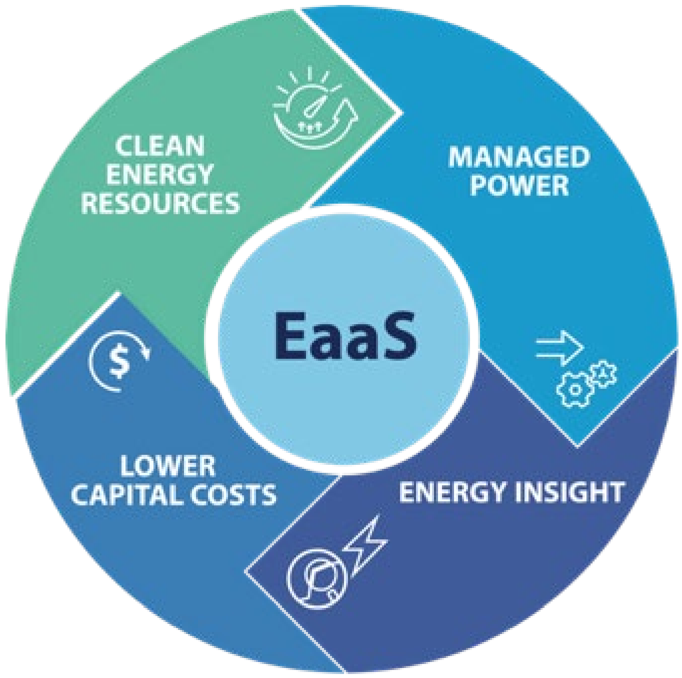
Clear Blue Technologies
The Smart Off-Grid Company



Delivering Energy as a Service
In
37 Countries

Clear Blue Technologies International Inc.
Management's Discussion & Analysis

For the Year Ended December 31, 2019, and 2018

Dated: April 29, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

This management's discussion and analysis of the results of operations and financial condition (the "MD&A") of Clear Blue Technologies International Inc. ("Clear Blue" or "Company") should be read along with the consolidated financial statements of Clear Blue and the related notes thereto for the years ended December 31, 2019, and 2018. This MD&A is presented as of April 29, 2020, and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's audited consolidated financial statements for the years ended December 31, 2019 and 2018. All information, except for Non-IFRS measures, has been prepared in accordance with IFRS and, unless otherwise stated, is in Canadian Dollars. Additional information relating to the Company, including the annual and quarterly financial statements and MD&A, and annual information form ("AIF"), is available on SEDAR at www.sedar.com and on our website at www.dirtt.net.

This MD&A addresses matters we consider essential for an understanding of the Company's business, financial condition and results of operations as at and for the three- and twelve-month periods ended December 31, 2019, along with any subsequent material information.

Caution Regarding Forward-Looking Information

This MD&A contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Corporation's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Clear Blue's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information contained herein may include, but is not limited to, information relating to:

- the expansion of the Corporation's business to new geographic areas;
- the performance of the Corporation's business and operations;
- expectations with respect to the advancement of the Corporation's products and services;
- expectations relating to market adoption of the Corporation's technologies and solutions;
- expectations with respect to the advancement and adoption of new products, including the adoption of new products by the Corporation's existing customer base;

- the anticipated trends and challenges in the Corporation's business and the markets and jurisdictions in which the Corporation operates;
- the ability to obtain capital;
- sufficiency of capital;
- general economic, financial market, regulatory and political conditions in which the Corporation operates; and
- estimations and anticipated effects of the COVID-19 pandemic.

By identifying such information and statements in this manner, the Corporation is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Corporation is speculative and subject to several risks including, without limitation, the risks discussed under the heading "Risk Factors" in the Corporation's listing application dated July 12, 2018. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this MD&A, the Corporation has made certain assumptions, including, but not limited to:

- the Corporation’s anticipated cash needs and its needs for additional financing;
- the Corporation will continue to be in compliance with regulatory requirements;
- the Corporation will have sufficient working capital and will, if necessary, be able to secure additional funding necessary for the continued operation and development of its business; and
- key personnel will continue their employment with the Corporation and the Corporation will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost-efficient manner; and
- the effects of COVID-19 and assumptions related to local and global economics.

Although the Corporation believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this MD&A are made as of the date of this press release. All subsequent written and oral forward-looking information and statements attributable to the Corporation or persons acting on its behalf is expressly qualified in its entirety by this notice.

Our Business

Clear Blue Technologies, the Smart Off-Grid company, was founded on the vision of delivering clean, managed, "wireless power."

We create and manage innovative products and solutions to meet the growing global demand for reliable, low-cost off-grid energy; to power lighting, telecom, and other internet-of-things devices – infrastructure that's mission-critical to today's modern world.

Our patented smart off-grid technology connects these solar, hybrid, and wind-powered devices to a cloud-based management system. Together with our ongoing management service, this technology improves the reliability of these systems and reduces maintenance and operational costs by up to 80%.

We generate revenue in two ways: firstly, through the sale of smart off-grid controllers, power pack systems and our Illumient solar-powered street lighting, and, secondly, through recurring revenue from Illumience, our cloud-based management software and service, and through sales of Energy as a Service (EaaS).

As an ongoing recurring revenue service, Clear Blue manages and operates all of its Smart Off-Grid systems, which operate in 37 countries around the world as of December 31, 2019. In North America, we have customers in over 25 states in the U.S. and 8 Canadian provinces. Globally, our systems have power and control lighting, security, and telecom applications, including sites in Europe, the Middle East, Africa, and South-east Asia. Clear Blue's unique technologies make it resilient in extreme climates and remote locations, and it empowers local resources to install and support mission-critical applications.

Clear Blue's business strategy is to provide Smart Off-Grid Power to support mission-critical infrastructure across government and commercial markets. Our technology and our service model focus on delivering on a brand promise of:

- Maximum Uptime
- Longest Life
- Ease of installation and maintenance

Our key differentiators are:

- Energy forecasting and management
- Troubleshooting and remediation

Clear Blue's solutions are designed with reliability in mind and have a key focus on delivering the lowest Total Cost of Ownership for our customers.

How We Analyze and Report Our Results

Because our sales involve discrete projects with a wide range of order sizes, we experience a high variability of results on a quarter to quarter basis. A trailing four-quarter ("TFQ") analysis, therefore, provides a more relevant perspective on the progress and the potential growth of the Company. The tables below present the Company's TFQ financial results for the periods ending December 31, 2019, and 2018, respectively. For the fourth quarter, the TFQ analysis is equivalent to the traditional full-year annual review.

Financial Highlights

2019 ended with the strongest quarter in Company history.

