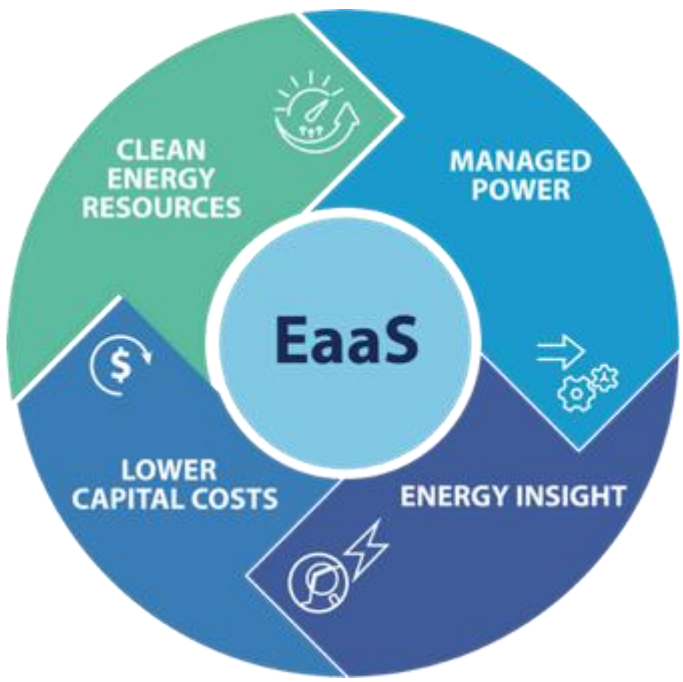
The Smart Off-Grid Company™



Delivering Energy as a Service
In
37 Countries

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

For the Years Ended December 31, 2020, and 2019

Dated: March 15, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

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 in conjunction with the consolidated financial statements of Clear Blue and the related notes thereto for the years ended December 31, 2020, and 2019. This MD&A is presented as of March 15, 2021 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's consolidated financial statements for the years ended December 31, 2020, and 2019. 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 the company's website at www.clearbluetechnologies.com.

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, 2020, along with any subsequent material information.

Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of Covid-19 a pandemic. Since the outbreak of COVID-19, the Corporation has focused its efforts on safeguarding the health and well-being of its employees, consultants, and community members. To help slow the spread of COVID-19, the Corporation's employees have been working remotely, and abiding by local and national guidance put in place, related to social distancing and restrictions on travel outside of the home. The Corporation has and will continue to abide by the protocols within Canada regarding the performance of work activities.

The duration and the eventual impact of the Covid-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and therefore the impact on the financial results and condition of the Corporation is subject to considerable risk uncertainty. To date, a number of businesses have suspended or scaled back their operations and development as cases of Covid-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. In the event that the operations or development of the Corporation are suspended or scaled back, or if the Corporation's customer's operations are disrupted, such events may have a material adverse effect on the Corporation. The Corporation may also experience delays in operation of its slower administrative processes and response times for claims caused by the Covid-19 pandemic and the related restrictions. The breadth of the impact of the Covid-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse effect on the Corporation.

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". By identifying such information and statements in this manner, Clear Blue 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 Clear Blue to be materially different from those expressed or implied by such information and statements.

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.

Clear Blue's Business

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

The company creates and manages 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 solar, hybrid, and wind-powered devices to a cloud-based management system. Together with Clear Blue's ongoing management service, this technology improves the reliability of these systems and reduces maintenance and operational costs by up to 80%.

Clear Blue generates revenue in two ways. First, it generates revenue through sales of hardware including its Smart Off-Grid Controllers, Nano-Grid Power Pack systems and its Illumient solar-powered street lighting. Second, it generates recurring revenue from Illumience, Clear Blue's cloud-based management software and service, and through sales of its Energy-as-a-Service (EaaS) management and service offering.

As an ongoing recurring revenue service, Clear Blue manages and operates all of its Smart Off-Grid systems, which have been sold to 37 countries around the world. Each new system is sold with three years of pre-paid ongoing management & operations service. Renewal of services after this three-year period is a growth area for Clear Blue. In North America specifically, Clear Blue has customers in at least 24 states in the U.S. and 9 Canadian provinces. Globally, Clear Blue's systems power and control lighting, security, and telecom applications, including sites in Europe, the Middle East, Africa, and South-east Asia.

