MANAGEMENT DISCUSSION AND ANALYSIS

1ST QUARTER END
MARCH 31, 2023

Delta
CLEANTECH
CAPTURING SUSTAINABILITY

INTRODUCTION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as of March 31, 2023 and should be read together with the Delta CleanTech Inc. ("**Delta**" or the "**Corporation**") unaudited consolidated financial statements for the period ending March 31, 2023 (the "**Period**" or "**Q1**") 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 May 29, 2023.

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.

Additional information related to the Corporation is available for view on SEDAR at www.sedar.com.

Corporate Overview

Delta is a clean energy technology business that is dedicated to providing proven clean technology solutions that address the Environmental Social Governance ("**ESG**") needs of corporations. The principal activity of ***Delta*** consists of the following five business sectors:

1) CO_2 capture;
2) Hydrogen Production (CO_2 Capture);
3) Solvent and Ethanol Purification;
4) Methane Collection and Destruction; and
5) Carbon Credit Validation, Certification, and Trading.

Delta provides the above services by bundling its patented process design intellectual property, with CO_2 capture, methane destruction and solvent purification. The proprietary and patented technologies are designed to reduce the cost of carbon capture, methane destruction, and solvent and ethanol purification creating compliance and voluntary offset carbon credits. ***Delta's*** projects are engineered to lower capital and operating costs, while at the same time delivering superior performance through energy reduction and lowering emissions. Further, **Delta Purification®** is a solvent and glycol purification division, focused on 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.


Modular designed CO_2 capture unit.designed by Delta

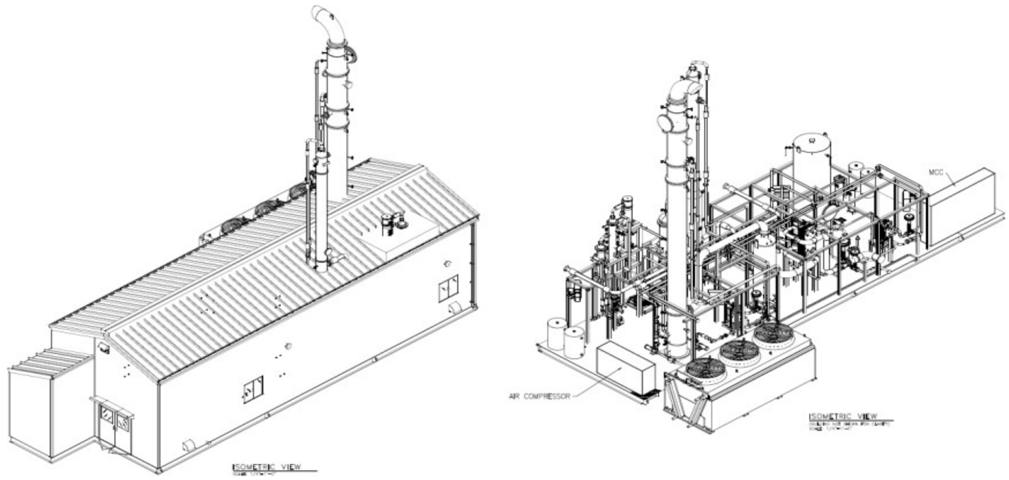
DELTA CLEANTECH INC.

Delta has developed proprietary extraction and purification systems for the energy business sector that have been designed to extract CO_2 and waste solids from gases and liquids.

The Corporation benefits from its 19-year pedigree, management, experience, proprietary intellectual property, and historic customer branding.

CO_2 Capture & Utilization

Identity Preserved Waste ("**IPW**") is a recognized industry phrase utilized by energy infrastructure professionals. It refers to the quantification, identity, ownership and liability of air borne, soil borne, and water borne waste. ESG is driving IPW Solutions. An ESG audit will consider IPW and in the process, retain ownership for its disposed waste. ***Delta's*** IPW solutions (CO_2 capture, methane destruction and liquids reclamation) assists with mitigating this liability issue for companies.



