



# **Clear Blue Technologies International Inc. Condensed Consolidated Interim Financial Statements**

**For the three months ended March 31, 2021 and 2020**

**(Expressed in Canadian dollars)**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Clear Blue Technologies International Inc.

Condensed Consolidated Interim Statements of Financial Position

For three months ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2021	December 31, 2020
<b>Assets</b>			
Current assets			
Cash		\$ 597,359	\$ 3,507,249
Accounts receivable and other receivables	5	2,958,719	1,754,791
Research and development tax credits receivable	6	208,378	187,453
Inventory	7	1,845,672	1,551,228
Prepaid expenses		253,010	523,207
Current portion of deferred costs	7	193,717	232,584
<b>Total current assets</b>		<b>6,056,855</b>	<b>7,756,512</b>
Non-current assets			
Long-term account receivable	5	251,196	272,959
Deferred costs	7	155,468	155,468
Property and equipment	8	202,143	213,234
Intangible Assets	9	509,416	–
<b>Total assets</b>		<b>\$ 7,175,078</b>	<b>\$ 8,398,173</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,176,785	\$ 1,023,365
Customer deposits and advanced billing	10	94,066	545,610
Short-term loans	11	3,785	999,573
Current portion of deferred revenue	10	414,275	402,310
Current portion of lease liability - office lease	8	100,738	109,860
Current portion of convertible debenture	13	–	–
Current portion of long-term debt	12	101,569	118,846
<b>Total current liabilities</b>		<b>1,891,218</b>	<b>3,199,564</b>
Non-current liabilities			
Deferred revenue	10	524,322	573,354
Lease liability	8	35,872	50,404
Royalty funding	14	375,000	375,000
Convertible debenture	13	616,189	584,112
Long-term debt	12	2,403,385	2,370,512
<b>Total liabilities</b>		<b>5,845,986</b>	<b>7,152,946</b>
<b>Shareholder's Equity (Deficiency)</b>			
Share capital	15	20,006,766	19,455,976
Reserves	16	6,219,654	6,253,945
Equity portion of convertible debenture	13	99,728	99,728
Accumulated deficit		(24,997,056)	(24,564,422)
<b>Total shareholders' equity (deficiency)</b>		<b>1,329,092</b>	<b>1,245,227</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 7,175,078</b>	<b>\$ 8,398,173</b>

Nature of operations (Note 1)

Commitments (Note 21)

On behalf of the Board:

**"Miriam Tuerk"**  
President and Director

**"Steve Parry"**  
Director

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

## Clear Blue Technologies International Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
For the three months ended March 31, 2021 and 2020  
(Unaudited - Expressed in Canadian Dollars)

	Note	Three-months ended March 31,	
		2021	2020
Revenue		\$ 3,459,007	\$ 238,171
Cost of sales	7	2,707,844	161,037
Gross profit		751,163	77,134
Operating expenses			
Salaries, wages and benefits	17	333,973	262,255
Research and development		120,868	326,159
General and administrative		247,000	172,799
Stock-based compensation	15,16	72,842	100,989
Travel		4,468	82,409
Business development and marketing		155,870	160,194
Rent		20,346	39,150
Professional fees		34,244	87,053
Depreciation of property and equipment	8	35,253	33,329
Total operating expenses		1,024,864	1,264,337
Loss before other items		(273,701)	(1,187,203)
Other items			
Interest on long-term debt	12	(120,722)	(60,256)
Interest on royalty funding		(31,131)	(2,144)
Foreign exchange gain (loss)		(6,432)	149,461
Amortization of deferred financing fees		(648)	(648)
Net loss before taxes		(432,634)	(1,100,790)
Net loss and comprehensive loss		(432,634)	(1,100,790)
Loss per Share		(0.01)	(0.02)
Weighted average number of shares outstanding			
Basic and Diluted		91,876,142	46,238,161

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

# Clear Blue Technologies International Inc.

## Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited - Expressed in Canadian Dollars)

	Number of common shares*	Share capital	Contributed Reserves	Equity portion of convertible debenture	Accumulated deficit	Total shareholders' equity (deficiency)
<b>Balance at December 31, 2019</b>	<b>45,742,806</b>	<b>\$ 15,919,928</b>	<b>\$ 4,476,158</b>	<b>\$ 112,959</b>	<b>\$ (20,740,203)</b>	<b>\$ (231,158)</b>
Share issuance - private placement	13,157,800	3,594,769	1,405,195	-	-	4,999,964
Issuance costs - private placements	-	(772,782)	293,666	-	-	(479,116)
Exercise of options	62,242	33,061	(29,949)	-	-	3,112
Maturity of Restricted Share Units	1,200,653	191,384	(191,384)	-	-	-
Conversion of convertible debenture	475,000	67,113	16,460	(13,231)	-	70,342
Stock-based compensation	-	-	298,322	-	-	298,322
Shares issued for debt settlement	2,013,161	362,369	-	-	-	362,369
Exercise of warrants	225,000	95,084	(16,334)	-	-	78,750
Shares withheld for payroll taxes	-	(145,130)	-	-	-	(145,130)
Sale of shares withheld for payroll taxes	-	110,180	-	-	-	110,180
Warrants issued to convertible debenture holders	-	-	1,811	-	-	1,811
Net loss and comprehensive loss	-	-	-	-	(3,824,219)	(3,824,219)
<b>Balance at December 31, 2020</b>	<b>62,876,662</b>	<b>\$ 19,455,976</b>	<b>\$ 6,253,945</b>	<b>\$ 99,728</b>	<b>\$ (24,564,422)</b>	<b>\$ 1,245,227</b>
Exercise of Warrants	942,554	551,064	(86,786)	-	-	464,279
Exercise of Options	43,468	19,843	(15,873)	-	-	3,970
Share issuance costs	-	(24,592)	-	-	-	(24,592)
Maturity of RSUs	36,000	4,475	(4,475)	-	-	-
Stock-based compensation	-	-	72,842	-	-	72,842
Net loss and comprehensive loss	-	-	-	-	(432,634)	(432,634)
<b>Balance at March 31, 2021 (unaudited)</b>	<b>63,898,684</b>	<b>\$ 20,006,766</b>	<b>\$ 6,219,654</b>	<b>\$ 99,728</b>	<b>\$ (24,997,056)</b>	<b>\$ 1,329,092</b>