- Record quarterly revenues of $2,392,839 in Q4, a 114% increase over Q4 2018;
- Trailing Four Quarterly (TFQ) Revenue of $3,971,301, a 5% increase over 2018;
- TFQ Gross Margin percentage decreased from 24.8% to 22.4%, a reduction resulting from a new allocation, beginning in 2019 as a result of our scale, to record direct service cost expenses to Gross Margin. Without this, TFQ Gross Margin increased to 25.3%
- Q4 Gross Margin percentage of 16.5%, relative to 19.6% in Q4 2018;
- TFQ Adjusted EBITDA (see Non-IFRS Measures) was $(4,129,515) versus $(4,565,513) in 2018;
- The Company exceeded its previous guidance on telecom pilots by selling 12 Proof of Concepts and 5 First Installs in 2019;
- On April 20, 2020, the Company announced the signing of a Large Rollout project with an initial purchase order for 50 units of a planned multi-year 500-unit sale. The contract envisages 2020 sales for Clear Blue of an estimated $3.5 million;
- On April 14, 2020, the Company arranged additional liquidity through a $5 million loan from BDC Capital Inc. The Company has received the first $2 million tranche with an additional $3 million available by meeting certain financial milestones.

Post the period, the Company commenced a lockdown in the middle of March 2020, closing its offices and ceasing production and shipping of products. Employees began working from home beginning in late February, with more than 80% of the Company's staff able to perform the majority of their job functions remotely. Only the production and shipping of orders is impacted by the office closing, which impacts between four and six people at any given time. Clear Blue has developed and implemented a comprehensive strategy to deal with the COVID-19 pandemic, including a lockdown of Company operations from mid-March to mid-May (currently estimated production re-start date). While there are ongoing risks and issues, the Company is working to maintain a viable supply chain, including the ability to ship to customers and receive supply chain components. On the sales side, Clear Blue continues to see strong customer support for products in both North America and internationally.

From an IFRS perspective,

Result of Operations	Three months ended** December 31, 2019	December 31, 2018	Change	TFQ ended December 31, 2019	December 31, 2018	Change
Revenue	$ 2,392,839	$ 1,120,720	114%	$ 3,971,301	$ 3,780,176	5%
Cost of sales	1,997,651	$900,783	122%	3,080,138	2,840,934	8%
Gross profit	395,188	219,937	80%	891,163	939,242	-5%
Gross margin %	16.5%	19.6%		22.4%	24.8%	
Operating expenses	2,113,803	1,661,653	27%	5,680,661	5,775,838	-2%
Operating loss	(1,718,615)	(1,441,716)	19%	(4,789,498)	(4,836,596)	-2%
Other expenses	(232,972)	(3,234,313)	-93%	(312,420)	(3,261,971)	-90%
Net loss and comprehensive loss	$ (1,951,587)	$ (4,676,028)	-58%	$ (5,101,918)	$ (8,098,567)	-37%

From a non-IFRS Adjusted EBITDA perspective,

Clear Blue's Non-IFRS Adjusted EBITDA for 2019 was $(4,157,728) as compared to $(4,565,513). This was a 9% improvement year over year.

Result of Operations	**TFQ ended December 31, 2019**	**December 31, 2018**	**Change**
Revenue	$ 3,971,301	$ 3,780,176	5%
Cost of sales	3,080,138	2,840,934	8%
Gross profit	891,163	939,242	-5%
Gross margin %	22.4%	24.8%	
Non-IFRS Operating expenses	5,048,891	5,504,755	-8%
Non-IFRS Adjusted EBITDA*	(4,157,728)	(4,565,514)	-9%

From a balance sheet perspective:

Balance Sheet	**December 31, 2019**	**December 31, 2018**	**Change**
Total current assets	$ 4,921,391	$4,267,371	15%
Total assets	5,308,496	4,488,607	18%
Current liabilities	3,772,036	1,489,428	153%
Total liabilities	5,539,654	2,543,562	118%
Total shareholders' equity	(231,158)	1,945,045	-112%
Working capital (current assets exceed current liabilities)	$ 1,149,355	$2,777,943	-58%

Revenue

Clear Blue develops and sells integrated smart off-grid power solutions and ongoing remote power management services designed to provide low-cost, centrally managed, reliable off-grid power systems for lighting, telecommunications, voice and data, security, and IoT devices.

Clear Blue generates product revenue through the sale of our core smart off-grid controllers, our nano-grid power-packs, and our full Illumient-branded solar streetlight. Also, the Company generates recurring revenue through the provision of our ongoing remote (cloud-based) power and energy management services (Illumience and EaaS). Revenue received at the time of sale related to these services is deferred and recognized pro-rata over the contract term.

Revenue by Product

Clear Blue's revenue by product category, for the TFQ ended December 31, 2019, and 2018, was:

Revenue by Category	Three months ended Dec 31, 2019	Dec 31, 2019	TFQ Ended December 31 2019	2018	% Change
Product Revenue					
Smart off-grid controllers and systems	$ 170,890	$ 856,568	$ 944,239	$ 2,230,522	-58%
Illumient smart off-grid lighting	2,177,288	222,904	2,874,845	1,418,749	103%
Recurring Rev – Illumience & EaaS	44,661	41,248	152,217	130,905	16%
Total Revenue	2,392,839	1,120,720	3,971,301	3,780,176	5%
Units Deployed			5,018	3,540	
Average Contract Size			70,592	39,354	

Revenue in the quarter increase by 114% to $2,392,839. On a TFQ basis, annual revenue increased $191,125, a percentage increase of 5% for the TFQ ended December 31, 2019, compared year over year to 2018 as the Company continues to expand our market and customer base. During the year, Clear Blue launched its Energy as a Service (EaaS) premium managed service offering. This service provides for a more significant portion of each project as an ongoing service and a smaller part as one-time revenue. Without this new business model, the growth in revenue over 2018 would have been an estimated 13%. While the year one revenue result is less, we believe we can generate more life-of-project revenue and create a closer working relationship with our customers using the EaaS approach.

Revenue by Vertical

Clear Blue's revenue distribution by industry vertical for the TFQ ended December 31, 2019, and 2018, was:

Revenue by Vertical	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	TFQ Ended December 31 2019	TFQ Ended December 31 2018	% Change
Lighting	$ 2,221,900	$ 1,069,886	$ 2,954,987	$ 3,573,878	-17%
Telecommunications	234,566	40,011	$928,287	172,574	438%
Security/IoT/Other	(63,627)	10,823	88,027	33,724	161%
Total Revenue	2,392,839	1,120,720	3,971,301	3,780,176	5%

The lighting vertical posted a 17% decline year over year due to reduced sales in the Canadian market. However, telecom sales posted a 438% revenue increase for the TFQ ended December 31, 2019. This illustrates the Company's traction in the telecom sector as projects moved from small Proof of Concepts to Initial Install system deployments. As previously stated, the Company sees progress to larger full-scale implementations in several markets and announced the first large scale deployment contract in April 2020.