Proprietary Process Design package for CO_2 capture plants

President's Comments:

The future of clean tech is materializing. There are four main factors that are driving the industry that are significantly different than in prior years:

1) **Canadian Carbon Taxation** - which starts at $50.00 per ton in 2023 and will gradually increase to $170 per ton by 2030.
2) **Environmental and Social Governance** – a public commitment to adopting environmental strategies to reduce their environmental footprint.
3) **Commercialization of the capture technology** – the ***Delta*** CO_2 capture technology has been perfected over the last 19 years and is now fully commercial. (Real projects are not interested in a science experiment.)
4) **Growth of new ways to utilize CO2 as a commodity** – products such as carbon nanotubes, graphene, CO_2 injected concrete, and commercial products such as methanol and ethanol, all help to reduce the eventual cost of emissions reduction.

The last half of ***Delta***'s 2022 fiscal year and the Q1 has reflected the market changes that have been driven by the events listed above. Companies have made formal commitments to their shareholders, bankers and staff to meet these emission reduction goals, and are now taking direct steps to accomplish their objectives. In some cases, companies are now setting up ESG divisions and/or hiring ESG vice presidents to ensure that these goals are met. ***Delta*** has been overwhelmed with new business opportunities. This is evidenced by our recent published financial results, which is more optimistic than earlier reports. These positive financial results are expected to continue into the upcoming quarters of this fiscal year, based on signed contracts ***Delta*** currently has in the pipeline. ***Delta*** has been hiring on average one new engineer or project manager per month, over the last 6 months, to be able to keep up with business demand, and we anticipate this trend will continue into the future.

Because of confidentiality requirements, we are not able to name current projects we are working on at this time, however we can comment that ***Delta*** currently has five projects underway (two in Canada, one in the United States, one in China, and one in Kazakhstan). One of the Canadian projects is currently in the build stage, and ***Delta*** has delivered its first royalty invoice. We also have a substantial number of new business opportunities, that are at various stages of commercial development, which we anticipate will materialize in 2023.

Delta is implementing a number of exciting new business directions and opportunities, that it is planning to roll out in 2023:

1. **Methane destruction** – the destruction of methane to create carbon credits for our subsidiary company – Carbon RX Inc. (“**Carbon RX**”).
2. **Build Own Operate and Maintain (BOOM)–** CO_2 capture projects that ***Delta*** and its partners will own.
3. **Commercial sale of CO_2 to commodity purchasers** – to meet the increasing demand for CO_2 that is used as a commodity in ’ business operations.
4. **Fluids management centres** – to manage solvents and glycols, using ***Delta’s*** patented re-claimer technology.

To summarize, due to all of its recent commercial success, this is a very exciting time for ***Delta***. With continued positive financial results, and dependent on ***Delta’s*** anticipated ongoing success with projects, new business directions and positive gains in the market in general, we are looking forward to a fruitful future.

***Delta*'s Quarterly Event News:**

Delta's Year End Business Overview[NEW]

January 4th, 2023

Carbon Capture Technology Workshop

September 30th, 2022

Carbon RX Presents the World’s 1st Global First Nations Carbon Summit

September 9th, 2022

Federal & Provincial Officials Visit *Delta*'s Abu Dhabi Office

September 8th, 2022

Delta's *Carbon RX* Announces the Worlds’ 1st Global Indigenous Carbon Summit

August 11th, 2022

US Senate Passes Sweeping Climate Change Bill

August 10th, 2022

Delta CleanTech Adds Carbon Capture Expertise and Experience to its Regina Engineering Team

August 4th, 2022

Delta CleanTech Carbon Capture Advanced Product Development Project Secures Federal and Provincial Funding at the University of Calgary

July 15th, 2022

UAE to Provide a National Clean Energy Strategy Assisted by *Delta* CleanTech

July 8th, 2022

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.

The **Delta Purification®** WTO patented 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 re-used.

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 CO_2 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.

***Delta's* subsidiary *Carbon RX*™** IP has been historically utilized for carbon credit origination, aggregation and trading on the Chicago Climate Exchange beginning 2006.

The rules and regulations today are multi-jurisdictional, have been evolving over the past 15 years, are complex and require an in-depth knowledge of how the credits are established, validated, and certified. CO_2 management experience is a pre-requisite to high fidelity, carbon credit recognition, validation, and certification.

Carbon RX is developing the digital issuance of carbon credits in collaboration with Pure Sky Registry, LLC ("**Pure Sky**"). Pure Sky, a Delaware corporation of which ***Carbon RX*** owns 49.9978%, will lead, manage, and finance the project development, utilizing Web3 smart contracts on a digital registry carbon credit platform ("**Registry**"). Pure Sky will be financing the development costs through the issuance of membership fees in the Registry. The completion of the digital registry will allow the free flow of digital carbon credits on the block chain, and address the digitization needs of ***Carbon RX***.