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

**Clear Blue Technologies International Inc.**  
Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended March 31, 2021 and 2020  
(Unaudited - Expressed in Canadian Dollars)

	<b>Three-months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (432,634)	(1,100,790)
Depreciation of property and equipment	35,253	33,329
Amortization of deferred financing fees	648	648
Stock-based compensation	72,842	100,989
Debt accretion	61,882	29,671
	(262,009)	(936,153)
Changes in non-cash working capital:		
Accounts receivables and other receivable	(1,182,165)	918,695
R&D tax credits receivable	(20,925)	578,903
Inventory	(294,444)	(129,888)
Prepaid expenses	270,197	(63,012)
Accounts payable and accrued liabilities	153,420	(31,731)
Customer Deposits	(451,544)	(45,922)
Lease Liability	(23,655)	-
Deferred revenue	1,800	8,416
Cash provided by (used in) operating activities	(1,809,325)	299,308
<b>Financing activities</b>		
Exercise of Warrants & Options	570,905	33,061
Maturity of RSU's	4,475	-
Share issuance costs	(24,592)	-
Proceeds from (repayment of) short-term loan	(995,788)	66,348
Contributed Surplus	(107,130)	(29,949)
Advance(Repayment) of long-term debt	(14,857)	(21,504)
Cash provided by (used in) financing activities	(566,987)	47,956
<b>Investing activities</b>		
Purchase of property and equipment	(24,162)	(24,245)
Addition to intangible assets	(509,416)	-
Cash used in investing activities	(533,578)	(24,245)
<b>Net increase (decrease) in cash during the period</b>	(2,909,890)	323,019
Cash, beginning of period	3,507,249	61,720
Cash, end of period	\$ 597,359	\$ 384,739

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

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

*(Unaudited - Expressed in Canadian dollars)*

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## 1. Nature of Operations

Clear Blue Technologies International Inc. (the “Company” or “CBLU”) was incorporated on November 11, 2014 under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the ticker symbol “CBLU”.

The Company is in the business of developing and selling “Smart Off-Grid” power solutions and management services to the power, control, monitor, manage, and proactively service solar and hybrid-powered systems such as streetlights, security systems, telecommunications systems, emergency power, and Internet of Things (“IoT”) devices.

The Company’s head office is located at 30 Lesmill Road, Unit #7, Toronto, Ontario, Canada, M3B 2T6.

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

*(Unaudited - Expressed in Canadian dollars)*

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## 2. Basis of Presentation

### Statement of compliance

These Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Interim Financial Statements were approved for issuance by the Company’s Audit Committee and Board of Directors on May 26, 2021.

### Basis of measurement

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as described in the significant accounting policies. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

### Functional and presentation currency

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries.

### Basis of consolidation

The Financial Statements consolidate the parent company, Clear Blue Technologies International Inc., and its subsidiaries, Clear Blue Technologies Inc., Clear Blue Technologies US Corp. and Clear Blue Technologies Kenya Limited, as of the date that control was obtained over those subsidiaries. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Net loss and comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.



# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

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## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

Newly adopted accounting policy

### Capitalized Research and development Costs

The Company capitalizes development costs for its Smart off-grid technology (technology) developed for internal use. The Company capitalizes costs for its technology to be used internally during the development stage. This occurs when the preliminary project stage is complete, management authorizes and commits to funding the projects, and it is feasible that the projects will be completed, and the technology will perform the intended function. Capitalization of costs related to the technology project is ceased when it enters the post-implementation and operation stage. If different determinations are made with respect to the state of development of technology project, then the amount capitalized, and the amounts charged to expense for that project could differ materially.

Costs capitalized during the development stage consist of payroll and related costs for employees who are directly associated with, and who devote time to, a project to develop or implement the technology for internal use. The Company capitalizes the direct costs of materials and services, which generally include outside contractors. The Company does not capitalize any general and administrative costs, or costs incurred during the development stage related to training. Costs related to upgrades and enhancements to internal-use technology, if those upgrade and enhancements result in additional functionality, are capitalized.

The Company amortizes capitalized technology with respect to development projects for internal-use technology when the technology is ready for use. The capitalized technology development costs are generally amortized using the straight-line method over a five-year period. In determining and re-assessing the estimated useful life over which the cost incurred for the technology should be amortized, the Company considers the effects of obsolescence, technology, competition, and other economic factors. If different determinations are made with respect to the estimated useful life of the technology, the amount of amortization charged in a particular period could differ materially.