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 service models focus on delivering on a brand promise of:

- Maximum Uptime
- Longest Life
- Ease of Installation and Maintenance

Clear Blue's key differentiators are:

- Energy forecasting and management
- Troubleshooting and remediation

Clear Blue's solutions are designed with 100% light-out remote management in mind and have a key focus on delivering the lowest Total Cost of Ownership for its customers.

How We Analyze and Report Our Results

Because sales involves discrete projects with a wide range of order sizes, the Company experiences a high variability of results on a quarter-by-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, 2020, and 2019, respectively. For the fourth quarter, the TFQ analysis is equivalent to the traditional full-year annual review.

Financial Highlights

On a Trailing Four Quarter (TFQ) basis:

- 2020 revenue was a record $4,023,811 for the Company, a 1% increase over the previous TFQ period, with the slower growth relative to prior periods a result of the Covid-19 pandemic;
- TFQ gross profit was $1,266,999, a 42% increase from $891,163 in the previous period. This improvement was a result of two factors: cost reductions through supply chain and contract manufacturing; and more importantly, new smart off-grid functionalities developed and implemented by the company which resulted in the elimination of complex and costly system components;
- Operating expenses for the TFQ ended December 31, 2020 were $4,629,224, a decrease of $1,051,437 or 19% compared to the same period in 2019, mainly due to government Covid-19 funding support of $750,886 and lower bad debts written off by $146,044 for the TFQ ended December 31, 2020;
- Non-IFRS Adjusted EBITDA for the TFQ was $(3,590,506) as compared to $(4,157,728) for the previous TFQ—a 13.6% improvement resulting from improving gross margins from 22.4% to 31.5%, from various cost reduction plans undertaken by the Company as well as government Covid-19 funding support. Clear Blue has undertaken a strong cost reduction plan as a general part of its overall 2020 plan to improve its gross margins and its Adjusted EBITDA;

For the quarterly Q4 2020 results:

- Beginning Q2, 2020, the Company began reporting Bookings were $4,158,916 on December 31, 2020 with delivery anticipated over the next three years, up 202% from the previous quarter;
- Q4 quarterly revenues were $2,504,446, a 5% increase over $2,392,839 for Q4 2019 and a quarterly revenue record for the Company;
- Gross profit for Q4 was $669,702 or 27% gross margin relative to $395,188 for Q4 2019;
- Quarterly operating expenses decreased by $254,170 to $1,859,633 for the three-month period ended December 31, 2020 versus $2,113,803 for the three-month period ended December 31, 2019. This can be attributed to government-funded Covid-19 related support of $139,926 in the current quarter, as well as an inventory write-off of $216,961 in the comparative three-month period of 2019.
- Quarterly Non-IFRS Adjusted EBITDA was $(1,167,232) versus $(1,387,959) in Q4 2019 due to the inventory write-off mentioned above in Q4 2019. In addition, additional cost reduction measures were undertaken in March to mitigate the short-term impact of Covid-19 and a number of government's Covid-19 subsidies have been obtained in order to assist in funding of salaries and rent over the period.

The Company commenced a Covid-19 lockdown in mid-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 was impacted by the office closing. The Company reopened its offices at the end of May. Some supply chain items were delayed due to Covid-19, and as a result, many orders received in Q1/Q2 shipped in Q3/Q4 respectively.

On the sales side, there were delays in large system rollouts that occurred during Q1, Q2, and Q3 of 2020. However, in Q4, these large-scale telecom rollout programs began to gain momentum, resulting in the significant backlog recorded at the end of 2020. Indeed, the backlog on the books as at Dec 31, 2020 exceeded the entire revenue for all of 2020.

Subsequent Events

Subsequent to December 31, 2020 the Company has issued 740,554 common shares pursuant to exercise of share purchase warrants for gross proceeds of $363,278 and 36,000 common shares pursuant to the maturity of RSUs.