Revenue by Region

Clear Blue's revenue distribution by geography for the TFQ ended December 31, 2019, and 2018, was:

Revenue by Geography	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	TFQ Ended December 31 2019	TFQ Ended December 31 2018	% Change
Canada	$ 117,861	$ 230,059	$ 301,081	$ 1,109,713	-73%
USA	782,511	349,673	1,401,041	1,010,151	39%
MEA (Middle East & Africa)	1,447,820	487,057	$1,601,619	1,579,751	1%
Other	44,648	53,931	667,560	80,561	729%
Total Revenue	2,392,839	1,120,720	3,971,301	3,780,176	5%

Geographically, the U.S., Middle East & Africa, and Other international markets grew 39%, 1%, and 729%, respectively, driven by both telecom and lighting projects. The Canadian market experienced a 73% drop year over year.

Telecom Sector Adoption & Progress

Beginning in August of 2019, the Company began to provide visibility to its progress within the telecommunications market.

The development and sales process in the telecoms market is critical to Clear Blue's growth strategy. In the telecom industry, infrastructure projects follow a frequent pattern of:

- Proof of Concept pilots consisting of 1 – 10 systems, followed by,
- First Installs of 10 – 100 systems, followed by
- Large Rollout of hundreds to thousands of systems

As customers transition to the full rollout phase, the size and value of the contracts grow significantly with a single telecom cell tower generating $3,000 to $25,000 in revenue for Clear Blue. Because telecom projects are open bids and there are multiple parties engaged in each submission, Clear Blue is a participant in numerous proposals for a single project.

In August of 2019, the Company had completed 8 Proof of Concepts ("POC") and 3 First Install ("FI") sales. At that time, management guided that it expected to win at least two more POC and one more First Install in 2019 for a total of 10 Proof of Concepts and 4 First Installs in 2018/2019.

During Q4, Clear Blue exceeded the above guidance and concluded four new POCs and two new First Install telecom orders, bringing the total at the end of 2019 to 12 POCs and 5 FIs in progress.

After year-end, in April 2020, the Company announced the win of a large Rollout contract. Taking into consideration our caution regarding forward-looking statements, the Company sees potentially one or more additional first installs transitioning to larger roll out deals in 2020 if one of our bid partners wins a portion of one of the significant Rollout contracts.

Cost of Sales and Gross Margin

Gross margins decreased $48,079 or 5% for the TFQ ended December 31, 2019, compared to the same period in 2018. This was as a result of expense allocations for the ongoing Illumience and EaaS service. Without this change, gross margins would have increased by $65,079 or 7%. A key objective of our 2019 plans was to increase our gross margin in several ways:

- Increased pricing as a result of the proven value and performance track record of Clear Blue's Smart Off-Grid technology;
- Through increases in the efficiency of our supply chain management, procurement, and inventory management;
- Through cost reduction in our operations;
- Through enhanced value add features which deliver more business benefit to our customers;
  - the support of more diverse Internet of Things and Smart City applications
  - the launch of our lithium battery-based product line
  - the support of more mission-critical applications such as telecom requiring more sophisticated functionality.

The full impact of the above actions will appear in 2020 and 2021. The Company anticipates that these efforts will yield more significant improvements in Gross Margin going forward. The cost reductions in our product, as well as the introduction of new value-added features, begins shipping as soon as we re-open from the COVID-19 lockdown of Spring 2020.

Clear Blue Service Adoption & Recurring Revenue

Clear Blue is unique in the market in that it provides an ongoing management service for all systems it sells. This service model enables us to deliver on our brand promise in a way that no other company in the world can do today. To track our progress in this area, Clear Blue tracks two key metrics:

- Number of units deployed
  - In 2019, Clear Blue deployed 1,478 units for a total number of units of 5,018 to date. Every system sold includes ongoing Illumience management and monitoring. Today Clear Blue has the most extensive data collection of production systems in the world with 3.2 million operating days of site production data, allowing us to build ever smarter and higher performing products and services.
- Amount of Committed Ongoing Service Revenue
  - Every unit sold by Clear Blue comes with an initial service contract, typically for three years. At the end of the initial term, customers renew the service contract. As a result, Clear Blue carried a balance sheet item showing the amount of sold and paid for Service revenue that it will recognize over time. Tracking the growth of this item is a crucial metric for the Company's progress.

Balance Sheet Item	TFQ Ended December 31		
	2019	2018	Change
Deferred Revenue	$ 514,608	$ 290,696	77%

In the early days of the Company's entry into the market, the concept of an ongoing managed service was new and foreign to the market. The Illumience service was a small portion of the Company's revenue and naturally limited in its scope by the technology Clear Blue had developed and deployed. The Company has matured its product offering and added significant functionality and, as a result, has significantly expanded its offering with the launch of its Energy as a Service product in Q2 of 2019. This product will substantially enhance the value of the service to the customer and also increases Clear Blue's percentage of recurring revenue. After only six months in the market, Customer acceptance of this service has been strong and has yielded a 77% growth in committed service revenues.

Operating Expenses

Operating expenses under IFRS consists of salaries, wages and benefits, research and development, general and administrative, bad debt expense (recovery), travel, business development and marketing, rent, stock-based compensation, and professional fees.

	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	TFQ Ended December 31 2019	2018
Operating Expenses	$ 2,113,803	$ 1,661,653	$ 5,680,661	$ 5,775,838

Operating expenses decreased by $95,177 or 2% for the TFQ ended December 31, 2019, compared to the same period in 2018. This included a bad debt write provision of $335,984.47 that management deemed appropriate given that the current COVID-19 situation and the potential pressure that all global companies are experiencing may result in greater bad debt write-offs. Additionally, the amount of SRED refund receivable is reduced in 2019 as public companies receive less cash refund and greater future tax credits for SRED as compared to private companies, which was the case for Clear Blue for much of 2018 prior to the RTO. Notwithstanding these one-time items, management undertook a number of reductions in cost through a review of resources and activities, rightsizing and improved productivity:

Department (Numbers in FTE)	December 31, 2019	December 31, 2018	% Change
Sales and Marketing	5.5	7.4	-26%
Research and Development	13.0	16.3	-20%
Illumience & EaaS Service	3.0	3.0	0%
Operations	9.0	12.0	-25%
CEO & Finance	3.5	3.5	0%
Total	34.0	42.2	-19%

Regarding the sales and marketing headcount, the Company has found great success in developing and working primarily through agent and reseller distribution channels. While direct sales had always been a small part of sales, further de-emphasis in direct sales allows for better efficiencies and higher growth and profitability. Additionally, as we have invested more in standardizing our products, which has reduced work effort in sales and marketing.