## 4. Significant Accounting Judgments, Estimates and Assumptions

### Judgments

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these consolidated financial statements are discussed below.

#### (i) Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currencies of the Company and its subsidiaries is the Canadian dollar as this is the currency of the primary economic environment in which the Company operates.

#### (ii) Segment disclosures

The Company's operations comprise a single reporting operating segment engaged in the provision of off-grid power solutions and related services. As the operations comprise a single reporting segment, amounts

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

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## 4. Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

disclosed in the consolidated financial statements also represent segment amounts. All the Company's operations and assets are located in Canada.

### Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### (i) Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, residual values and patterns in which the assets' future economic benefits are expected to be consumed, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

#### (ii) Stock-based compensation

The Company uses estimates, including but not limited to, the fair value of the Company, estimates of forfeitures, share price volatility at the time of issuance, the risk-free interest rates and expected lives of the options and warrants granted in the calculation of the stock-based compensation and issuance related costs, respectively.

#### (iii) Deferred income taxes

The calculation of deferred income taxes is based on assumptions that are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse as well as assumptions as to the extent and likelihood that the Company will be able to utilize its non-capital losses.

#### (iv) Recoverability of accounts receivable

Accounts receivable are amounts due from customers for products and services delivered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for expected credit loss ("ECL"). Provisions for expected credit losses are established using an ECL model. The provisions are based on a forward-looking ECL, which includes possible default events on the accounts receivable over the entire holding period of the accounts receivable, considering the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as the probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. These provisions represent the difference between the accounts receivable's carrying amount in the consolidated statements of financial position and the estimated net collectible amount. Charges for ECLs are recorded as bad debt expense (recovery) in the consolidated statements of loss and comprehensive loss. As at March 31, 2021, management has determined that ECL was \$nil (2020 - \$nil).

#### (v) Recoverability of inventory

Determining whether the carrying value of inventory is recoverable requires management to exercise judgment in estimating the ability to sell the inventory on-hand for amounts in excess of its carrying value.

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

## 4. Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

### (vi) Royalty funding

The Company's royalty funding agreement has been accounted for as a financial liability and measured at fair value at initial recognition. The Company made this determination after reviewing the substance of the agreement and determining that the cash received at the inception of the arrangement did not represent advance payments for any future sales. The Company has valued the royalty agreement at fair value when it became party to the arrangement.

### (vii) COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## 5. Accounts Receivable and Other Receivables

	March 31, 2021	December 31, 2020
Accounts receivable, net	\$ 2,619,643	\$ 1,537,207
Harmonized sales taxes receivable	247,351	129,653
Miscellaneous tax refund receivable	20,093	16,704
Loan receivable (i)	322,828	344,186
Less:		
Long-term loan receivable (i)	(251,196)	(272,959)
<b>Total</b>	<b>\$ 2,958,719</b>	<b>\$ 1,754,791</b>

On January 22, 2020, a loan agreement was executed to allow a customer to settle the receivable amounting to US\$309,910 in 60 equal consecutive monthly installments of US\$6,181 beginning on April 1, 2020. The loan receivable has an interest rate is 7.3% per annum and matures on June 30, 2025. As at March 31, 2021, the carrying value of the loan receivable amounts to \$322,828, of which \$71,632 relates to current portion. During the three-months ended March 31, 2021, the Company received interest of \$6,273 (US \$4,933) (2020 - \$nil (US \$nil)).

## 6. Research and Development Tax Credits Receivable

The Company's research and development tax credits receivable balance is comprised of the following:

	March 31, 2021	December 31, 2020
Industrial Research Assistance Program	5,508	24,583
Ontario Innovation tax credits	202,870	162,870
<b>Total</b>	<b>\$ 208,378</b>	<b>\$ 187,453</b>

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

## 7. Inventory

	March 31, 2021	December 31, 2020
Raw materials	\$ 715,442	\$ 534,338
Finished goods	1,130,230	1,016,890
<b>Total</b>	<b>\$ 1,845,672</b>	<b>\$ 1,551,228</b>

Inventory included in cost of sales amounted to \$2,456,111 (2020 - \$161,037).

The Company recognizes deferred costs which all relate to the Company's EAAS revenue stream. The costs will be recognized as services are being rendered.

## 8. Property and Equipment

	Computer and equipment	Furniture and fixtures	Leasehold improvements	Right-of-use Assets	Total
Balance as of December 31, 2019	103,896	7,552	29,618	333,919	474,985
Additions	29,501	-	-	-	29,501
Disposals	(15,681)	-	-	-	(15,681)
<b>Balance as of December 31, 2020</b>	<b>117,716</b>	<b>7,552</b>	<b>29,618</b>	<b>333,919</b>	<b>488,805</b>
Additions	24,162	-	-	-	24,162
<b>Balance as of March 31, 2021</b>	<b>\$ 141,878</b>	<b>\$ 7,552</b>	<b>\$ 29,618</b>	<b>\$ 333,919</b>	<b>\$ 512,967</b>

### Accumulated Depreciation

Balance as of December 31, 2019	49,995	3,146	7,361	91,069	151,571
Depreciation	36,079	1,510	10,203	91,069	138,861
Disposals	(14,861)	-	-	-	(14,861)
<b>Balance as of December 31, 2020</b>	<b>71,213</b>	<b>4,656</b>	<b>17,564</b>	<b>182,138</b>	<b>275,571</b>
Depreciation	9,576	378	2,532	22,767	35,253
<b>Balance as of March 31, 2021</b>	<b>\$ 80,789</b>	<b>\$ 5,034</b>	<b>\$ 20,096</b>	<b>\$ 204,905</b>	<b>\$ 310,824</b>