<u>Carbon Credits:</u>

Delta entered into a licensing agreement with ***Carbon RX***, whereby ***Delta*** licensed its carbon technology to ***Carbon RX***. ***Delta*** does not originate, validate fidelity, certify, and/or register carbon credits, however key employees of ***Delta*** are and will be utilized, in a subject matter expert capacity, to advise ***Carbon RX***.

Carbon RX intends to engage Pure Sky, as well as registries such as Verra, Gold Standard, and Canadian Standards Association, for the validation of fidelity, certification, and registration of all carbon credits, dependent on the project design and related market needs.

Carbon RX will originate, validate fidelity, certify, and register voluntary carbon credits that will incorporate legacy and new industrial processes with technologies, which will require ***Carbon RX***'s carbon credit validation and digitization platform, utilizing block chain technology. From a legacy standpoint, ***Carbon RX*** relies on the institutional knowledge of ***Delta's*** team of subject matter experts, who were involved in the original carbon markets, beginning in 2005. This would include the reduced tillage protocol implemented at the time. From a 'new' standpoint, ***Carbon RX*** is employing a new industrial approach regarding methane destruction and proprietary protocol Emission Measurement Units, still in the product development phase. With respect to agriculture, ***Carbon RX*** will work with the Pure Sky Registry to certify and validate a new protocol for agriculture, using data and field analysis, reflective of the new technology tools used in agriculture today, including addressing fertilizer emissions goals of the Federal Government.

Carbon RX's platform works as follows: ***Carbon RX*** enters into an agreement with the land-owner, in order for ***Carbon RX*** to assist in the origination and monetization of carbon credits from the landowner's lands. The ***Carbon RX*** team then visits the land site and/or collects historic data to determine if and how the land qualifies to be eligible for credit origination. One of a series of publicly accepted protocols is applied to the land and submitted to an independent 3rd party registry, for the issuance of credits. In the case of ***Carbon RX***, the digitization of the carbon credits is under development. This digital platform is based on Web3 design and will ensure a high quality and traceable credit is available for trade and retirement in the market.

Carbon RX business model is based on earning a percentage of the carbon credits originated with each landowner, as a service provider. ***Carbon RX*** will then sell these credits in the market to generate income.

Industry Terms applicable to *Carbon RX*:

Blockchain: A blockchain is a shared database or ledger, shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital format. Blockchains are best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and decentralized record of transactions. The innovation with a blockchain is that it guarantees the fidelity and security of a record of data and generates trust without the need for a trusted third party. A blockchain collects information together in groups, known as blocks, that hold sets of information. Blocks have certain storage capacities and, when filled, are closed and linked to the previously filled block, forming a chain of data known as the blockchain. All new information that follows that freshly added block is compiled into a newly formed block that will then also be added to the chain once filled. A database usually structures its data into tables, whereas a blockchain, as its name implies, structures its data into chunks (blocks) that are strung together. This data structure inherently makes an irreversible timeline of data when implemented in a decentralized nature. When a block is filled, it is set in stone and becomes a part of this timeline. Each block in the chain is given an exact timestamp when it is added to the chain.

Blockchain Platform: A blockchain platform allows users and developers to create novel uses on top of an existing blockchain infrastructure.

Carbon Credit: A carbon credit is a certificate that represents the right to emit one ton of carbon dioxide. These credits can be traded, and the price is set by supply and demand.

Compliance and Voluntary Carbon Market: The carbon market is a way of regulating greenhouse gas emissions by providing economic incentives to reduce emissions. There are two types of carbon credits: compliance and voluntary. Compliance carbon credits are created through government-regulated programs, whereas voluntary carbon credits are created through private or voluntary agreements between businesses. A voluntary carbon market works by businesses and individuals buying or selling carbon credits.

Crypto: Cryptocurrency, sometimes called crypto-currency or crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions. Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units.

DAO: Decentralized autonomous organization is an organization constructed by rules encoded as a computer program that is often transparent, controlled by the organization's members and not influenced by a central government. Its purpose is to promote oversight and management of an entity similar to a corporation, without central authority.

