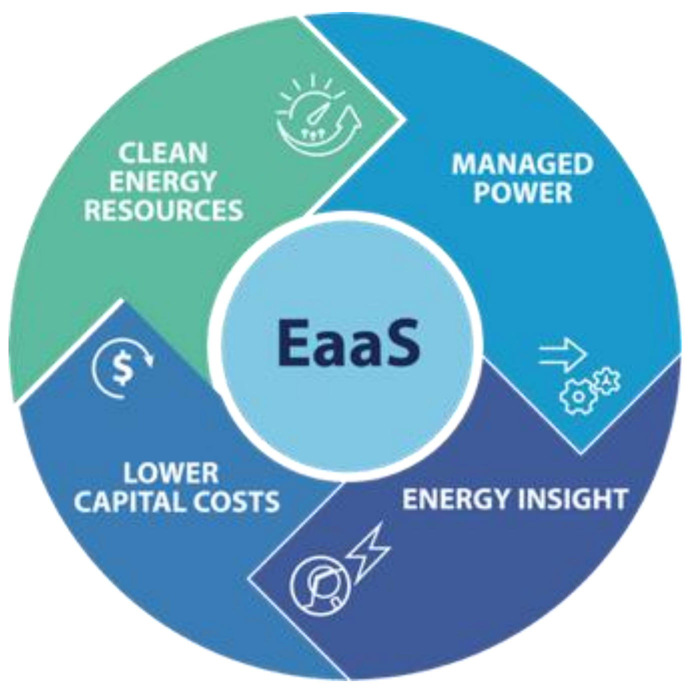
CLEARBLUE TECHNOLOGIES

The Smart Off-Grid Company™



Delivering Smart Off-Grid Power Solutions and Energy-as-a-Service In 37 Countries

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

For the Quarters Ended June 30, 2022, and 2021

Dated: August 24, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS IN CONNECTION WITH THE FINANCIAL STATEMENTS OF CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC. FOR THE QUARTERS ENDED JUNE 30, 2022 AND 2021

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 "the Company") should be read in conjunction with the condensed interim consolidated financial statements of Clear Blue and the related notes thereto for the interim period ended June 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021. This MD&A is presented as of August 24, 2022 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's condensed interim consolidated financial statements for the period ended June 30, 2022. 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, is available on SEDAR at www.sedar.com and on Clear Blue's website at www.clearbluetechnologies.com.

This MD&A addresses matters considered essential for an understanding of the Company's business, financial condition and results of operations as at and for the six and twelve month periods ended June 30, 2022, along with any subsequent material information.

Impact of Recent Armed Conflicts

On 24 February 2022, Russia launched a military invasion of Ukraine. As a result, entities, regardless of whether they have direct operations in Russia or Ukraine, are likely to experience additional supply-chain disruptions, including shortages of materials, higher costs of freight, and increased transportation delays. Given these challenges, entities are reviewing their costs associated with accounting for inventory as well as revenue recognition practices. Clear Blue Technologies does not directly trade with either Ukraine or Russia; however, being part of the global economy, the Company is experiencing indirect impacts to its supply chain. The Company is actively managing any impacts of these events on its operations. In the event that the global economic situation worsens, and operations of the Company are further affected, or if the Company's customer's operations are disrupted, such events may have a material adverse effect on the Company.

Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared that the outbreak of Covid-19 was a pandemic. Since that time, the Company has focused its efforts on safeguarding the health and well-being of its employees, consultants, customers, and community members. Most of the Company'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 the home. Since the inception of the pandemic, the Company has additionally been abiding by the protocols recommended by the health officials within Canada. As the pandemic progresses and the public gets vaccinated, the Company has begun to bring some employees back to the office in a hybrid model and continues to monitor and adhere to applicable guidance regarding the performance of activities within the workplace.

With an everchanging pandemic landscape, 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 Company is subject to considerable risk uncertainty. Over the course of the pandemic, a number of businesses have suspended or scaled back their operations multiple times, and as new variants of Covid-19 have been confirmed, for precautionary purposes, governments have declared a states of emergency or taken other actions. In the event that the operations or development of the Company are suspended or scaled back, or if the Company's customer's operations are disrupted, such events may have a material adverse effect on the Company. The Company 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 Company.