### Net book value as at:

<b>December 31, 2019</b>	<b>\$ 53,901</b>	<b>\$ 4,406</b>	<b>\$ 22,257</b>	<b>\$ 242,850</b>	<b>\$ 323,414</b>
<b>December 31, 2020</b>	<b>\$ 46,503</b>	<b>\$ 2,896</b>	<b>\$ 12,054</b>	<b>\$ 151,781</b>	<b>\$ 213,234</b>
<b>March 31, 2021</b>	<b>\$ 61,089</b>	<b>\$ 2,518</b>	<b>\$ 9,522</b>	<b>\$ 129,014</b>	<b>\$ 202,143</b>

### Lease Liability

A reconciliation of the carrying amount of the lease liability recognized on the initial adoption of IFRS 16 to March 31, 2021 is as follows:

<b>Balance as of December 31, 2019</b>	<b>249,212</b>
Lease payments	(109,865)
Lease interest	20,917
<b>Balance as of December 31, 2020</b>	<b>\$ 160,264</b>
Lease payments	(27,465)
Lease interest	3,811
<b>Balance as of March 31, 2021</b>	<b>\$ 136,610</b>

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

	March 31, 2021	December 31, 2020
Current portion of lease liability	\$ 100,738	\$ 109,860
Long term portion of lease liability	35,872	50,405
Total	\$ 136,610	\$ 160,265

Maturity analysis – contractual undiscounted cash flows:

2021	\$ 82,399
2022	73,243
<b>Total undiscounted future lease payments</b>	<b>\$ 155,642</b>

The Company did not have any short-term leases or leases of low-value assets included in statement of loss and comprehensive loss for the three-months ended March 31, 2021 and 2020.

## 9. Intangible Assets

Below is a continuity of internally generated Smart Off-Grid Technology:

<b>Balance – December 31, 2020</b>	<b>-</b>
Additions <sup>(1)</sup>	509,416
<b>Balance – March 31, 2021</b>	<b>509,416</b>

(1) Internally generated intangible assets are in the development phase. Amortization will commence once technology is ready for use.

## 10. Customer Deposits and Deferred Revenue

### Customer Deposits

Customer deposits of \$94,066 (December 31, 2020 - \$545,610) pertain to the sale of solar or hybrid streetlight systems and power pack solutions that are paid by customers and billed by the Company in advance.

### Deferred Revenue

Deferred revenue is comprised of ongoing energy management services paid in advance by customers:

	March 31, 2021	December 31, 2020
Deferred revenue	\$ 938,597	\$ 975,664
Less: Current portion	414,275	402,310
	\$ 524,322	\$ 573,354

The deferred revenue is amortized to profit or loss on a straight-line basis over the life of the related contract. As at March 31, 2021, expected revenue to be recognized over the term of the contracts are as follows:

2021	357,217
2022	375,606
2023	205,774
Total	<u>938,597</u>

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited - Expressed in Canadian dollars)

## 11. Short-term Loan

In 2019, the Company obtained a \$1,000,000 revolving credit facility. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 1.5%, is due on demand, and is secured by the assets of the Company. The outstanding balance as of March 31, 2021 is \$3,785 (December 31, 2020 - \$999,573). The Company incurred interest expenses related to its short-term loan of \$1,681 during the three-months ended March 31, 2021 (2020 - \$12,058).

## 12. Long-term Debt

	March 31, 2021	December 31, 2020
(i) Eastern Ontario Futures Development Corporations Networks Inc.	\$ 182,580	\$ 204,902
(ii) Federal Economic Development Agency of Southern Ontario	282,487	284,986
(ii) Business Development of Canada	2,039,887	2,002,494
	\$ 2,504,954	\$ 2,492,382
Less:		
Current portion	101,569	118,846
Deferred financing fees	-	3,024
	\$ 2,403,385	\$ 2,370,512

- (i) Eastern Ontario Community Futures Development Corporations Network Inc. loan bearing interest at 10% per annum, repayable in monthly blended principal and interest installments of \$8,301, was amended, as a result of the COVID-19 pandemic, on April 6, 2020 to defer the installments from March 1, 2020 to August 31, 2020 and extend the maturity date from September 30, 2022 to April 30, 2023. The amendment to the terms of the loan did not result in a gain or loss on modification of debt. The loan is secured by a general security agreement against all of the assets of the Company. For the three months ended March 31, 2021, the Company recognized interest expense of \$4,957 (2020 - \$5,648).
- (ii) Federal Economic Development Agency of Southern Ontario non-interest-bearing loan, repayable in monthly installments beginning January 1, 2019 and maturing on December 1, 2023 was amended, as a result of the COVID-19 pandemic, on June 8, 2020 to: (i) extend the maturity date to December 1, 2024; (ii) defer monthly instalments from April 1, 2020 to September 1, 2020; (iii) reduce monthly instalments to \$2,000 from October 1, 2020 to December 31, 2020; and (iv) adjust the monthly installments to \$3,000, \$5,000, \$8,000 and \$14,000 for the years 2021 through 2024, respectively, with a final month payment of \$15,000, which resulted in a gain on modification of debt of \$21,924 (2019 - \$nil). The face value of the loan is \$400,000. It was initially recorded on the consolidated statement of financial position at its fair market value of \$251,608 and is being accreted (through interest expense) back to its face value over the term of the loan with an effective interest rate of 9.54% per annum. For the three months ended March 31, 2021, the Company recognized interest expense of \$6,500 (2020 - \$6,750).
- (iii) Business Development of Canada ("BDC") loan facility of \$5,000,000. The loan facility matures on January 15, 2025 and consists of interest-only monthly payments through August 15, 2022, monthly principal payments of \$86,207 and interest payments from September 15, 2022 to and including December 15, 2024 (or earlier date if the loan facility is not fully drawn) and 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 \$3,000,000 in \$1,000,000 tranches. The loan is secured against the assets of the Company and carries an annual interest rate of BDC Capital Floating Base Rate plus 2.95%. In addition to the cash interest, a non-compounding payment in kind ("PIK") interest of up to 9.5% per annum will accrue and be payable at the end of the term. The PIK interest rate will be reduced by 0.5% (to 9.0%) when the Company reaches a trailing 12 months of EBITDA greater than \$1,000,000, and a further 0.5% (to 8.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$3,000,000. For the three