ESG: Environmental (carbon reduction, plastics, pollution, water, energy use, recycling) Social (Corporate behavior and structure, ethics, human rights) Governance (diversity and inclusion, pay equity, labour standards, health and safety)

Web3 design: At first the internet was Web 1.0, meaning it was decentralized, with ownership and control of content and platforms distributed among many individuals and businesses. Web 2.0, the current iteration of the internet, evolved thanks to a small number of software companies with user-friendly platforms, like Google, Apple, Facebook (now Meta), and Twitter. With many online consumers, the web grew more centralized, largely owned and controlled by a few corporations. With Web3, developers are making the internet decentralized again. Tech monopolies will no longer have possession and command of the content and platforms users create. Web3 also aims to solve the internet's security and privacy issues.

Carbon RX Quarterly Event News:

Nationally Recognizable Indigenous Leader Joins Carbon

March 10, 2023

Local Saskatchewan Companies Introduce Ground-breaking Innovation in Canadian Carbon Capture

February 24, 2023

Carbon RX **Adds Methanator RX™ to Suite of Clean Technology Solutions**

February 1, 2023

Chief Reginald Bellerose Appointed to *Carbon RX* Board of Directors

December 19, 2022

Carbon RX **Adds Senior Leadership to Strengthen Position in Growing Market**

November 28, 2022

Carbon RX **Expands Global Marketing Expertise**

November 17, 2022

Global First Nations Carbon Summit Accelerates International Stakeholders

October 13, 2022

Canadian First Nations Recognized at the Global First Nations Carbon Summit

October 3, 2022

Published Author and Founder of the Global Centre of Indigenomics to Present at Global First Nations Carbon Summit

September 12, 2022

Carbon RX **Announces The Honourable Bob Rae as the Keynote Speaker for the Global First Nations Carbon Summit**

September 7, 2022

Carbon RX **Dives into the British Columbia Carbon Market**

July 3, 2022

SELECTED FINANCIAL INFORMATION

In Canadian Dollars	Year ending December 31, 2022	Year ending December 31, 2021
Total revenue	1,412,984	375,000
Operating loss	(2,335,137)	(2,598,370)
Interest income	18,815	15,715
Interest expense	(909)	(2,075)
Listing fees	-	(562,441)
Stock compensation expense	(503,154)	(1,042,631)
Loss on sale of assets	(82,931)	(11,792)
Fair value gain (loss) on listed common shares	104,906	(56,643)
Net and comprehensive loss	(2,798,410)	(4,258,236)
Total assets	5,414,998	7,532,823
Lease liability	101,169	52,981
Increase (decrease) in cash	(358,743)	759,905

DELTA CLEANTECH INC.'S QUARTER END FINANCIAL RESULTS

In Canadian Dollars (other than share amounts)	3 months ending Mar. 31, 2023	3 months ending Mar. 31, 2022	3 months ending Dec. 31, 2022	3 months ending Dec. 31, 2021	3 months ending Sept. 30, 2022	3 months ending Sept. 30, 2021	3 months ending Jun. 30, 2022	3 months ending Jun. 30, 2021
Total Revenues	465,552	116,700	815,234	-	399,799	-	81,251	350,000
Net Income (Loss) from Operations	(579,575)	(639,982)	(310,965)	(789,945)	(465,215)	(837,418)	(918,975)	(246,449)
Net Income (Loss)	(215,894)	(800,428)	(583,980)	(1,740,377)	(357,918)	(1,221,950)	(1,056,084)	(541,740)
Total Assets	5,380,972	6,755,700	5,414,998	7,532,823	5,706,800	8,319,671	5,851,268	9,187,247
Long Term Liabilities	49,619	4,390	49,619	4,390	4,390	52,981	4,390	52,981
Shareholders' Equity	5,380,972	6,568,608	4,879,388	7,153,644	5,372,260	8,167,104	5,636,262	9,054,054
Cash Flow from Operations	(386,583)	(802,838)	30,216	(459,649)	(676,623)	(835,989)	(798,579)	(731,328)
Increase (Decrease) in Cash	(222,804)	(356,518)	18,125	(9,723)	308,463	(862,924)	(328,813)	(873,813)
Net Income (Loss), in total, on a per-share basis[1]	(0.00)	(0.01)	(0.01)	(0.03)	(0.006)	(0.04)	(0.02)	(0.02)
Weighted Average Common Shares	59,201,182	58,671,415	58,773,468	54,293,526	58,773,468	34,774,699	58,671,415	32,858,850

-[1]Net Income (Loss) per common share for the periods has been calculated using the weighted average number of common shares outstanding during the respective periods.