Financial Results

From an IFRS perspective,

	Three months ended December 31			TFQ ended December 31		
Result of Operations	2020	2019	Change	2020	2019	Change
Revenue	2,504,446	2,392,839	5%	4,023,811	3,971,301	1%
Cost of sales	1,834,744	1,997,651	-8%	2,756,812	3,080,138	-10%
Gross profit	669,702	395,188	69%	1,266,999	891,163	42%
Gross margin %	27%	17%		31%	22%	
Operating expenses	1,859,633	2,113,803	-12%	4,629,224	5,680,661	-19%
Operating loss	(1,189,931)	(1,718,615)	-31%	(3,362,225)	(4,789,498)	-30%
Other items	(202,043)	(232,972)	-13%	(461,994)	(312,420)	48%
Net loss and comprehensive loss	(1,391,974)	(1,951,587)	-29%	(3,824,219)	(5,101,918)	-25%

From a non-IFRS Adjusted EBITDA perspective,

	Three months ended December 31			TFQ ended December 31		
Result of Operations	2020	2019	Change	2020	2019	Change
Revenue	2,504,446	2,392,839	5%	4,023,811	3,971,301	1%
Cost of sales	1,834,744	1,997,651	-8%	2,756,812	3,080,138	-10%
Gross profit	669,702	395,188	69%	1,266,999	891,163	42%
Gross margin %	27%	17%		31%	22%	
Non-IFRS Operating expenses	1,836,934	1,783,148	3%	4,857,505	5,048,891	-4%
Non-IFRS Adjusted EBITDA	(1,167,232)	(1,387,960)	-16%	(3,590,506)	(4,157,728)	-14%

From a balance sheet perspective:

Balance Sheet	December 31, 2020	December 31, 2019	Change
Total current assets	$ 7,756,513	$ 4,921,391	58%
Total assets	8,398,174	5,308,496	58%
Current liabilities	3,199,564	3,745,532	-15%
Total liabilities	7,152,947	5,539,654	29%
Total shareholders' equity (deficiency)	1,245,227	(231,158)	639%
Working capital (current assets exceed current liabilities) *	4,556,949	1,149,355	296%

* Note: As per IFRS, the Company's bank line is deemed to be a current liability impacting the working capital calculation.

Bookings

As Clear Blue's recurring revenue begins to grow, particularly through the launch of its EaaS offering, less and less of its sales will show up as near-term one-time revenue. With EaaS for Illumient in North America, Clear Blue has seen that 40% of each sale is now prepaid deferred revenue that is recognized over time, typically over 3 years. As a result, the amount of such deferred revenue and other bookings begins to be an important number and as a result, beginning in Q2 2019, Clear Blue has been reporting its bookings.

While the Company is unable to provide traditional guidance, its recurring revenue model provides visibility on bookings, which it defines as:

- Future Illumience and EaaS deferred revenue that has been pre-purchased by customers;
- Projects where Clear Blue has begun production on and has purchase orders and/or deposits;

As of December 31, 2020, Clear Blue's bookings are $4,158,916, a 202% increase over Q3 2020, which will be delivered over the next three years in the case of Illumience/EaaS and typically in the next 1-4 months in the case of production orders. The table below provides a breakdown of our bookings:

		Revenue	
Bookings as of December 31, 2020	Total	2021	2022 and Beyond
Illumience/EaaS deferred revenue	975,664	402,310	573,354
Purchase Orders	3,183,252	3,141,640	41,612
Total Bookings	4,158,916	3,543,950	614,966

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 its core smart off-grid controllers, nano-grid power-packs, and Illumient-branded solar streetlights. Also, the Company generates recurring revenue through the provision of its 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 years ended December 31, 2020, and 2019, and 2019, was:

	Three months ended December 31			TFQ Ended December 31		
Revenue by Category	2020	2019	% Change	2020	2019	% Change
Product Revenue						
Smart off-grid controllers and systems	2,215,508	170,890	1,196%	2,768,703	944,239	193%
Illumient smart off-grid lighting	171,192	2,177,288	-92%	901,481	2,874,845	-69%
Recurring Rev – Illumience & EaaS	117,746	44,661	164%	353,627	152,217	132%
Total Revenue	2,504,446	2,392,839	5%	4,023,811	3,971,301	1%
Cumulative Units Deployed	6,162	5,018		6,162	5,018	
Average Order Size	132,127	70,592		62,140	70,592	

On a TFQ basis, revenue increased by $52,510, a percentage increase of 1% for the TFQ ended December 31, 2020, compared year over year to the previous trailing four-quarter period. Revenue in the quarter ending December 31, 2020 increased by 5% to $2,504,446 when compared against the respective comparative period of 2019.