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## 12. Long-term Debt (cont'd...)

months ended March 31, 2021, the Company recognized interest expense of \$74,360 (2020 - \$nil). As at March 31, 2021, the Company has drawn \$2,040,000 of the facility.

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 existing debenture holders of the Company as compensation for entering into postponement agreements in favor of BDC. Each Warrant is exercisable for one common share of the Company at an exercise price of \$0.50 share until March 28, 2022. The share purchase warrants were valued at \$1,811 using the Black-Scholes valuation model with the following assumptions: expected life of 1.0 year, risk-free rate of 0.25%, dividend yield of 0% and volatility of 115%.

The future principal and interest payments required under the terms of the Company's long-term debt agreements are as follows:

2021	\$ 214,719
2022	649,050
2023	1,243,690
2024	801,764
2025	1,236,763
<u>Total</u>	<u>\$4,145,986</u>

## 13. Convertible Debenture

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, and are convertible at any point prior to 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 on the basis of 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") until November 1, 2022 at a price of \$0.35 per Warrant Share (subject to adjustment in certain circumstances). Interest on the principal amount outstanding is calculated and payable semi-annually in June and December each year and was first payable on December 31, 2019.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive VWAP days, the VWAP of the Common Shares on TSX-V is greater than \$0.70.

Upon initial recognition, the Company allocated the proceeds between the components based on the fair value of the debt and the residual to the equity component. Transaction costs were allocated proportionally to the liability and equity components. The fair value of the liability component of \$592,849, net of transaction costs of \$51,195, was determined using a market rate of 20%. The value of the equity component amounted to \$112,959, net of transaction costs of \$13,271, and deferred taxes of \$40,726.

The transaction costs totaling \$64,466, as described above, comprised of finders' fees amounting to \$50,993 and 89,950 share purchase warrants issued to finders with a fair value of \$13,473. Each share purchase warrant entitled the holder for one common share at an exercise price of \$0.35 until November 1, 2022. The share purchase warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 3.0 years, risk-free rate of 1.58%, dividend yield of 0% and volatility of 109%.

During the three-month period ended March 31, 2021, \$nil (2020 - \$90,000) of the Convertible Debenture was converted into nil (2020 - 450,000) Common Shares valued at nil (2020 - 237,500) Warrant Shares.

# Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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## 13. Convertible Debenture (cont'd...)

As at March 31, 2020, the outstanding balances associated with the convertible debenture were as follows:

	March 31, 2021	December 31, 2020
Liability component of debenture	\$ 584,112	\$ 601,038
Accretion	14,177	53,416
Interest	17,900	72,071
Interest paid	-	(72,071)
Fair value of the debenture converted	-	(70,342)
Balance	<u>\$ 616,189</u>	<u>\$ 584,112</u>

## 14. Royalty Funding

On November 12, 2013, the Company entered into a sales agreement under which Flow Capital Corp., formerly known as Grenville Strategic Royalty Corp. ("Grenville"), advanced the Company \$375,000. In form, the amount received represents a prepaid deposit for future goods and services to be provided by the Company to Grenville to be drawn down based on Grenville's annual purchases from the Company.

Grenville is entitled to a royalty of 1.125% ("Royalty Percentage") of the Company's revenues, in perpetuity, unless partially or fully extinguished through the exercise of repurchase rights as described below. Under the terms of the agreement, the Company has the following options to extinguish its royalty payment obligation to Grenville:

- The Company may extinguish 50% of the Royalty Percentage by paying \$750,000 to Grenville during the period from November 12, 2017 to November 17, 2017 (the "Initial Repurchase Right"). In November 2017, the Company amended its agreement with Grenville to extend this right to the earlier of June 30, 2018, or within 30 days of the date on which the Company becomes a publicly listed company on a recognized exchange. This right expired on June 30, 2018 and was not exercised by the Company;
- The Company may extinguish 50% of the Royalty Percentage by paying \$1,125,000 during the period from November 12, 2020, and November 17, 2020 (the "Subsequent Repurchase Right"); This right expired on November 17, 2020 and was not exercised by the Company;
- If the Company has not exercised the Subsequent Repurchase Right, the Company may extinguish 100% of the Royalty Percentage at any point after November 12, 2023, by paying \$1,875,000 to Grenville (the "Final Repurchase Right");
- If the Company exercises the Subsequent Repurchase Right, the Company may extinguish the remaining 50% of the Royalty Percentage under the same terms as the Final Repurchase Right, except that the buyout amount is \$750,000 instead of \$1,875,000.