During 2019, the Company delivered three key R&D initiatives:

- Phase 1 of our "Smart Data" project was delivered. The additional data provides increased ability to forecast system uptime and battery life, and increase remote diagnostic capabilities of our service;
- Modularity and paralleling of lithium batteries. This capability is critical to enable cost-effective modular growth of telecom systems in remote locations such as Africa;
- Next-generation release of our core Smart Off-Grid controller. We completed development in 2019, and the first production of this next-generation product is anticipated in early 2020 post the COVID-19 lockdown. This product provides significantly enhanced functionality as well as a cost-reduced platform.

Together, these R&D initiatives will enable Clear Blue to generate higher gross margins.

The Company regularly applies for and is granted R&D grants through a variety of government programs. In 2019, the Company's R&D expenses were reduced by an IRAP grant of $316,408 and by SRED tax credits of $162,870.

Our general and administrative expenses decreased by $215,141 or 31% over 2018.

Travel expenses decreased by $51,444 or 16% in 2019 as a result of lower costs associated with travel to international markets and due to investor roadshows despite expanding investor interest in Europe. From a sales perspective, opportunities continue to grow in global markets, particularly in Marshall Islands, Uganda, Kenya, Nigeria, Peru, and Oman, and we are working to close more sales remotely through sales channels to reduce corporate travel.

Business development and marketing expenses also include the Company's Investor Relations expenses. In 2019, the category decreased by $324,072 or 24% in the area of Investor Relations (2018 had additional costs due to the RTO), as well as a movement towards a greater emphasis on sales distribution channels.

Rent expense decreased $10,528 or 5% over 2018, primarily due to warehousing requirements and decreased variable occupancy expenses resulting from the reduced employee headcount.

Professional fees include legal, tax, and audit expenses. The increase of $38,856 or 20% is predominantly a result of costs associated with the audit of the previous year.

Stock-based compensation expense results from applying the fair value method of accounting to issued stock options and warrants unless issued with the issuance of shares. The fair value at the grant date is estimated using the Black-Scholes option-pricing model, and the compensation cost is recognized on a straight-line basis over the expected vesting period of the associated stock options. During the year ended December 31, 2019, the Company issued 487,002 new stock options (2018 – 1,280,205), which had an impact on stock-based compensation.

Other Expenses

Other expenses include inventory write-offs, interest expenses, foreign exchange, depreciation, and amortization.

In 2019, Clear Blue implemented an Inventory Management System. The system will increase productivity and improve our financial policies and procedures. As part of this process, the Company identified $126,584 in inventory write-offs that management deemed appropriate. Since the Company's inception, no inventory write-offs had been taken, so the amount is the cumulative result of the Company's entire history.

Net Loss

Clear Blue is a high-tech company, and R&D investments in technology and platform are substantial parts of our costs. The Company does not amortize this expense. As a result, this investment is the most considerable expense contributing to the Company's losses. The Company believes this investment will enable Clear Blue to emerge as the market leader in a huge, global, new, and exciting market such that in future years, the benefits of these investments will result in higher returns for shareholders.

For the TFQ ended December 31, 2019, the Company reported a Net Loss of $(5,101,918), a decrease $2,996,649 or 37% over 2018. When the RTO listing expenses are removed from 2018, and the inventory write-down is removed from 2019, the Company's Net Loss decreased by 10.2%. As a result of the Company's R&D investments, as revenue grows, we anticipate strong growth in gross margin. Management believes costs can be managed such that profitability improves over time, leading to our objective of positive cash-flow.

Fourth Quarter Results

From an IFRS perspective,

Result of Operations	Three months ended December 31, 2019	Three months ended December 31, 2018	Change
Revenue	$ 2,392,839	$ 1,120,720	114%
Cost of sales	1,997,651	900,783	122%
Gross profit	395,188	219,937	80%
Gross margin %	16.5%	19.6%	
Operating expenses	2,113,803	1,661,653	27%
Operating loss	(1,718,615)	(1,441,716)	19%
Other expenses	(232,972)	(3,234,313)	-93%
Net loss and comprehensive loss	$ (1,951,587)	$ (4,676,028)	-58%

Q4 was Clear Blue's largest quarter ever and more than double the revenue of Q4 2018. While it looks like operating expenses increased substantially, the amounts are a result of year end adjustment for full year items.

Non-IFRS Measures

In addition to the financial information presented in accordance with IFRS, Clear Blue uses certain non-IFRS financial measures to clarify and enhance the understanding of past performance and future prospects. Generally, a non-IFRS financial measure is a numerical measure of a company's operating performance, financial position or cash flow that includes or excludes amounts that are included or excluded from the most directly comparable measure calculated and presented in accordance with IFRS. The Company monitors the non-IFRS financial measures described below, and believe they are helpful to investors.

The Company's non-IFRS financial measures may not provide information that is directly comparable to that offered by other companies because they may calculate non-IFRS financial results differently. Also, there are limitations in using non-IFRS financial measures because they are not prepared under IFRS and exclude expenses that may have a material impact on reported financial results. The presentation of non-IFRS financial information should not be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with IFRS. Reconciliations of the Company's non-IFRS financial measures to the equivalent IFRS financial measures are included within this MD&A, and management urges the reader not to rely on any single financial measure to evaluate Clear Blue's business.

Beginning in 2019, Clear Blue will report annual non-IFRS Adjusted EBITDA. Quarterly reporting of non-IFRS Adjusted EBITDA will commence in Q1 2020. Clear Blue's Adjusted EBITDA is calculated on the basis of Earnings before Interest, Depreciation, Amortization expenses, and various non-cash items (including inventory write-off, translation, and Stock-Based Compensation) and from time to time certain one-time costs considered appropriate by management.