By Category, product revenue from Smart Off-grid controllers and systems increased 1,196% for the quarter and 193% for the TFQ ended December 31, 2020 compared to the same periods in 2019. The increase is attributed to revenue from a previously announced contract with a major telecom infrastructure operator in Africa (link). Consistent with the announcement, the Company delivered 30% of the systems in Q4 2020 with the remainder expected to be shipped in Q1 2021 for an aggregate of approximately $5 million over the two quarters.

Illumient revenue declined by 69% from 2,874,845 to 901,481. This is primarily due to the launch of Clear Blue's Energy as a Service offering which significantly reduces the one-time revenue and increases significantly the ongoing revenue over the typical three-year contract.

Clear Blue launched its Energy as a Service (EaaS) premium managed service offering in 2019, resulting in a more significant portion of each project allocated to ongoing service and a smaller part as one-time revenue. While there is an apparent decrease in revenue from Illumient smart off-grid lighting in the current quarter by 92% as well as TFQ ended December 31, 2020 by 69%, we believe we can generate more life-of-project revenue with our customers using the EaaS approach. As a result of this new business model, recurring revenue – Illumience & EaaS increased 164% for the quarter and 132% for the TFQ ended December 31, 2020 compared to the same periods in 2019.

Revenue by Vertical

Clear Blue's revenue distribution by industry vertical for the years ended December 31, 2020, and 2019, was:

	Three months ended December 31		TFQ Ended December 31		
Revenue by Vertical	**2020**	**2019**	**2020**	**2019**	**% Change**
Lighting	288,581	2,221,900	1,560,960	2,954,987	-47%
Telecommunications	2,204,660	234,566	2,442,525	928,287	163%
Security/IoT/Other	11,205	(63,627)	20,326	88,027	-77%
Total Revenue	2.504,446	2,392,839	4,023,811	3,971,301	1%

The lighting vertical posted a 47% decline year over year as a result of a change to our EaaS business offering. The large system rollouts of projects in our telecom vertical began in Q4 of 2020, thereby showing a strong growth for the year. The Company sees continued progress in the larger full-scale implementations in several African markets.

Revenue by Region

Clear Blue's revenue distribution by geography for the years ended December 31, 2020, and 2019, and 2019, was:

	Three months ended December 31		TFQ Ended December 31		
Revenue by Geography	**2020**	**2019**	**2020**	**2019**	**% Change**
Canada	18,347	117,861	414,129	301,081	38%
USA	246,729	782,511	1,040,912	1,401,041	-26%
MEA (Middle East & Africa)	2,215,661	1,447,820	2,537,616	1,601,619	58%
Other	23,709	44,648	31,155	667,560	-95%
Total Revenue	2,504,446	2,392,840	4,023,811	3,971,301	1%

Geographically, the Canada and Middle East & Africa markets grew 38% and 58%, respectively, driven by both telecom and lighting projects. The U.S. market actually experienced strong sales growth in 2020 over 2019 – however, due to the change to the EaaS recurring revenue model, the one-time in-year revenue was lower than in 2019.

Cost of Sales and Gross Margin

Gross margins for the Q4 period grew to 27% of sales for the quarter, up from a Gross Margin of 17% in the same period in 2019. TFQ gross margins increased to 31.5% of sales, up from a Gross Margin of 22.4% in 2019. This achievement is a result of significant efforts by the company to prepare for it to scale its manufacturing and supply-chain and to increase its gross margins.

Efforts made by the Company in 2020 yielded significant improvements in Gross Margin for Q4 and TFQ of 2020:

- 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 increased gross margin on our core products through improved design for manufacturability and cost reduction;
- 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.

Clear Blue Service Adoption & Recurring Revenue

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

- Number of units deployed
    - In Q4 YTD 2020, Clear Blue deployed 866 units for a total number of units of 6,162 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 over 5.4 million operating days of site production data, allowing the Company 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 EaaS/Illumience 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.