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 Company'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 Company's business to new geographic areas;*
- *the performance of the Company's business and operations;*
- *expectations with respect to the advancement of the Company's products and services;*
- *expectations relating to market adoption of the Company's technologies and solutions;*

- *expectations with respect to the advancement and adoption of new products, including the adoption of new products by the Company's existing customer base;*
- *the anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates;*
- *the ability to obtain capital;*
- *sufficiency of capital;*
- *general economic, financial market, regulatory, and political conditions in which the Company operates;*
- *estimations and anticipated effects of the Covid-19 pandemic, including supply chain and shipping logistics; and*
- *impact of recent military conflicts.*

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

An investment in securities of the Company is speculative and subject to several risks including, without limitation, the risks discussed under the heading "Risk Factors" in the Company's listing application dated July 12, 2018. Although the Company 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 Company has made certain assumptions, including, but not limited to:

- the Company's anticipated cash needs and its needs for additional financing;
- the Company will continue to be in compliance with regulatory requirements;
- the Company 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;
- key personnel will continue their employment with the Company, and the Company 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 Company 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 Company 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 – digital infrastructure that's mission-critical to today's modern world.

Clear Blue's patented Smart Off-Grid technology operates and remotely manages solar, hybrid, and wind-powered devices and connects them to a cloud-based management system. Together with Clear Blue's ongoing management service, this technology reduces the upfront costs of off-grid power systems by over 40%, and it simultaneously improves the reliability of these systems.

Clear Blue generates revenue in two ways. First, it generates revenue through sales of power and energy systems, including its Smart Nano-Grid systems, its Illumient solar-powered street lighting and soon its Smart Pico-Grid system. Second, it generates recurring revenue by providing its Energy-as-a-Service ("EaaS") management and service offering using the Company's industry-leading cloud-based management software and service, Illumience.

Clear Blue manages and operates all of its Smart Off-Grid systems, which have been sold in 37 countries around the world to date, generating a recurring revenue stream. Each new system is sold with three years of pre-paid ongoing management & operations service. The growth and expansion of these services both during the initial term and after this initial three-year period is a growth area for Clear Blue. In North America, Clear Blue has customers in at least 27 U.S. states 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 Southeast Asia.

Clear Blue's business strategy is to provide Smart Off-Grid Power to support mission-critical infrastructure across industrial, commercial, and government markets. In these market segments, the Company's solutions provide the lowest cost power systems and energy services. Clear Blue's 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

These key differentiators are critically enabled through the data accumulated from all customers that improve the smart analytics and tools of Clear Blue's cloud-based management service.

Clear Blue's solutions are designed with 100% 'lights-out' remote management in mind and have a key focus on delivering power at the lowest cost for its customers. Clear Blue's systems help reduce power costs in a few important ways. First, its energy systems use predictive analytics and smart data to manage energy generation and consumption, resulting in fewer solar panels and smaller battery storage, in turn resulting in a direct upfront cost saving of 40%. Secondly, maximizing the operational performance of these systems also leads to superior performance and longer replacement cycles.

Financial & Operational Highlights

How Results are Analyzed and Reported

Because sales activities involve discrete projects with a wide range of order sizes, the Company experiences some variability in financial results over the course of a year. A trailing four quarters ("TFQ") analysis, therefore, provides the most relevant perspective on the progress and the potential growth of the Company. The information below presents the Company's TFQ financial results for the periods ending June 30, 2022, and 2021.

On a TFQ basis:

- TFQ revenue was $5,886,453 a 24% decrease from $7,714,708 in the corresponding previous period. This was attributed to two factors:
    - The timing in the comparative period of a large tower order undertaken for a strategic customer. In Q1 of 2021, the Company sold towers to a major telecom infrastructure operator in Africa, for $1,484,404 at a margin of 12.5% to support its first deployments;
    - A delay in some customer rollouts and deployments due to the global macro-economic environment. While no projects have been cancelled, Clear Blue has seen customer financing and Capex plans take a pause, thereby impacting Clear Blue's most recent quarter. This had an overall impact of -6% to Clear Blue's TFQ revenue.
- Bookings represent orders/commitments that have been received by Clear Blue and for which the Company expects to recognize revenue in future periods. A portion of bookings represents recurring revenue, which is discussed later in this MD&A. As of June 30, 2022, bookings were increased to $2,104,309, an increase of 37%, when compared to $1,536,118 as of December 31, 2021, with delivery anticipated over the next three years.
- Gross profit remained consistent at $1,984,809, compared to $2,100,743 in the previous period. Gross margin percentage increased to 34% compared to 27% for the comparative period of 2021. In the face of strong global supply chain headwinds, Clear Blue's demonstrated value to customers allowed it to maintain strong margins within the quarter.