The agreement meets the definition of financial liability under IAS 32, Financial Instruments: Presentation because it represents a contractual obligation to deliver cash or another financial asset to another entity.

The Company made this determination after reviewing the substance of the agreement and determining that the cash received at the inception of the arrangement did not represent a deposit for any future sales, but rather an obligation for future royalty payments that will remain payable at the original amount of \$375,000 until such time as the Company extinguishes all or part of the Royalty Percentage and the obligation for future royalty payments.

The Company incurred interest expense related to its royalty funding of \$35,518 for three-month ended March 31, 2021 (2020 - \$770).



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## 15. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.

### Transactions during the three-months ended March 31, 2021

- (i) During the three-months ended March 31, 2021, the Company issued 36,000 common shares valued at \$19,440 pursuant to the maturity of RSUs. 10,440 common shares valued at \$5,638 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders. The Company sold 10,440 common shares withheld for gross proceeds of \$6,682.
- (ii) On March 31, 2021, the Company issued 43,468 common shares pursuant to exercise of stock options for gross proceeds of \$3,970. In connection with the exercise of options, the fair value of stock options amounting to \$15,873 was reclassified from reserves to share capital.
- (iii) During the three-months ended March 31, 2021, the Company issued 942,554 shares pursuant to exercise of share purchase warrants for gross proceeds of \$464,278. In connection with the exercise of share purchase warrants, the fair value of share purchase warrants amounting to \$86,786 was reclassified from reserves to share capital.

### Transactions during the year ended December 31, 2020

- (i) On September 3, 2020, the Company issued 2,013,161 common shares valued at \$362,369 pursuant to settlement of management and employee bonuses totaling \$340,225, resulting in a loss on settlement of \$22,144. 522,827 common shares valued at \$94,109 were withheld by the Company for settlement of payroll taxes on behalf of management and employees. The Company sold 522,827 common shares withheld for gross proceeds of \$68,438.
- (ii) During the year ended December 31, 2020, the Company issued 1,200,653 common shares valued at \$191,384 pursuant to the maturity of RSUs. 318,881 common shares valued at \$51,021 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders. The Company sold 318,881 common shares withheld for gross proceeds of \$41,742.
- (iii) During the year ended December 31, 2020, the Company issued 475,000 units pursuant to the conversion of convertible debenture amounting to \$95,000. Each unit is comprised of one common share and one-half share purchase warrant. Each full share purchase warrant is exercisable for \$0.35 per share until November 1, 2022, subject to early expiration if the 10-day weighted average trading price of the common shares of the Company is at any time greater than \$0.70 per share. In connection with the conversion, equity portion of convertible debenture amounting to \$13,321 was reclassified to share capital.
- (iv) On January 31, 2020, the Company issued 62,242 common shares pursuant to exercise of stock options for gross proceeds of \$3,112. In connection with the exercise of options, the fair value of stock options amounting to \$29,949 was reclassified from reserves to share capital.
- (v) On December 22, 2020, the Company completed a private placement through issuance of 13,157,800 units at \$0.38 per unit for gross proceeds of \$4,999,964. Each unit is comprised of one common and one-half share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.55 per share until December 22, 2023. The common shares and share purchase warrants were valued at \$3,594,769 and \$1,405,195, respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of \$479,116 and issued 751,196 broker warrants valued at \$293,666. Each broker warrant is exercisable for one common share at \$0.38 per share until December 22, 2023. The stand-alone value of share purchase warrants and broker warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 3.0 years, risk-free rate of 0.27%, dividend yield of 0% and volatility of 132%.

# Clear Blue Technologies International Inc.

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## 15. Share Capital (cont'd...)

- (vi) On December 15, 2020, the Company issued 225,000 shares pursuant to exercise of share purchase warrants for gross proceeds of \$78,750. In connection with the exercise of share purchase warrants, the fair value of share purchase warrants amounting to \$16,334 was reclassified from reserves to share capital.

### Transactions during the year ended December 31, 2019

- (i) During the year ended December 31, 2019, the Company completed a private placement through issuance of 10,679,500 units at \$0.25 per unit for gross proceeds of \$2,669,875. Each unit is comprised of one common share and one share purchase warrant exercisable for one common share at \$0.50 per share for 3 years, subject to early expiration if the 10-day weighted average trading price of the common shares of the Company is at any time greater than \$0.80 per share. The common shares and share purchase warrants were valued at \$1,672,197 and \$997,678, respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of \$191,340 and issued 719,565 broker warrants valued at \$67,248. Each broker warrant is exercisable for one common share at \$0.50 per share for 3 years. The stand-alone value of share purchase warrants and broker warrants were valued using the Black-Scholes valuation model with the following weighted average assumptions: expected life of 3.0 years, risk-free rate of 1.62%, dividend yield of 0% and volatility of 109%.

### *Escrowed Shares*

As at March 31, 2021, 1,246,501 (2020 - 2,492,989) common shares are held in escrow, which are to be released on July 17, 2021.

## 16. Reserves

### a. Options

Under the Company's stock option plan, the Company may, at its discretion, grant stock options to its directors, officers, and employees. Unless specified within the option agreement, all stock options vest equally over 4 years. All stock options have a maximum term of 7 years from the date of the grant.