Result of Operations	**TFQ ended** **December 31, 2019**	**December 31, 2018**	**Change**
Revenue	$ 3,971,301	$ 3,780,176	5%
Cost of sales	3,080,138	2,840,934	8%
Gross profit	891,163	939,242	-5%
Gross margin %	22.4%	24.8%	
Non-IFRS Operating expenses	5,048,891	5,504,755	-8%
Non-IFRS Adjusted EBITDA*	**(4,157,728)**	**(4,565,513)**	**-9%**

And quarterly, for the fourth quarter:

Result of Operations	**Three months ended** **December 31, 2019**	**December 31, 2018**	**Change**
Revenue	$ 2,392,839	$ 1,120,720	114%
Cost of sales	1,997,651	$900,783	122%
Gross profit	395,188	219,937	80%
Gross margin %	16.5%	19.6%	
Non-IFRS Operating expenses	1,800,136	1,587,291	13%
Non-IFRS Adjusted EBITDA*	**(1,404,948)**	**(1,367,353)**	**3%**

While it may appear that operating expenses increased year over year, the reported number is actually based upon a full year adjustment to the SRED tax credits and a number of other annual items. Additionally, Q4 is a very heavy quarter for travel and marketing expenses (whereas Q2 and Q3 have minimal expenses in this category).

Summary of Quarterly Results

The following is a summary of the Company’s financial results for the eight most recently completed quarters:

	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018
Revenue	$ 2,392,839	$ 670,159	$ 568,037	$ 340,266	$ 1,120,720	$ 636,944	$ 1,697,696	$ 324,816
Net income (loss)	$ (1,951,587)	$ (6,513)	$ (1,675,959)	$ (1,467,859)	$ (4,676,028)	$ (1,391,783)	$ (972,315)	$ (1,058,400)
Income(loss) per Share	(0.07)	(0.00)	(0.04)	(0.04)	(0.26)	(0.04)	(0.05)	(0.05)
Total Assets	$ 5,308,496	$ 4,803,988	$ 4,066,307	$ 5,145,129	$ 4,488,607	$ 27,359,734	$ 4,364,001	$ 287,369

The Company finalized the RTO transaction in Q3 2018 and formalized operations which explains the variations in the first three quarters of 2018.

Selected Financial Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	IFRS		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Revenues	$3,971,301	$3,780,176	$2,295,811
Income (loss) and comprehensive income (loss) for the year	$(5,101,918)	$(8,098,567)	$(3,457,927)
Basic and diluted income (loss) per share	$(0.12)	$(0.29)	$(0.19)
Total assets	$5,308,496	$4,488,607	$3,740,858
Total current assets	$4,921,391	$4,267,371	$3,386,517
Total long-term financial liabilities	$1,767,618	$1,054,134	$1,131,786
Cash dividends declares per share	$Nil	$Nil	$Nil

The Company continues to grow revenues with diversified services and growing customer base year-over-year.

Disclosure of Outstanding Share Data

Clear Blue Technologies International Inc. common shares trade on the TSX Venture Exchange under the symbol "CBLU." The Company is authorized to issue an unlimited number of common shares without par value. On April 29, 2020, there were 46,255,048 common shares issued and outstanding, 3,422,489 stock options outstanding with a weighted average exercise price of $0.46 expiring between 2020 and 2027, 11,747,181 warrants outstanding with a weighted average exercise price of $0.50 expiring between 2020 and 2025, and 3,600,000 convertible securities maturing on November 1, 2022.

Fundraising Activities

In July of 2018, Clear Blue completed an RTO transaction through which it successfully raised $6,855,200 via the issuance of 8,569,000 subscription receipts at $0.80 per subscription receipt. Each subscription receipt would automatically be converted immediately before the closing of the transaction into a CBTI unit comprised of one CBTI common share and one half of one CBTI common share purchase warrant. Each share purchase warrant would entitle the holder thereof to purchase one common share of CBTI for $1.50 per common share for a period of 24 months following the closing of the private placement. Each CBTI common share and share purchase warrant issued in the private placement would automatically convert into CBLU common shares, and CBLU warrants upon the completion of the transaction.

On February 22, 2019, the Company secured a $1.0 million revolving credit facility and a credit card facility of $150,000 to fund operating cash flow needs. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 1.5% and is secured by the assets of the Company.

On February 22, 2019, March 22, 2019, and March 28, 2019, the Company closed three private placement equity raise tranches for a total of $2,669,875 representing 10,679,500 units. Under the terms of the offering, each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each Warrant will be exercisable at a price of $0.50 per share for a period of 36 months following the closing and will be subject to accelerated expiration if the 10-day volume-weighted average trading price of the Company's common shares is, at any time, greater than $0.80 per share.

On November 1, 2019, the Company issued 10% convertible notes in the principal amount of $811,000. The convertible notes mature on November 1, 2022. They are convertible at any point before maturity, at the option of the noteholders, into units comprised of: (i) one common share of the Company (each, a "Common Share"); and (ii) one-half of one Common Share purchase warrant (each whole Warrant being a "Warrant"). Each Convertible Debenture is convertible into that number of units computed based on the principal amount of the Convertible Debentures divided by the conversion price of $0.20 per unit. Each Warrant entitles the holder thereof to purchase one Common Share of the Company (each a "Warrant Share") for a period of three (3) years after the Closing Date for $0.35 per Warrant Share (subject to adjustment in certain circumstances). Interest on the Principal Amount outstanding is calculated and payable semi-annually, not in advance, on the last day of June and December each year, accrued from and including the Closing Date, and shall be first payable on December 31, 2019. The December 31, 2019 interest payment will represent accrued interest from the Closing Date to and including December 31, 2019.

“Given the unique nature of the COVID-19 pandemic, there are certain uncertainties related to the short and long term impacts of the COVID-19 pandemic on the Company’s liquidity and capital resources; however, we continue to closely monitor the rapidly evolving situation and we are looking into all possible actions that could minimize the impact of the COVID-19 pandemic.”

Liquidity and Capital Resources

The Company's objectives when managing capital are:

- To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- To provide sustained growth and value by increasing equity; and

- To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company has financed its operations to date through the issuance of common shares, debentures and, government loan and grant programs and a $1,000,000 revolving credit facility. The Company continues to seek capital through various means including issuance of securities.

As of December 31, 2019, the Company had working capital of $1,149,355 compared to working capital of $2,777,943 as of December 31, 2018. The Company's working capital needs fluctuate due to multiple projects that place variable demands on resources and timing of expenditures. The Company anticipates receiving cash proceeds from future revenue, the exercise of options and warrants, and private placements; however, the Company cannot predict the timing or amount of additional options and warrants that may be exercised, if any.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and the success of Clear Blue's Smart Off-Grid. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

Related Party Transactions

The Company transacts with key individuals from management who have authority and responsibility to plan, direct, and control the activities of the Company. Key management personnel are defined as the executive officers of the Company and certain other key employees, including the Chief Executive Officer, Chief Power Officer, Chief Technology Officer, and Chief Financial Officer.