	December 31, 2020	December 31, 2019	Change
Deferred Revenue	$ 975,664	$ 514,608	89.6%

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 December 31		TFQ Ended December 31	
	2020	2019	2020	2019
Operating Expenses	$ 1,859,633	$ 2,113,803	$ 4,629,224	$ 5,680,661

Operating expenses decreased by $1,051,437 or 19% for the TFQ ended December 31, 2020, compared to the same period in 2019. The decrease in operating expenses can be attributed to government grants received as part of the government's response to the Covid-19 pandemic. The Company offset a wage subsidy of $732,575 against salaries, wages and benefits and rent subsidy of $18,310 against rent expense, resulting in a reduction in operating expenses for the TFQ ended December 31, 2020. Furthermore, included in prior year TFQ was a bad debt write provision of $216,971 compared to a write-off of $70,927 for the TFQ ended December 31, 2020, reducing operating expenses further.

The Company's continues to spend on various R&D projects and in 2020 the Company dedicated resources on certain 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 2021 post the Covid-19 lockdown. This product provides significantly enhanced functionality as well as a cost-reduced platform.
- First release of Clear Blue's DCDC product line. Internet of Things devices are essentially computing devices and power quality and regulation is a key requirement.

Clear Blue is building very high-efficiency, reliable, Smart DCDC's, another first for the market. The first release of this product occurred in late Q3 of 2020.

The Company regularly applies for and is granted R&D grants through a variety of government programs. However, consistent with 2019 SRED 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. For the TFQ ended December 31, 2020, the Company's R&D expenses were reduced by an IRAP grant of $200,587 and by SRED tax credits receivable in cash of $162,870 compared to $316,408 and $162,870, respectively, for the prior year comparative periods, resulting in a slight increase in R&D expenses for the TFQ ended December 31, 2020.

Travel expenses decreased significantly by $177,977 or 66% in 2020 as a direct result of Covid-19 restrictions and resulting decreased global travel. As the Covid-19 vaccine rollout begins, and international travel restrictions are lifted, travel to international markets for investor roadshows, marketing and pursuing sales opportunities will commence.

Business development and marketing expenses decreased by 115,792 or 19% as a result of less marketing activities during the Covid-19 pandemic. There were fewer trade show and online activities. The company has hired a full time Director of Marketing and expects to improve market presence in 2021.

Rent expense decreased $44,581 or 21% over 2019, primarily due to warehousing requirements and decreased variable occupancy expenses, along with rent subsidy of $18,310 received from the government as part of their Covid-19 relief program for businesses.

Professional fees include legal, tax, and audit expenses. The increase of $233,916 or 102% 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, 2020, the Company issued 389,355 new stock options (2019 – 487,002), which had an impact on stock-based compensation.

Other Expenses

Other expenses include interest expenses, foreign exchange, depreciation, and amortization.

Net Loss

Clear Blue is a high-tech company, and R&D investments in technology and platform are substantial parts of its 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.

	Three months ended December 31		TFQ Ended December 31		
	2020	2019	2020	2019	
Net loss and comprehensive loss	$ (1,391,974)	(1,951,587)	$ (3,824,219)	(5,101,918)	-25%

For the TFQ ended December 31, 2020, the Company reported a Net Loss of $(3,824,219), a decrease $1,277,699 or 25% over 2019 reflecting the Company's efforts at cost control and gross margin improvement. 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.

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 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.

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	Three months ended December 31 2020	2019	Change	TFQ ended December 31 2020	2019	Change
Revenue	2,504,446	2,392,839	5%	4,023,811	3,971,301	1%
Cost of sales	1,834,744	1,997,651	-8%	2,756,812	3,080,138	-10%
Gross profit	669,702	395,188	69%	1,266,999	891,163	42%
Gross margin %	27%	17%		31%	22%	
Operating expenses	1,859,633	2,113,803	-12%	4,629,224	5,680,661	-19%
Operating loss	(1,189,931)	(1,718,615)	-31%	(3,362,225)	(4,789,498)	-30%
Other items	(202,043)	(232,972)	-13%	(461,994)	(312,420)	48%
Net loss and comprehensive loss	(1,391,974)	(1,951,587)	-29%	(3,824,219)	(5,101,918)	-25%
Interest, taxes and depreciations	196,144	94,684		615,350	279,887	
EBITDA	(1,195,830)	(1,856,903)	-36%	(3,208,869)	(4,822,031)	-33%
Stock based compensation	97,597	125,388		298,322	320,748	
Government funding due to COVID	(139,926)	-		(750,886)	-	
Bad debt allowance	70,927	216,971		70,927	216,971	
Inventory writeoff	-	126,584		-	126,584	
Non-IFRS Adjusted EBITDA	(1,167,232)	(1,387,960)	-16%	(3,590,506)	(4,157,728)	-14%

As can be seen above, there has been significant improvement in the Company's operating expenses for the trailing four quarters.