Below is a continuity of stock options outstanding:

<b>Stock options outstanding – December 31, 2019</b>	<b>3,555,592</b>
Stock options exercised	(62,242)
Stock options issued	389,335
Stock options forfeited	(866,962)
<b>Stock options outstanding – December 31, 2020</b>	<b>3,015,723</b>
Stock options exercised	(43,468)
Stock options issued	36,000
<b>Stock options outstanding – March 31, 2021</b>	<b>3,008,255</b>

For the year ended March 31, 2021, the Company recognized \$11,629 (2020 - \$14,231) of stock-based compensation expense in relation to its stock option plan.

# Clear Blue Technologies International Inc.

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## 16. Reserves (cont'd...)

### a. Options (cont'd...)

The fair value of all options granted was estimated at the date of grant using the Black-Scholes option-pricing model, using the following assumptions:

	March 31, 2021	December 31, 2020
Expected option life (years)	4.75	5
Volatility	116%	116%
Risk-free interest rate	0.36% – 0.39%	0.36% – 0.39%
Dividend yield	–	–

Options outstanding and exercisable at March 31, 2021 were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of options	Number of options exercisable
\$0.05	2024-05-02	3.09	16,692	16,692
\$0.13	2025-05-29	4.16	100,000	100,000
\$0.16	2024-09-12	3.45	457,668	208,976
\$0.16	2025-09-30	4.50	99,334	-
\$0.17	2025-05-29	4.16	167,334	-
\$0.26	2025-04-20	4.03	247,394	247,394
\$0.26	2025-06-30	4.25	94,242	94,242
\$0.31	2026-04-30	5.08	117,018	117,018
\$0.49	2023-11-26	2.66	388,000	235,750
\$0.50	2026-04-30	5.08	864,804	864,804
\$0.50	2027-10-31	6.59	183,179	153,202
\$0.52	2025-12-11	4.70	236,590	236,590
\$0.54	2026-01-02	4.76	36,000	-
\$0.37		Total	3,008,255	2,274,668

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## 16. Reserves (cont'd...)

### b. Share purchase warrants

The following is a summary of changes in share purchase warrants from December 31, 2019 to March 31, 2021:

	Number of Warrants	Weighted average exercise price
<b>Share purchase warrants - December 31, 2019</b>	<b>15,832,763</b>	<b>\$0.58</b>
Granted	7,639,696	\$0.53
Exercised	(225,000)	\$0.35
Expired	(4,310,582)	\$0.80
<b>Share purchase warrants - December 31, 2020</b>	<b>18,936,877</b>	<b>\$0.51</b>
Exercised	(942,554)	\$0.49
<b>Share purchase warrants – March 31, 2021</b>	<b>17,994,323</b>	<b>\$0.51</b>

Share purchase warrants outstanding and exercisable at March 31, 2021 are comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of Warrants
\$0.35	2022-11-01	1.59	56,575
\$0.50	2022-02-22	0.90	4,042,040
\$0.50	2022-03-22	0.98	5,773,825
\$0.50	2022-03-28	0.99	759,600
\$0.38	2023-12-22	2.73	750,217
\$0.55	2023-12-22	2.73	6,578,900
\$0.50	2024-07-11	3.28	17,209
\$0.50	2025-02-11	3.87	15,957
Total:			17,994,323

### c. Restricted Share Units ("RSU")

Under the Company's equity incentive compensation plan, the Company may, at its discretion, grant RSUs to its directors, officers, and employees, that give rights to receive shares or cash or a combination thereof upon settlement. Each RSU is subject to a Period of Restriction, during which time the RSU is subject to forfeiture based on the passage of time, the achievement of performance criteria, and/or upon the occurrence of other events as determined.

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## 16. Reserves (cont'd...)

### c. Restricted Share Units (cont'd...)

#### Transactions during the three-months ended March 31, 2021

On January 2, 2021, the Company granted 60,000 RSUs to directors. The RSUs vest on January 2, 2022

#### Transactions during the year ended December 31, 2020

On May 29, 2020, the Company granted 951,000 RSUs to directors, officers and employees. The RSUs vest on May 29, 2021.

On May 29, 2020, the Company granted 365,680 RSUs to directors and employee. The RSUs vest on February 1, 2021.

On June 30, 2020, the Company granted 24,000 RSUs to directors. The RSUs vest on June 30, 2021.

On September 30, 2020, the Company granted 15,000 RSUs to an employee. The RSUs vest on May 29, 2021.

On November 30, 2020, the Company granted 300,000 RSUs to an officer. The RSUs vest in 100,000 tranches, with each tranche vesting on November 29, 2021, November 29, 2022 and November 29, 2023, respectively.

#### Transactions during the year ended December 31, 2019

On September 12, 2019, the Company granted 1,176,653 RSUs to directors, officers, employees and consultants, which vested on February 1, 2020.

On November 25, 2019, the Company granted 24,000 RSUs to a director, which vested on November 25, 2020.

Total stock-based compensation related to RSUs during the year ended December 31, 2020 was \$201,602 (2019 - \$145,839).

Each vested RSU entitles the holder to receive one common share of the Company by delivering an exercise notice in accordance with the Company's 2019 Omnibus Equity Incentive Compensation Plan.

The fair value of all RSUs granted was based on the stock price at the date of grant. As of March 31, 2021, there were 1,579,880 (December 31, 2020 - 1,667,880) RSUs outstanding. For the three-months ended March 31, 2021, the company recognized \$61,213 (2020 - \$43,508) of stock-based compensation expense in relation to the RSU's.