Remuneration to key management was as follows:

	December 31, 2019	December 31, 2018
Salaries and benefits, including bonuses	$ 842,144	$ 687,573
Stock-based compensation	144,241	67,936
Total	986,385	755,509

The remuneration related to stock-based compensation in the table above represents the entire fair value of the stock options issued to key management during each year which will be recognized as expense over the related vesting periods.

Accounts payable and accrued liabilities as at December 31, 2019 includes short-term amounts owing to shareholders of the Company for reimbursement of business expenses totaling $526,161 (December 31, 2018 – $263,706).

The former Chief Financial Officer participated in the private placement that closed on February 22, 2019 (see Note 15). The former Chief Financial Officer purchased 40,000 units for $10,000.

Subsequent Events

On January 3, $90,000 of the convertible notes were converted in to 450,000 common shares and 225,000 warrants.

On April 14, 2020, the Company announced that it had signed two key contracts:

- A contract with a Telecom operator in Africa to roll out an initial 500 sites this year. The entire program is planned for a phased roll out over the next 3 to 5 years. This initial contract is for the year one volume of 500 systems for an estimated $3.5 million CAD, the majority of which we anticipate will be booked this year. The Company received the purchase order for the first 50 systems with the signing of the contract.

- Additionally, Clear Blue has received $2 million from BDC as the first tranche of a $5 million loan facility. The loan has a 5-year term and consists of an initial period of interest-only payments through August 15, 2022, and a subsequent period commencing on September 15, 2022, of principal and interest payments, culminating in a balloon payment at the end of the term. Subject to meeting certain financial milestones, the Company has the option to draw down an additional $3 million in $1 million tranches. The loan is secured against the assets of Clear Blue and each of Clear Blue's subsidiaries and carries a variable base interest rate per annum of 7.5%. In addition to the cash interest, a non-compounding payment in kind ("PIK") interest of up to 9.5% per annum will accrue, depending upon various factors.

In connection with the BDC loan facility, the Company agreed to issue an aggregate of 72,100 common share purchase warrants (“Warrants”) of the Company to certain existing debenture holders of the Company as compensation to enter into postponement agreements in favor of BDC. Each Warrant will be exercisable for one common share of the Company for a period of 18 months following the date of issuance at an exercise price of $0.50 per common share. All Warrants proposed to be issued by the Company will be subject to a statutory four-month hold period per applicable securities legislation. The issuance of the Warrants is subject to approval from the TSX Venture Exchange.

Certain directors, officers, and other insiders of the Company will acquire direction and control over a total of 18,200 Warrants in connection with the Warrant issuance to existing debenture holders of the Company. The issuance of securities to those persons constitutes a related party transaction as defined under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The issuance of securities to the related parties is exempt from the formal valuation requirements of Section 5.4 of MI 61-101 pursuant to Subsection 5.5(a) of MI 61-101 and exempt from the minority shareholder approval requirements of Section 5.6 of MI 61-101 pursuant to Subsection 5.7(1)(a) of MI 61-101.

Outlook

Clear Blue competes in a marketplace where most competitors focus on large, on-grid systems, or they focus only on one-time sales of hardware products. Clear Blue focuses on the wireless off-grid market. The Company's business model is to provide "Energy as a Service" ("EaaS"), an ongoing delivery model where customers receive long term assurance of reliable power, and the Company is paid additional revenue overtime for that reliability. As a result, Clear Blue holds the first-mover advantage and leads the market, as evidenced by the deployment of our systems in 37 countries.

While 2019 resulted in flat revenue growth relative to 2018, consistent with earlier guidance, Q4 revenue of $2,392,839 was a quarterly record for the Company driven by the continued emergence of the telecom and international markets as a significant business opportunity for Clear Blue.

In 2019, the Company undertook several new product initiatives, driven by significant technology innovations, which should allow for a material improvement in gross margin in 2020. While the impact of these improvements was small in 2019, in 2020, we believe we will see additional benefit from these improvements as a result of the release of Clear Blue's new and next-generation products.

As a result of these profound changes, our ability to compete in more and larger telecom projects was materially enhanced during the year.

Lighting sales continued to provide a stable base of revenues and gross margin during 2019 while the telecom market for our product matured. High margin Energy as a Service ("EaaS") sales continued to grow following its launch in May 2019. We believe EaaS revenues will continue to grow as a percentage of revenues in 2020. As previously reported, the Company launched its EaaS service in North America in Q2 2019. This EaaS enables the company to generate approximately $1.5 million in EaaS revenues over the first three years for every $1.5 million of up-front product sales. Additionally, EaaS significantly increases the life-of-project revenue for an install. Over time, the Company will roll out EaaS in select markets and on select projects internationally, thereby further increasing its recurring revenue and service offering.

Related to our service offerings, Clear Blue continues to build its substantial lead in data collection. By the end of 2019, we had deployed 5,068 systems in 37 countries, primarily in North America, Africa, and the Middle East. They have generated approximately 3.2 million days of operating history. This large data set allows us to tailor the cost and performance characteristics of new systems for new and existing customers, a unique advantage in project design. Future growth plans include expansion into South America and Southeast Asia to increase the global coverage for our data analytics, to extend the reach of this valuable planning tool for our customers.

As reported in 2019, we forecast Telecom sales based on bidding at three project stages;

- Proof of Concept (POC) - 1-10 systems per order
- First Installs (FI) - 10-100 systems per order
- Large Rollout- hundreds to thousands of systems

During Q4, Clear Blue exceeded our previous guidance on this metric and concluded four new POCs and two new First Install telecom orders bringing the total at the end of 2019 to 12 POCs and 5 FIs in progress.

After year-end, in April 2020, the Company announced the win of a large Rollout contract. Taking into consideration our caution regarding forward-looking statements, the Company sees the potential for one or more of these other early installs transitioning to additional larger roll out contracts.

Like all international businesses, Clear Blue sees some impact from the Coronavirus pandemic. While we source approximately 20-35% of our products from China, China's supply chains are generally back up and running. We see some backlog in orders with suppliers as some of them are very busy, and longer lead times than seen pre-COVID 19. Additionally, transportation networks are being impacted by the push to prioritize the shipment of critical medical equipment. We have benefited from the large inventory of essential components we conservatively carried through 2019 and intend to manage supply chain risk through inventory, long lead time planning, and multi-vendor sourcing in 2020 as well. We believe that communications infrastructure is going to be a critical component of coronavirus mitigation and anticipate telecom projects will continue to proceed in all regions on this basis. As reported on April 20, 2020, we have secured a $5 million credit facility from BDC to provide additional liquidity. The supply chain will continue to be a risk, and management is actively working on mitigation strategies to ensure any impact is minimal.