Summary of Quarterly Results

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

	Dec 31, 2020	Sept 30, 2020*	June 30, 2020*	Mar 31, 2020*	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenue	2,504,446	940,849	340,345	238,171	2,392,839	670,159	568,037	340,266
Net Income(loss)	(1,391,974)	(770,252)	(561,203)	(1,100,790)	(1,951,587)	(6,513)	(1,675,959)	(1,467,859)
Income(loss) per Share	(0.08)	(0.02)	(0.01)	(0.02)	(0.07)	(0.00)	(0.04)	(0.04)
Total Assets	$8,398,174	$5,023,229	5,233,057	4,287,904	5,308,496	4,803,988	4,066,307	5,145,129

* Impacted by Covid-19

Disclosure of Outstanding Share Data

Clear Blue Technologies International Inc. common shares trade on the TSX Venture Exchange under the symbol "CBLU." And trades on the Frankfurt exchange under the symbol "OYA". The Company is authorized to issue an unlimited number of common shares without par value. On March 15, 2021, there were 63,653,216 common shares issued and outstanding, 3,015,723 stock options outstanding with a weighted average exercise price of $0.37 expiring between 2023 and 2027, 18,936,877 warrants outstanding with a weighted average exercise price of $0.52 expiring between 2022 and 2025 and 1,619,880 RSUs outstanding.

Fundraising & Other Share Activities

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 is exercisable at $0.50 per share for 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.

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 TSXV is greater than $0.70.

On December 22, 2020, the Company closed a private placement equity raise for a total of $4,999,964 representing 13,157,800 units. Under the terms of the offering, each unit is comprised of one common share of the Company and one-half common share purchase warrant of the Company. Each Warrant will be exercisable at a price of $0.55 per share for a period of 36 months following the closing and will be subject to early expiration if the closing trading price of the common shares of the company remains greater than $0.85 for 20 consecutive trading days.

During the year ended December 31, 2020, the Company issued:

i. 2,013,161 common shares as a result of the settlement of shares for debt transaction
ii. 1,200,653 common shares as a result of the maturity of shares of Restricted Share Units (“RSU”)
iii. 475,000 common shares as a result of the conversion of $95,000 convertible debt;

iv. 62,242 common shares for cash consideration of $3,112 and the transfer of $29,949 from contributed surplus to share capital in respect of stock option exercises.
v. 13,157,800 common shares as a result of a Private placement on December 22, 2020

During 2020, Clear Blue received $2 million from BDC as a 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.

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.

During the year ended December 31, 2020, the Company received government grants in response to the Covid-19 pandemic. For the Company’s subsidiaries, the Canada Emergency Wage Subsidy (CEWS) became available for eligible businesses as of March 15, 2020. This program provides a salary subsidy to allow employers to retain employees during the Covid-19 pandemic. It provides employers with wage subsidies up to $847/ week/ employee. Clear Blue Technologies Inc. have applied for this program for consecutive periods since its release.

Summary of amounts recognized are as follows:

10% Temporary Wage	$ 25,000
March 15 - April 11	96,975
April 12 - May 9	89,426
May 10 - June 6	97,682
June 7 – July 4	97,399
July 5 – August 1	96,649
August 2 – August 29	98,673
August 30 - September 26	71,617
September 27 – October 24	59,154
Rent Subsidy	18,311
Total	$ 750,886

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 that 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, a $1,000,000 revolving credit facility, and most recently a BDC loan, with an initial $2,000,000 drawdown. The Company continues to seek capital through various means including the issuance of securities. Additionally, reduction in expenses, increases in gross margin, and increases in revenue are key aspects that will contribute to meet the Company's liquidity needs.

As of December 31, 2020, the Company had working capital of $ 4,556,949 compared to working capital of $1,175,859 as of December 31, 2019. 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, 2020	December 31, 2019
Salaries and benefits, including bonuses	$ 496,203	$ 842,144
Stock-based compensation	178,798	144,241
Total	$ 675,001	$ 986,385

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 December 31, 2020, includes short-term amounts owing to shareholders of the Company for reimbursement of business expenses totaling $86,019 (December 31, 2019 – $526,161).