CURRENT ENVIRONMENT

The current state of the economy continues to evolve. The global landscape is dominated by manifesting risks such as energy supply crises, cost of living crises, rising inflation, supply chain crises, and cyberattacks on critical infrastructure. Despite all the risks, Canadian economy is on better footing than most of our peers, with strong economic fundaments to tackle global economic slowdown. Moreover, climate change is the single biggest threat to humanity. We are of the opinion that meeting net-zero targets will be the most important issue for achieving decarbonization goals, and carbon capture solutions are necessary for the overall strategy to handle climate change. The federal government wants to help eliminate 15 megatonnes per year through its carbon capture, utilization, and storage tax credits. Consequently, ***Delta*** believes that carbon capture technology is the key to achieving its targets of net-zero emissions in Canada by 2050.

REVENUES

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Total Revenues	$ 116,700	$465,552

Total revenues during the Period were $465,552 compared to $116,700 for the period ended March 31, 2022. All revenues earned during the Period relate to the CO_2 capture business sector. ***Delta's*** ability to showcase its new technology at tradeshows, conferences, competitions, and other means, has gained traction as the global economy recovers and shifts focus on clean technologies. Global opportunities continue to present themselves, as clean technology solutions are sought to address ESG and as ***Delta*** expands its presence in UK, UAE, China and the USA.

OPERATING EXPENSES

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Operating wages and benefits	$ 125,732	$ 326,162
Consulting and contractor costs	148,265	184,274
Business development	87,750	94,525
General and administrative	269,673	186,862

Operating wages and benefits category consists of the wages, salaries, and short-term benefits of the employees of the Corporation. Expenses during the Period were $326,162 compared to $125,732 for the period ended March 31, 2022. Expenses during the Period are higher than the comparative period, due to increased engineering requirements necessary to fulfill contractual obligations.

Consulting and contractor costs consist of costs incurred to advance the technology at ***Delta.*** Expenses incurred in the Period were $184,274 (March 31, 2022 - $148,265). The period costs reflect an increase due to strengthened marketing initiatives and increased activity in the CO_2 capture sector.

Business development consists of salaries and consulting costs incurred to advance the business of ***Delta***. Expenses in the Period were $94,525 (March 31, 2022 - $87,750). The comparable periods are comparable year over year.

General and administrative costs for the Period were $186,862 (March 31, 2022 - $269,673). The expenses included in general and administrative are licensing, insurance, nominal rent, information technology, travel and other expenses which are expected to remain consistent. The current period reported reduced expenses due to reduced legal and professional fees compared to the prior period.

AMORTIZATION

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Amortization	$78,701	$79,554

Amortization for the Period was $79,554 and $78,701 for the corresponding period ending March 31, 2022. Amortization consists of expenses taken on property, plant and equipment, right-of-use assets, patents, and the remaining other intangible assets.

OPERATING LOSS

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Operating loss	$(639,982)	$(579,575)

The Corporation had an operating loss for the Period of $(579,575) (March 31, 2022 - $(639,982)). The loss is primarily driven by delayed revenue growth due to uncertain CO_2 mitigation legislative programs, combined with operating wages and consulting costs that are required to advance the technologies, and general and administrative costs incurred during the period.

STOCK COMPENSATION EXPENSE

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Stock compensation expense	$215,392	$53,392

Stock compensation expense is the costs associated with stock options and restricted share unit ("**RSU**") expenses during the Period.

On February 19, 2023, 5,000,000 RSU's vested and were recorded in contributed surplus.

On February 15, 2022, 300,000 RSU's were exercised. The Corporation recorded the issuance to Share Capital and reduced contributed surplus by $49,500.

NET AND COMPREHENSIVE LOSS

	YTD Mar. 31, 2022	YTD Mar. 31, 2023
Net and comprehensive loss	$(800,428)	$(215,894)

Included in net and comprehensive loss are interest and the change in the fair value of ***Delta***'s listed common shares ("**Common Shares**"). Interest on the lease liabilities for the Period was $1,774 (March 31, 2022 - $361). Fair value gain on listed Common Shares includes the unrealized gains and losses on investments classified and measured at fair value through profit and loss ("**FVTPL**"). Reporting a gain of $405,825 for the Period and $49,198 gain for March 31, 2022. The net change in the carrying value of the investments to the quoted value in the Period.