- Non-IFRS Adjusted EBITDA for the period was $(3,141,266) as compared to $(3,018,375) for the previous period — a 4% decrease from the comparative period of 2021. This slight decrease is mainly attributable to a lower sales, increasing salary costs, and partially offset by a higher gross margin percentage.

For the quarter ended June 30, 2022 ("Q2 2022"):

- Q2 2022 revenue was $782,101 a 3% decrease from $810,406 in the corresponding previous period. Q2 is a seasonally soft quarter for the Company, and on average accounts for 19% of a given year's revenue.
- Recurring revenue comprised $358,250 of this revenue compared to $134,011 in Q2 2021, a 167% increase. Recurring revenue is expected to increase each year as Clear Blue sells more units with a subscription model and as the Company's base of telecom installations grows. Telecom systems have a tendency to grow their capacity and power consumption which also increase the recurring revenue for Clear Blue.
- Gross profit (margin) for Q2 2022 was $277,295 (36%) compared to $304,283 (37.5%) for Q2 2021, a decrease resulting from slightly lower revenue for the quarter.
- Quarterly Non-IFRS Adjusted EBITDA was $(989,498) versus $(833,495) in Q2 2021, a 19% increase from Q2 2021. Approximately $123,000 of this delta is due to higher travel and marketing-related expenses that occurred in Q2 2022 as both customers and investors returned to in-person meetings and conferences.

Notable developments and announcements for the quarter ending June 30, 2022:

- On April 12, the Company announced a significant win having been selected by Viasat to provide Smart Off-Grid managed power solutions to power Viasat's Community Internet in Nigeria. Viasat is a leading global satellite services provider listed on the Nasdaq and have a major next generation satellite service being launched to support Community Internet and other services around the world;
- April 29, 2022, Clear Blue announced the closing of the initial tranche of a non-brokered unit offering for gross proceeds of approximately $989,834;
- On May 30, concurrent with the Company's release of Q1 financials, the Company also announced the closing of its second and final tranche of the non-brokered unit offering for additional gross proceeds of approximately $653,443;
- June 7, 2022, Clear Blue was recognized by the Corporate Knights as one of the Future 50 Fastest-Growing Sustainable Companies in Canada. Clear Blue ranked #13 of the public companies with 103% growth in 2021;
- On June 22, Clear Blue received $4 million in Government of Canada support through the Federal Economic Development Agency for Southern Ontario ("FedDev"). The financing will be drawn upon over a 21-month period until March 2024. Repayment begins in 2025, continues to 2031, and carries 0% interest. The Company intends to use the proceeds for sales and business development, to expand its production capacity,

and to support the commercialization of its new Pico-Grid technology. Pico-Grid, announced earlier in 2022 is expected to launch by the end of 2022.

Subsequent to the quarter end, Clear Blue had additional notable developments:

- Clear Blue expanded to Nigeria to support global growth;
- The Company began an expense management right-sizing exercise to reduce its operating expenses. As part of this program, employee headcount was reduced both through natural attrition and some restructuring. Additionally, management and several employees have accepted reduced cash compensation in exchange for equity;
- The U.S. Senate and House passed the Inflation Reduction Act (IRA), and was signed into law by President Biden. The IRA is the largest climate bill in history and provides substantial long-term support to the solar and energy storage industry, headlined by a 10-year extension to the Investment Tax Credit ("ITC") at a base rate of 30%, together with Neighborhood Access and Equity Grants, USDA Assistance for Rural Electric Cooperatives and Energy Credit for Solar and Wind in Low Income Communities. ITC can be as high as 60% in certain situations and cover a whole range of renewable energy projects. It is expected that these supports provided by the United States government will have a positive impact on the Company’s business.

Outlook and Management Commentary

Q2 2022 was a period which saw a delay in orders from a number of key customers impacting the year-to-date results. As a result, Q2 2022 revenue was relatively flat over Q2 2021.