For guidance, we have previously provided forecasts of telecom Proof of Concept, First Installs, and Rollout orders as a measure of future opportunity. While these activities are continuing to progress, the speed and pace of these initiatives may be affected by COVID-19 related shutdowns. Given the COVID-19 pandemic, the Company cannot provide an estimate of similar projects for 2020 at this time, although it has already received orders for one new POC and 1 First Install in 2020.

The Company's Q1 2020 revenue will be impacted as the office was closed in early March before the bulk of its Q1 shipments had shipped. However, in 2019, Q1 and Q2 represented 8% and 14%, respectively, of full-year revenues. As these numbers indicate, the first half of the year is traditionally a slow period, and thus the impact of COVID-19 on full 2020 results, thus far, is minimal.

From a long-term perspective, management believes its market potential remains very strong. This confidence derives from the Company's strong sales funnel and continued customer interest throughout this period.

Changes in Accounting Policies

IFRS 16, Leases ("IFRS 16")

On January 1, 2019, the Company adopted IFRS 16, which was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

IFRS 9, Financial Instruments ("IFRS 9")

On January 1, 2018 the Company adopted IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for the annual periods beginning on or after January 1, 2018, and replaces IAS 39, Financial Instruments: Recognition and measurement. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

IFRS 15, Financial Instruments ("IFRS 15")

On January 1, 2018 the Company adopted IFRS 15, Revenue from Contract sand Customers, which sets out the accounting standards for the classification and measurement of revenue. IFRS 15 became effective for the annual periods beginning on or after January 1, 2018. The new standard provides a revenue model that has five steps: (i) Identify the contract with a customer; (ii) Identify all the individual performance obligations within the contract; (iii) Determine the transaction price; (iv) Allocate the price to the performance obligations; & (v) Recognize revenue as the performance obligations are fulfilled.

IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

Risks and Uncertainties

Liquidity risk

As at December 31 2019, the Company had a working capital surplus of $1,149,355, therefore is currently able to meet its current short-term obligations. The Company plans to realize our assets, increase revenues and gross profit margins, and raise further capital as necessary, to maintain sufficient liquidity. If the Company is unable to achieve some or all of these plans within a reasonable timeframe, the Company may not be able to continue as a going concern.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held at reputable financial institutions, from which management believes the risk of loss to be remote.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and the majority of debt with fixed interest rates and therefore is not significantly exposed to fluctuating interest rates. The Company's current policy is to invest some of excess cash in investment-grade highly liquid demand deposit certificates issued by its banking institutions.

(b) Foreign currency risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. A significant portion of the Company's revenue are denominated in United States dollars ("USD") along with a portion of its purchases. To the extent possible, the Company uses cash received from sales to finance its USD purchases and limit its exposure to foreign currency risk. If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets would change by approximately $151,000 at December 31, 2019.

Going concern risk

These consolidated interim financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred losses as the Company continues invest in research and development while expanding operations. Currently, revenues have not been enough to cover all costs, and may not be sufficient in the foreseeable future.

The Company's ability to continue as a going concern is dependent upon achieving sustained profitability through its business plan and the ability to raise additional debt or equity financing to fund its operations. Various risks and uncertainties affecting the Company's operations including, but not limited to, the rate of commercialization of the Company's offerings, the public policy environment for renewable energy solutions, the Company's ability to raise sufficient equity and/or debt financing, the ability of the Company to work with its bank to resolve any defaults of its loan agreement as they may arise, and general global economic conditions. There are no guarantees that the funds raised will be sufficient to sustain the Company's ongoing operations beyond twelve months or that additional debt or equity financing will be available to the Company or available at acceptable terms. Failure to implement the Company's business plan or the ability for the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these consolidated financial statements, adjustments might be necessary in the carrying amounts of assets and liabilities and the reported expenses and consolidated balance sheet classifications; such adjustments could be material.
Customer concentration risk

Sales risk

Our sales efforts target medium and large organizations and the Company spends significant time and resources educating prospective customers about the features and benefits of our solutions. The Company balances this risk by continuously assessing the condition of our backlog and pipeline and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively.

Ability to Hire and Retain Key Personnel and Dependence on Management

The business and technical expertise of its management is heavily relied by the Company for it to succeed. The contributions of the existing management team to the operations of the Company are vital.

The Company's success depends in large part on key personnel. The loss of such key personnel may have a material adverse effect on the Company's operations. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. It can take several months before a new salesperson is fully trained and productive. If the Company is unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, the Company may not be able to grow its business.

Additional Financing

To date, the Company has funded losses by issuing additional equity and loans, and through government R&D grants. To the extent that the Company does not achieve or maintain positive cash flows from operations in the future, or financing is not available or not available on reasonable terms, reductions in expenditures will be required or the Company may not be able to continue as a going concern. These conditions raise significant doubt about the ability of the Company to continue as a going concern. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the Company's financial statements.

In order to achieve profitability, make further investments, or take advantage of future opportunities, the Company will require additional financing. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Company may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Negative Cash Flows and Profitability

During the year ended December 31, 2019, the Company had negative cash flow and since its inception has not been profitable. There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Significant Competition

There are companies in competition with us in each of the markets that the Company or its subsidiaries operate in. There can be no guarantee that the Company will be able to effectively compete in the marketplace with such competition.

The renewable energy industry is competitive and continually evolving as participants strive to distinguish themselves within their markets. The Company's competitors can be expected to continue to develop competitive advantages and could cause a decline in market acceptance of the

Company's services. In addition, the Company's competitors could cause a reduction in the prices for some services as a result of intensified price competition.

Also, the Company may be unable to effectively anticipate and react to new entrants in the marketplace competing with the Company's services.

Third Party Suppliers

The Company's relies on subcontractors and may run into funding, supply chain, technical, and/or other difficulties. As a result, they could be unable to deliver essential services or components in time and could cause significant delays in the delivery of the Company's projects. Any significant delivery delays could negatively impact the Company's future revenue and may have a material adverse effect on the business, financial position or results of operations of the Company. In addition, it is possible that certain vendors may face high demand for their services or products and not be able to supply the Company with what it needs, and/or when it needs it. Trade barriers, such as tariffs imposed by governments on import, also have the potential to disrupt the Company's supply chain, necessitating the Company to find other suppliers, sometimes on short notice. Such tariffs could also impose additional costs on the Company, negatively impacting its profitability.

The declining cost of solar panels has been a driver in the pricing of the Company's projects and customer adoption of this form of renewable energy. If solar panel prices increase or do not continue to decline, the Company's growth could slow, and the Company's financial results could suffer. Such events could harm the Company's financial results by requiring it to pay higher prices.