The net and comprehensive loss for the Period is $(215,894) (March 31, 2022 - $(800,428)). Q1 has seen improved revenue than the prior period reported. The loss is primarily driven by slow revenue growth during the Period, combined with operating wages and consulting costs that are required to advance the technologies combined with share issuance costs, stock compensation expenses derived from costs relating to stock options and RSU's during the Period. ***Delta***'s business model, and that of the industry, is experiencing long sales cycles, ***Delta*** has continued to invest in the people and technology and business development process towards that plan. ***Delta*** is seeing the result of immense efforts converting to revenue and continues to expect further growth in the coming months.

TOTAL ASSETS

Total assets for the period were $5,380,972 compared to $5,414,998 as at December 31, 2022. The decrease is attributable to reduced cash on hand due to operational needs offset by increased accounts receivables, increased right-of-use assets and reduced intangible asset values from regular amortization.

PATENTS

	Total $
Cost:	
Balance, December 31, 2022	53,171
Additions	6,343
Balance, March 31, 2023	**59,514**
Accumulated amortization:	
Balance, December 31, 2022	3,306
Amortization	889
Balance, March 31, 2023	**4,195**
Carrying amounts:	
Balance, March 31, 2023	**55,319**

Cost:	
Balance, December 31, 2021	12,244
Additions	40,927
Balance, December 31, 2022	**53,171**
Accumulated amortization:	
Balance, December 31, 2021	334
Amortization	2,972
Balance, December 31, 2022	**3,306**
Carrying amounts:	
Balance, December 31, 2022	**49,865**

Delta has completed the WTO patenting, commercialization and the construction and commissioning of the **Delta Purification System®**. This system reclaims 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 CO_2 capturing processes.

INTANGIBLE ASSETS

	PDOengine® $	LCDesign® CCS $	Delta Reclaimer® System $	CO_2 Technologies Pty Ltd IP $	Carbon RX™ IP $
Cost:					
Balance, December 31, 2022	700,000	815,000	815,000	414,000	2,744,000
Additions	-	-	-	-	-
Balance, March 31, 2023	**700,000**	**815,000**	**815,000**	**414,000**	**2,744,000**
Accumulated amortization:					
Balance, December 31, 2022	134,167	156,208	156,208	37,950	484,533
Amortization	17,500	20,375	20,375	5,175	63,425
Balance, March 31, 2023	**151,667**	**176,583**	**176,583**	**43,125**	**547,958**
Carrying amounts:					
Balance, March 31, 2023	**548,333**	**638,417**	**638,417**	**370,875**	**2,196,042**

	PDOengine® $	LCDesign® CCS $	Delta Reclaimer® System $	CO_2 Technologies Pty Ltd IP $	Carbon RX™ IP $
Cost:					
Balance, December 31, 2021	700,000	815,000	815,000	414,000	2,744,000
Additions	-	-	-	-	-
Balance, December 31, 2022	**700,000**	**815,000**	**815,000**	**414,000**	**2,744,000**
Accumulated amortization:					
Balance, December 31, 2021	64,168	74,708	74,708	17,250	230,834
Amortization	70,000	81,500	81,500	20,700	253,700
Balance, December 31, 2022	**134,167**	**156,208**	**156,208**	**37,950**	**484,533**
Carrying amounts:					
Balance, December 31, 2022	**565,833**	**658,792**	**658,792**	**376,050**	**2,259,467**

Goodwill

	Total $
Cost:	
Balance, December 31, 2022	365,622
Balance, March 31, 2023	**365,622**
Balance, December 31, 2021	365,622
Balance, December 31, 2022	**365,622**

Goodwill is tested for impairment at the consolidated entity level, as there is only one cash generating unit (“**CGU**”). The Corporation completed its annual impairment test of goodwill as of December 31, 2022.

The recoverable amount of the Corporation as at December 31, 2022 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 30% and cash flows beyond the five-year period are extrapolated using a 3.0% growth. Growth rates range from over 100% in the first two years of the forecast, and between 6% and 35% for years three through five. As the recoverable amount of the Corporation exceeded its carrying amount, no impairment charge was recorded.