Outlook

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

Clear Blue's 2020 results, while impacted by Covid-19, did lay a strong foundation for 2021:

- Our Recurring Revenue increased 118%, with new bookings and Related Deferred revenue growing by 110% and 90% respectively, over 2019.

	Twelve months ended December 31		Change
	2020	2019	%
Deferred Revenue - Opening	$514,608	$289,690	78%
New Deferred Revenue bookings	$792,627	$377,135	110%
Recurring Revenue delivered	($331,571)	($152,217)	118%
Deferred revenue - Closing	$975,664	$514,608	90%

- With spending on clean infrastructure top of mind with many governments, including both U.S. and Canada, we expect continued strong growth in this market;
- In 2020, we announced a number of Large Rollout agreements for our Telecom Nano-grid offering. These rollouts are moving forward and one of them, which included an announcement of $3M for Q1 of 2021 is still on track for Q1. This order alone will generate $3M in revenue in Q1 2021 compared to total revenue of $238,298 in Q1 2020, an 1158% increase in Q1 YoY;
- In December 2020, we closed an equity financing of $5M with potential for an additional $3.9M through exercise of related warrants and $5.8M through exercise of warrants from prior financings, which will enable us to scale our operations including sales and go-to-market activities;

While Covid-19 continues to affect the globe, most businesses have now adjusted to the new normal. While impacts to operations and activities are still possible, Clear Blue is pro-actively managing to minimize any Covid-19 impact to 2021 revenue and profitability. Indeed, a number of customers are in ‘catch up’ mode and have ambitious targets for 2021 to make up for lost time in 2020.

Clear Blue’s Bookings are growing nicely as well. Our Bookings reflect the amount of prepaid recurring service contracts that we have in place, together with purchase orders that are in production. As of Dec. 31st, Clear Blue’s Bookings were $4,158,916 which is not only a 202% increase from Q3 2020 but also it is greater than all of our 2020 revenue. As we report our Bookings over a few more quarters, we will begin showing this number on a TFQ basis, as quarterly numbers do expect to continue to be lumpy.

In the third quarter of 2019, Clear Blue’s Management team reported on its view of the growth potential of the Telecom vertical in terms of three project stages:

- 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

Proof of Concepts are followed by First Installs which are then followed by Large Rollouts. A Large Rollout could generate revenues up to the $10 million range and even beyond, with a single telecom cell tower generating $5,000 to $25,000 in revenue for Clear Blue. And Large Rollouts tend to be multi-phased programs and not just single projects. As a result, activity around the first two steps can provide some insight to future potential traction.

For the trailing four-quarters period ending Q4 2020, the Company delivered 10 Proof of Concept projects and 4 First Installs. Additionally, it shipped the first phase of one Large Rollout order.

In 2020, Clear Blue announced three Large Rollouts. One has had its financing delayed due to Covid, but the other two are moving forward and should both deliver results in 2021 and beyond.

Based on a similar pipeline review Clear Blue believes it will contract the following new projects for 2021:

- 4-6 POCs
- 3-7 First Installs, and
- 1 or more Large Rollout orders

in the first half of 2021

In conclusion, management believes the combination of:

- strong bookings growth both in our lighting and telecom sectors;
- established sales of Large Rollouts in telecom;
- our guidance on new telecom sales, and;
- supported by completion of a major financing at the end of 2020;

positions the Company for significant growth in 2021.

Management's Report on Environmental, Social and Governance (ESG)

Clear Blue Technologies is committed to being a leader in Environmental, Social and Governance. Its inbred within our culture, starting with 3 co-founders of which one is a woman. The company has female representation at all levels, including its Board and C-suite. As a cleantech company, we deliver carbon credits to the world on a daily basis. Since inception, the company has recorded 300,000 pounds of carbon offsets through the Smart Off-Grid solar and wind-based systems and services it delivers for its customers. It has made significant efforts towards integrating ESG into business operations. The metrics have been organized into four pillars – Principles of Governance, Planet, People and Prosperity.

- Principles of Governance is the 'G' of ESG, covering a company's commitment to ethics and societal benefit;
- Planet is the 'E', looking at themes of climate sustainability and environmental responsibility;
- People is the 'S', focusing on the roles human and social capital play in business;
- Prosperity meanwhile brings a financial lens, but one that is concerned with business contributions to equitable, innovative growth — economic prosperity on a wider basis than simply a company's own profit generation, including community investment and tax.