Warranty

The Company's business exposes it to potential liability risks. The Company sometimes provides warranty for its services, often for one year or more after the service is completed. If the Company experiences a greater number of warranty claims than budgeted in the normal course, the Company's gross margins could be negatively affected.

Commercial and Industrial Customers

Projects with commercial and industrial customers may create concentrated operating and financial risks. The effect of recognizing revenue or other financial measures on the sale of a larger project, or the failure to recognize revenue or other financial measures as anticipated in a given reporting period because a project is not yet completed under applicable accounting rules by period end, may materially impact the Company's quarterly or annual financial results. In addition, if operational issues arise on a larger project, or if the timing of such projects unexpectedly shifts for other reasons, such issues could have a material impact on the Company's financial results. If the Company is unable to successfully manage these significant projects in multiple markets, including related internal processes and external construction management, or if the Company is unable to continue to attract such significant customers and projects in the future, the Company's financial results would be harmed.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the existing shareholders.

Damage to Reputation

The Company depends significantly on its reputation for high-quality products, services, engineering abilities and exceptional customer service to attract new customers and grow its business. If the Company fails to continue to deliver its solutions within planned timelines, if products and services do not perform as anticipated, or if the Company damages any of its customers' properties or cancels projects, its brand and reputation could be significantly impaired. In addition, if the Company fails to deliver, or fails to continue to deliver, high-quality services to customers through long-term relationships, the Company's customers will be less likely to purchase future services from the Company, which is a key strategy to achieve desired growth. The Company also depends on referrals from existing customers for growth, in addition to other marketing efforts. Therefore, the Company's inability to meet or exceed current customers' expectations would harm the Company's reputation and growth through referrals.

Fluctuating Results of Operations

The Company's quarterly operating results are difficult to predict and may fluctuate significantly in the future. Given that the Company is an early-stage company operating in a rapidly growing industry, fluctuations may be masked by recent growth rates and thus may not be readily apparent from historical operating results. As such, past quarterly operating results of the Company may not be good indicators of future performance.

In addition to the other risks described in this "Risk Factors" section, the following factors could cause the Company's operating results to fluctuate:

- significant fluctuations in customer demand for the Company's offerings;
- market acceptance of the Company's new or existing offerings;
- the Company's ability to complete installations in a timely manner;
- the Company's ability to continue to expand operations, and the amount and timing of expenditures related to this expansion;
- announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- changes in the Company's pricing policies or terms, or those of its competitors, including electric utilities; and
- actual or anticipated developments in the competitive landscape.

For these or other reasons, the results of any prior quarterly or annual periods of the Company should not be relied upon as indications of the Company's future performance. In addition, actual revenue, key operating metrics and other operating results in future quarters may fall short of the expectations of investors and financial analysts, which could have a severe adverse effect on the trading price of the Company's shares.

International Operations

The Company has a customer base internationally. Risks inherent to international operations include the following:

- inability to work successfully with third parties with local expertise to co-develop or build international projects;
- multiple, conflicting and changing laws and regulations, including export and import restrictions, tax laws and regulations, labour laws and other government requirements, approvals, permits and licenses;
- changes in general economic and political conditions in the countries where the Company operates, including changes in government incentives relating to power generation;
- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade and other business restrictions;
- difficulties and costs in recruiting and retaining individuals skilled in international business operations;
- financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable; and
- inability to obtain, maintain or enforce intellectual property rights, including inability to apply for or register material trademarks in foreign countries.

Doing business in foreign markets requires the Company to be able to respond to rapid changes in market, legal, and political conditions in these countries. The success of the Company's business depends, in part, on its ability to succeed in differing legal, regulatory, economic, social and political environments.

The Company will continually and selectively consider new international markets. In other instances, the Company may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting the Company's products and services, and operations in international markets may not develop at a rate that supports the Company's level of investment.

Existing Industry Regulations

Federal, state, provincial, and local government regulations and policies concerning the electric utility industry, and internal policies and regulations promulgated by electric utilities, heavily influence the market for electricity generation products and services. These regulations and policies often relate to electricity pricing and the interconnection of customer-owned electricity generation. Governments and utilities continuously modify these regulations and policies. These regulations and policies could deter customers from purchasing solar solutions.
In addition, any changes to government or internal utility regulations and policies that favour electric utilities could reduce the Company's competitiveness and cause a significant reduction in demand for its products and services.

Drop in Retail Price of Utility-Generated Electricity and Improved Infrastructure

The Company believes that a customer's decision to implement a renewable energy solution is driven largely by its desire to reduce its cost of electricity. A customer's decision may also be affected by the cost of other renewable energy sources. Decreases in the retail prices of electricity from the utilities or from other renewable energy sources or improved distribution of electricity would harm the Company's ability to offer competitive pricing and could harm its business. The price of electricity from utilities could decrease as a result of:

- the construction of a significant number of new power generation plants, particularly in emerging markets, including nuclear, coal, natural gas or renewable energy;
- the construction of additional electric transmission and distribution lines which improve access, reliability and/or cost of electricity;
- a reduction in the price of natural gas or other fossil fuels; and
- development of new renewable energy technologies that provide less expensive energy.

If the retail price of energy available from utilities were to decrease due to any of these reasons, or others, or the distribution of electricity is improved as a result of improved infrastructure, the Company may be at a competitive disadvantage, limiting growth.

Conflicts of Interest

Certain directors of the Company are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other organizations or seek to obtain additional working capital. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for companies of similar size. Depending on future plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Company. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. As a result, the level of the Company's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

No Guarantee of Active Liquid Market

There may not be an active, liquid market for the Common Shares. There is no guarantee that an active trading market for the Common Shares will be maintained on the TSX Venture Exchange ("TSXV"). Investors may not be able to sell their Common Shares quickly, on satisfactory terms or at the latest market price if trading in the Common Shares is not active.

Issues Related to Acquisitions

With acquisitions there is a risk that integration will result in challenges that were not anticipated, such as key staff departures, diversion of management time and resources, or projected revenues that do not materialize. Should the future projected revenue attributed to any acquisition not materialize, the Company's overall revenues will be negatively impacted, which may have a material adverse effect on the Company's revenues going forward. The Company may not be able to successfully overcome these risks and this may adversely affect the Company's financial condition, and ability to execute its business plan.

Government Policies

The Company is subject to policies, laws, and regulations established by various levels of government and government agencies. These are subject to change by the government or their agencies or the courts and are administered by agencies that may have discretion in their interpretation. Future legal and regulatory changes or interpretations may have a material adverse effect on the Company.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is committed to delivering timely and accurate disclosure of all material information.

Disclosure controls and procedures ensure that reporting requirements are satisfied, and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.