CURRENT LIABILITIES

Current liabilities are $614,467 for the Period (March 31, 2022 - $485,991). The balance is comprised of accounts payable and accrued liabilities, current portions of the lease liabilities, government payables and deferred revenue. The increase in the Period is primarily due to liabilities associated with customer deposits offset by reduced deferred revenue and lease liabilities.

CASH FLOW

Cash flows used in operating activities for the Period were $(386,583) compared to $(802,838) as at March 31, 2022. The change is primarily attributable to the net loss of $(215,894) offset by reversing amortization, stock compensation expense, offset by fair value gain on listed Common Shares (as these are all non-cash items), along with the change in working capital. Comparative prior period operating activities is reflective of fair value gain on listed Common Shares, increased stock compensation expense and also attributable to less revenue and the net loss.

Cash flows used in investing activities were $163,779 during the Period and $(446,320) in the prior comparative period. The Period represents GIC redemption plus interest earning offset by acquired property and equipment, patents, and lease payments. The prior comparative period use of funds was largely affected by the Corporation’s GIC redemption of $500,000 in cash, and by cash used to acquire property and equipment, patents, and lease payments.

Cash flows provided by financing activities were $Nil during the Period (March 31, 2022 - $Nil).

The net change in cash position during the Period is reflective of cash used in operations and a result of the long sales cycle in the industry.

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 Corporation's Board.

Clearview Financial Services Inc. ("**Clearview**") is a related party due to one common director. During the Period, the Corporation paid $35,001 in consulting (March 31, 2022 - $18,750) and $3,300 in rent expense to Clearview (March 31, 2022 - $2,400). At March 31, 2023, there are amounts payable of $13,850 (March 31, 2022 - $Nil).

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 herein.

SEGMENTED INFORMATION

Delta's business sectors consist of five clean energy technology solution revenue generating pillars.

1) CO_2 capture;
2) Hydrogen Production (CO_2 Capture);
3) Solvent and ethanol purification;
4) Methane collection and destruction; and
5) Carbon credit validation, certification and trading.

The below table reflects revenue by geographical market, based on location of customer, and by market application.

Net loss and comprehensive loss for the period March 31, 2023	CO2 Capture $	Total $
Revenue		
CO_2 Capture		
Canada	301,828	116,700
Kazakhstan	78,606	-
China	85,118	-
Total revenue	465,552	116,700
COGS	173,750	173,750
Operating expenses	59,711	871,377
Net interest income	-	11,248
Stock compensation expense	-	(53,392)
FV gain on listed common shares	-	405,825
Total loss and comprehensive loss for the period March 31, 2023		**(215,894)**

Net loss and comprehensive loss for the period March 31, 2022	CO2 Capture $	Total $
Revenue		
CO_2 Capture		
Canada	116,700	116,700
Total revenue	116,700	116,700
COGS	46,561	46,561
Operating expenses	33,539	710,121
Net interest income	-	5,748
Stock compensation expense	-	(215,392)
FV gain on listed common shares	-	49,198
Total loss and comprehensive loss for the period March 31, 2022		**(800,428)**

DIRECTOR AND OFFICER COMPENSATION

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

For the period ended	March 31, 2023 $	March 31, 2022 $
Operating wages and consulting		
Salaries and short-term benefits	44,000	52,000
Consulting	35,001	21,150
Stock based compensation		
Stock Options and RSU's	27,556	32,877
Total key management compensation	106,557	106,027

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 employment agreements with a director, and the CFO, and a consulting agreement with its President and CEO. Yearly compensation is paid in accordance with the remuneration package agreed upon by the compensation committee and the individual respectively.

Under the Directors 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, $Nil were paid in director fees (March 31, 2022 - $Nil). In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans. On February 19, 2023, 2,500,000 RSUs, vested and were issued to director Lionel Kambeitz.

ADDITIONAL INFORMATION ON DELTA CLEANTECH

Delta 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 CO_2 emitters being legislated or provided incentive, to adapt CO_2 capture technology and the price of oil for adoption of CO_2 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 Year.

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, 2024. The Corporation is currently assessing the impact, if any, of adoption of the amendment.

The amendments are not expected to have a material impact on the Corporation.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

<u>Asset impairment</u>
The carrying amounts of the Corporation's non-financial assets 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 CGU to which the asset belongs. Significant judgements used in the determination of the recoverable amount include the discount rate, forecasted sales and expenses, and the resulting earnings before interest, taxes, depreciation and amortization, as well and working capital and the terminal growth rate. There was no impairment in the Period.

