the difference between cost and fair value is assumed to be negligible due to the short-term maturities of these items. The following table provides a summary, by class and level on the fair value hierarchy, of the financial assets and liabilities that are measured at fair value, together with the carrying amounts included in the Consolidated Statements of Financial Position, as at June 30, 2021 and December 31, 2020:

June 30, 2021			
	Level	Carrying amount	Fair value
Financial assets			
<i>Amortized cost</i>			
Accounts receivable		\$ 262,605	\$ 262,605
<i>Fair value through profit and loss</i>			
Cash	1	1,632,552	1,632,552
Guaranteed investment certificate	1	4,000,000	4,000,000
Listed ordinary shares	1	117,743	117,743
Unlisted ordinary shares	3	100,003	100,003
Financial liabilities			
<i>Amortized cost</i>			
Accounts payable and accrued liabilities		56,449	56,449
Lease liabilities		76,745	76,745
December 31, 2020			
	Level	Carrying amount	Fair value
Financial assets			
<i>Fair value through profit and loss</i>			
Cash	1	\$ 10	\$ 10

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest from financial instruments is recognized in finance costs.

FINANCIAL RISK MANAGEMENT

Management's risk management policies are typically performed as a part of the overall management of the Corporation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Corporation, management

considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Credit risk

The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The Corporation's principal exposure to credit risk is in respect to its accounts receivable. In order to reduce the risk on its accounts receivable, the Corporation has adopted credit policies which mandate performing an ongoing credit review of all its customers and establishing allowances for bad debts when the amounts are not collectible. The allowance for bad debt at June 30, 2021 was \$Nil.

Due to the nature of **Delta's** operations, Management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporations accounts receivable at June 30, 2021 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at June 30, 2021	\$ 262,605	\$ -	\$ 262,605

Currency risk

The Corporation is exposed to currency risk as a certain portion of sales and expenses are incurred in US dollars resulting in US denominated accounts receivable and accounts payable. These balances are, therefore, subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar.

The Canadian dollar equivalent amounts of the balances denominated in US funds at June 30, 2021 are:

Cash	\$ 333
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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's only interest-bearing financial instrument is the GIC that it holds as at June 30, 2021 at a fixed rate of interest.

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporations' main sources of liquidity are its operations and equity financing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Corporation's financial obligations associated with financial liabilities.

The timing of cash outflows relating to the financial liabilities are outlined in the table below:

June 30, 2021	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 56,449	\$ -	\$ -	\$ -	\$ 56,449
Lease liability	23,764	52,981	-	-	76,745
Balance	\$ 80,213	\$ 52,981	\$ -	\$ -	\$ 133,194

SUBSEQUENT EVENTS

CSE: DELT

On August 19, 2021, **Delta** announced that its common shares commenced trading on the Canadian Securities Exchange (“**CSE**”), under the ticker symbol “**DELT**”.

COVID-19

During and subsequent to the Period, there was a continued global outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on **Delta** as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation’s business and financial condition.

Signed “Jeffrey Allison”
JEFFREY ALLISON
 PRESIDENT

Signed “Jacelyn Case”
JACELYN CASE
 CFO

**To the Shareholders of Delta CleanTech Inc.
("Delta" or the "Corporation")**

Management's Accountability for Management's Discussion and Analysis and Consolidated Financial Statements

The unaudited interim condensed consolidated financial statements for the period ending June 30, 2021 ("Financial Statements") have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these Financial Statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the period ending June 30, 2021 ("MD&A") and reflect Delta's business transactions and financial position.

Management is also responsible for the information disclosed in the MD&A, including responsibility for the existence of appropriate information systems, procedures, and controls, to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors ("Board") annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management's discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Management has reviewed the filings of the Corporation's interim MD&A, Financial Statements, and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these interim filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by the interim filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, the financial performance, and cash flows of the Corporation, as of the date of and for the periods presented in the interim filings.

Signed "Jeffrey Allison"
JEFFREY ALLISON
PRESIDENT

Signed "Jacelyn Case"
JACELYN CASE
CFO

BOARD OF DIRECTORS & SENIOR OFFICERS

Of the Corporation as at June 30, 2021

Directors:

Lionel Kambeitz,
Regina, Saskatchewan,

Jeffrey Allison,
Calgary, Alberta

Wayne Bernakevitch,
Regina, Saskatchewan,

Garth Fredrickson
Regina, Saskatchewan.

Senior Officers:

Lionel Kambeitz, Chairman and CEO
Jeffrey Allison, President

Committees of the Board of Directors:

Audit Committee
Compensation Committee
Nominating Committee

Members of Audit Committee:

Lionel Kambeitz, Garth Fredrickson and Wayne
Bernakevitch

Members of Compensation Committee:

Jeffrey Allison and Wayne Bernakevitch

Members of Nominating Committee:

Jeffrey Allison and Wayne Bernakevitch

SHAREHOLDER INFORMATION

Stock exchange: Canadian Securities Exchange

Stock symbol: DELT

Common Shares outstanding as of June 30, 2021: 58,523,100

Head office and Investor relations address:

DELTA CLEANTECH INC.
#2308 Palisade Drive SW
Calgary, Alberta T2V 3V1
Telephone: (306) 352-6132
Fax: (306) 545-3262
E-mail: investorinfo@deltacleantech.ca

Sales and Marketing Offices

Canada:
Regina, Sask.
Calgary, Alberta

Registrar and Transfer Agent:

Odyssey Trust Company
1230, 300 – 5th Avenue S. W.
Calgary, Alberta T2P 3C4

Banks: RBC

Auditors: Manning Elliot, Vancouver, BC

Legal Counsel: McDougall Gauley, Barristers and Solicitors, Regina Saskatchewan
Gowling WLG, Calgary Alberta

Dividend policy:

No dividends have been paid on any common shares of the Corporation since the date of inception, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Duplicate Communications:

Some shareholders may receive more than one copy of the annual report and proxy-related material. This is generally due to ownership of registered shares in addition to non-registered shares; holding shares in more than one account; or purchasing shares from more than one stock brokerage firm. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should notify the investor relations department at the above address.