## 17. 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:

	March 31, 2021	March 31, 2020
Salaries and benefits, including bonuses	\$ 142,797	\$ 116,250
Stock-based compensation	57,527	44,871
Total	\$ 200,324	\$ 161,121

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## 17. Related Party Transactions (cont'd...)

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 of March 31, 2021 includes short-term amounts owing to key management of the Company for reimbursement of business expenses totaling \$65,385 (December 31, 2020 - \$86,019).

## 18. Loss Per Share

For all the periods presented, diluted net loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	March 31, 2021	December 31, 2020
Stock options	3,008,255	3,015,723
Warrants	17,994,323	18,936,377
RSUs	1,579,880	1,655,880
Total	22,582,458	23,607,980

Expenses related to the warrants and RSUs are included in stock-based compensation in the consolidated statements of loss and comprehensive loss or as an adjustment to share capital if the costs relate to the issuance of shares and are based on the same assumptions as disclosed in Note 15.

## 19. Capital Risk Management

Capital is comprised of the Company's shareholders' equity (deficiency) and any debt it may issue. At March 31, 2021, the Company's shareholders' equity was \$1,329,092 (December 31, 2020 - deficiency of \$1,245,227) and the Company's debt was \$3,636,538 (December 31, 2020 - \$4,608,308).

The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. No changes were made in the objectives, policies or processes of capital management during the year ended March 31, 2021.

The Company is dependent on cash flows generated from its operations and from external financing to fund its activities. The Company will spend its existing working capital and raise additional amounts as needed.

## 20. Financial Instruments

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

# Clear Blue Technologies International Inc.

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## 20. Financial Instruments (cont'd...)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at March 31, 2021, the Company's financial instruments consist of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding. The fair values of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, long-term debt, and royalty funding approximate their carrying values due to their nature.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the period.

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

### (i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risks such as equity price. The Company's exposure to other price risk is low. Financial instruments affected by market risk include accounts receivable and other receivables, accounts payable and accrued liabilities, long-term debt, and royalty funding.

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's long-term debt is subject to fixed interest rates and the risk of fluctuating future cash flows resulting from changes in market interest rates is limited.

#### *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 revenues 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.

The Company has the following balances denominated in USD (amounts in the table below are post-translation to Canadian dollars):

	March 31 2021	March 31, 2020
Cash	\$ 23,053	\$ 280,526
Accounts receivable and other receivables	2,752,054	1,743,118
Accounts payable and accrued liabilities	622,574	606,266

A change in foreign currency exchange rates by 10% would change the foreign exchange gain or loss on the Company's net monetary assets by approximately \$162,500 at March 31, 2021 (December 31, 2020 - \$179,000).

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## 20. Financial Instruments (cont'd...)

### (ii) Concentration of credit risk and economic dependence

The Company is exposed to credit risk with respect to the collectability of its customer accounts receivable. Credit risk is concentrated as three customers represented 92% at March 31, 2021 (December 31, 2020 – three customers represented 94%) of the Company's accounts receivable balance. The Company performs credit assessments of potential customers and ensures its accounts receivable where appropriate. Regular credit assessments are performed of customers' accounts receivable balances and allowances for potentially uncollectible accounts receivable are provided where appropriate. The following table provides information about the exposure to credit risk for accounts receivable as at March 31, 2020:

	March 31, 2021	December 31, 2020
Current (not past due)	\$ 1,606,624	\$ 1,381,330
0 – 30 days past due	519,645	10,830
31 – 60 days past due	287,325	139,458
61 – 90 days past due	68,910	0
Over 90 days past due	177,123	140,874
Total	<u>\$ 2,659,627</u>	<u>\$ 1,672,492</u>

The Company is also exposed to economic dependence risk with respect to its sources of revenue. For the three-months ended March 31, 2021, five customers represented 96% (2020 - five customers represented 76%) of its total revenue.

### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk resulting from its accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding by ensuring sufficient cash is on hand from cash flows from operations and financing from investors. As of March 31, 2021, the Company's current assets exceeded its current liabilities by \$4,165,637 (December 31, 2020 - \$4,556,949).

Contractual maturities of the Company's long-term debt are outlined in Note 11 to the consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities have maturities within 12 months of the Company's year end.

## 21. Commitments

The Company is committed to pay Grenville annually an amount equal to 1.125% of its annual revenue unless the buyout options are exercised (see Note 14).



# Clear Blue Technologies International Inc.

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## 22. Segment Information

The Company has one reportable segment. This single reportable operating segment derives its revenues from the sale of off-grid solar power solutions and related services.

The Company operates in three principal geographical areas: Canada, the United States of America ("USA"), and the Middle East and Africa ("MEA").

The Company's revenue from external customers by location of operations is detailed below:

	March 31, 2021	March 31, 2020
Canada	\$ 24,491	\$ -
USA	94,616	6,273
MEA	3,336,961	158,379
Other	2,939	73,518
Total	\$ 3,459,007	\$ 238,170

All non-current assets are located in Canada.

## 23. Government Grants

During three-months ended March 31, 2021, the Company received government grants through Canada Emergency Wage Subsidy ("CEWS"). During the three-months ended March 31, 2021, the Company received \$244,931(2020 - \$nil) from CEWS, which were recorded in salaries, wages and benefits.