Governance

Clear Blue understands good governance is critical for the Company's success. In recent years the company has dedicated key resources to proper Corporate Governance and established codes of Business Conduct. With the Company's expansion towards a global market, Clear Blue is dedicating resources to develop strategies to identify and manage risks associated with global expansion, including risks associated with operations in countries with weak anti-corruption laws, and exposure to reputational and legal risks.

Clear Blue is reviewing its Risk identification and Crisis Management procedures, including the independence of risk management from business lines as well as the identification of long-term risks, their potential impact, and the company's mitigation efforts.

Planet

Clear Blue Technologies, the Smart Off-Grid company, was founded on a vision of delivering clean, managed, "wireless power" to meet the global need for reliable, low-cost, off-grid power for lighting, telecom, security, Internet of Things devices, and other critical systems. Our Smart Off-Grid system includes our solar or solar-hybrid controller, a built-in communications network, and Illumience. Illumience is Clear Blue's Smart Off-Grid cloud application and management service, delivering remote control, management, and proactive servicing of off-grid systems. It ensures unmatched reliability and long-lasting system performance, while reducing installation and ongoing maintenance costs by up to 80 percent. Our products aid in assist in reducing the environmental Footprint of Hardware Infrastructure, moving grid connected hardware to renewable energy through our smart Off-Grid technology.

People

Like many Canadian corporations, Clear Blue is committed towards Canadian government's 50 – 30 initiative (https://www.ic.gc.ca/eic/site/icgc.nsf/eng/07706.html, which is geared towards increasing representation and inclusion of diverse groups within their workplace, while highlighting the benefits of giving all Canadians a seat at the table.

The 50 – 30 Challenge asks that organizations aspire to two goals:

1. Gender parity ("50%") on Canadian board(s) and senior management; and
2. Significant representation ("30%") on Canadian board(s) and senior management of other under-represented groups, including racialized persons, people living with disabilities (including invisible and episodic disabilities) and members of the LGBTQ2 community. The program and participants recognize that First Nations, Inuit and Métis peoples as founding peoples of Canada are under-represented in positions of economic influence and leadership

Clear blue is proud to have a female Chief Executive Officer (CEO), a 40% female representation on our Board and 37% female representation across the company. Clear Blue has a 60% diverse board and a 70% diverse company, with representations from female, visible minorities and LGBTQT2 community.

Prosperity

Clear Blue has three offices in Canada, United States of America, and Kenya and Clear Blue systems are operational in 37 countries, 24 U.S. states, and 9 Canadian provinces. The company works with local vendors and is committed to recruiting & managing a Global, Diverse and Skilled Workforce. Clear Blue recently expanded to Africa, establishing an office in Nairobi, Kenya, and pursuant to its committed to provide local prosperity by hiring locally, hired majority of its locally.

Clear Blue recently expanded to Africa, establishing an office in Nairobi, Kenya, and pursuant to its commitment to provide local prosperity by hiring locally, hired four of the five team members in Kenya from the local community.

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.

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 consistent 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.

The Company's Financial Statements were not affected by the adoption of IFRIC 23. The Company applied the requirements of the standard with full retrospective application with no restatement of comparative periods.

Risks and Uncertainties

Liquidity risk

As at December 31, 2020, the Company had a working capital of $ 4,556,949. The Company plans to realize its 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 the 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 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. 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 $179,000 as at December 31, 2020.

Going concern risk

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred losses as the Company continues to 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 has been able to raise sufficient funds to finance its operations through issue of shares, and government funding.

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, some material risks and uncertainties 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.

Sales risk

Clear Blue's sales efforts target medium and large organizations, and the Company spends significant time and resources educating prospective customers about the features and benefits of its solutions. The Company balances this risk by continuously assessing the condition of its backlog and pipeline and making the appropriate adjustments as far in advance as possible. This strategy also includes a comprehensive program to build and improve relationships with 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 on 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.

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, 2020 the Company had positive cash flow, mainly resulting from a private placement. Excluding the impact of the private placement, the company has had negative cashflows for the years ended December 31, 2020 and December 31, 2019 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 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 a 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, labor 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 favor 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 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 plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable 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.