<u>Estimated useful lives of patents and intangibles</u>
Amortization of patents and intangibles are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

<u>Stock compensation and warrants</u>
The Corporation utilizes the Black-Scholes Option Pricing Model to determine the fair value of stock compensation and warrants issued as part of units. 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.

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 March 31, 2023 and the Consolidated Statements of Financial Position as at December 31, 2022:

		March 31, 2023		**December 31, 2022**	
	Level	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Amortized cost					
Accounts receivable and accrued receivables		$451,970	$451,970	$397,410	$97,410
Fair value through profit and loss					
Cash	1	178,368	178,368	401,172	401,172
Guaranteed investment certificate	1	1,311,947	1,311,947	1,500,000	1,500,000
Listed Common Shares	1	608,985	608,985	203,160	203,160
Unlisted common shares	3	50,000	50,000	50,000	50,000

	Level	March 31, 2023 Carrying amount	March 31, 2023 Fair value	December 31, 2022 Carrying amount	December 31, 2022 Fair value
Financial Liabilities					
Amortized cost					
Accounts payable and accrued liabilities		337,130	337,130	351,437	351,437
Lease liabilities		89,441	89,441	101,169	101,169

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 March 31, 2023 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 March 31, 2023 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at March 31, 2023	$ 451,970	$ -	$ 451,970
Aging of accounts receivable at December 31, 2022	$ 394,560	$ 2,850	$ 397,410

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 March 31, 2023 are:

	March 31, 2023	December 31, 2022
	$	$
Cash	24,240	30,660

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 March 31, 2023 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:

March 31, 2023	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 337,130	$ -	$ -	$ -	$ 337,130
Lease liability	39,822	49,619	-	-	89,441
Balance	**$ 376,952**	**$ 49,619**	**$ -**	**$ -**	**$ 426,571**

December 31, 2022	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 351,437	$ -	$ -	$ -	$ 351,437
Lease liability	51,550	49,619	-	-	101,169
Balance	**$ 402,987**	**$ 49,619**	**$ -**	**$ -**	**$ 452,606**

Other risk factors

Relevant risk factors pertaining to ***Carbon RX*** are as follows: ownership and business plan within Pure Sky; operation of the Registry; the fact that ***Carbon RX*** has no revenues to date;

acquisition of and maintenance of market share; growth in and management of operations; development and renewal of contracts; insurance risks such as that the company may not be adequately insured for certain risks, may not be able to be insured at all, or may elect not to insure because of costs; no market for its shares; reliance on First Nations relationships; reliance on management and key employees; foreign operations; tax risk; Registry operations; Pure Sky certification; elimination of carbon tax; competitive markets; reliance on industry participants; reliance on business partners; uncertainty and change in legislation and the economy; raising capital to fund operations; business model could fail or fail to produce desired financial returns; regulatory regime and permitting requirements of business; and protection of intellectual property.

Signed "Jeffrey Allison"
JEFFREY ALLISON
PRESIDENT AND CEO

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 consolidated financial statements for the period ending March 31, 2023 (“**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 March 31, 2023 (“**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 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 & CEO

Signed “Jacelyn Case”
JACELYN CASE
CFO

BOARD OF DIRECTORS & SENIOR OFFICERS
Of the Corporation as at March 31, 2023

Directors:	Jeffrey Allison, Calgary, Alberta, Wayne Bernakevitch, Regina, Saskatchewan, Lionel Kambeitz, Regina, Saskatchewan, Garth Fredrickson Regina, Saskatchewan,
Senior Officers:	Jeffrey Allison, President & CEO Jacelyn Case, CFO Wayne Bernakevitch, Chairman
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:	Lionel Kambeitz and Wayne Bernakevitch

SHAREHOLDER INFORMATION

Stock exchange: Canadian Securities Exchange; OTCQB & Frankfurt Stock Exchange

Stock symbol: CSE:DELT;OTCQB:DCTIF; FRA:66C

Common Shares outstanding as of March 31, 2023: 63,823,100

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, Saskatchewan
Calgary, Alberta

Registrar and Transfer Agent:
Odyssey Trust Company
1230, 300 – 5th Avenue S. W.
Calgary, Alberta T2P 3C4

Banks: **RBC**

Auditors: **Ernst & Young, Calgary, AB**

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.