The Company expects 2022 revenue to be in the $5,500,000 to $9,500,000 for fiscal 2022. While this is a wide range, management is witnessing considerable buying uncertainty given the current economic environment. Clear Blue’s 2022 and 2023 revenue pipeline includes around 20 customers in both telecom and lighting verticals. Two of these customers could cause the Company’s 2022 revenue to exceed the top end of its 2022 revenue guidance range. One of these customers plans to materially expand its sites by over five times in 2022, which is only partially captured in the Company’s revenue guidance. The second potential large customer could provide a partial order for their near-term demand in 2022, which is also only partially captured in the Company’s revenue guidance range.

Clear Blue is maintaining its Gross Margin guidance provided with Q3 2021 results last November. Management expects Gross Margin to be in the 30% to 35% range, owing to ongoing and well documented global supply chain constraints, leading to higher raw materials and other costs, even as the Company has been proactively managing its supply chain. In the medium to long-term, management expects the Gross Margin to be higher in the 33% to 38% range. Supporting management’s Gross Margin outlook, TFQ Gross margin was 34%, near the top end of the Company’s 30% to 35% near term range.

Management anticipates the Company could be Adjusted EBITDA break-even at an annual revenue in the $12,000,000 to $15,000,000 range owing to increasing margins and cost containment measures. Cost management remains a key focus for management. Given the outlook of upcoming sales, new product and new partnership initiatives, management is prudently balancing these growth opportunities with cost containment measures.

The recent $4 million non-dilutive and interest-free financing from FedDev provides the Company with sufficient cash for twelve months. Additionally, as demonstrated by the Company's recent $4 million FedDev financing, the Company has successfully demonstrated consistent support from federal and provincial governments, which management believes is a strategic advantage for Clear Blue. During the next twelve months, the Company should not need to access capital markets in order to fund organic revenue growth. Clear Blue's recent FedDev financing, combined with increasing revenue in 2022, and the potential for additional government R&D grants will enable the Company to improve its cash position throughout the remainder of 2022.

Financial Results

From an IFRS perspective:

	Three months ended Jun 30			TFQ ended Jun 30		
Result of Operations	2022	2021	Change	2022	2021	Change
Revenue	782,101	810,406	-3%	5,886,453	7,714,708	-24%
Cost of sales	504,806	506,123	0%	3,901,644	5,613,965	-31%
Gross profit	277,295	304,283	-9%	1,984,809	2,100,743	-6%
Gross margin %	35%	38%		34%	27%	
Operating expenses	1,455,707	1,157,895	26%	5,810,648	5,017,862	16%
Operating loss	(1,178,412)	(853,612)	38%	(3,825,839)	(2,917,119)	31%
Other items	(509,649)	(127,138)	301%	(1,230,480)	(658,491)	87%
Net loss and comprehensive loss	(1,688,061)	(980,750)	72%	(5,056,319)	(3,575,610)	41%

From a non-IFRS Adjusted EBITDA perspective:

	Three months ended Jun 30			TFQ ended Jun 30		
Result of Operations	2022	2021	Change	2022	2021	Change
Revenue	782,101	810,406	-3%	5,886,453	7,714,708	-24%
Cost of sales	504,806	506,123	0%	3,901,644	5,613,965	-31%
Gross profit	277,295	304,283	-9%	1,984,809	2,100,743	-6%
Gross margin %	35%	38%		34%	27%	
Non-IFRS Operating expenses	1,266,793	1,137,778	11%	5,126,075	5,119,118	0%
Non-IFRS Adjusted EBITDA	(989,498)	(833,495)	-19%	(3,141,266)	(3,018,375)	4%

Please refer to the later section on Adjusted EBITDA for more information regarding how this metric is calculated.

From a balance sheet perspective:

Balance Sheet	June 30, 2022	December 31, 2021	Change
Total current assets	$5,756,272	$7,769,382	-26%
Total assets	10,009,702	11,167,755	-10%
Current liabilities	5,005,297	4,342,660	15%

Total liabilities	11,531,913	11,382,996	1%
Total shareholders' equity (deficiency)	(1,522,211)	(215,241)	607%
Working capital (current assets exceed current liabilities) *	750,975	3,426,722	-78%

Bookings

As Clear Blue's recurring revenue begins to grow, particularly through the launch of its EaaS offering, fewer sales will be recognized as near-term one-time revenue. As a result, Clear Blue reports on bookings, which represent the current dollar value for future products and services that will be recognized as revenue in future periods.

The Company defines bookings as:

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

As of June 30, 2022, Clear Blue's bookings increased by 37% to $2,104,309 versus $1,536,118 as of December 31, 2021, which will be delivered over the next three years in the case of Illumience/EaaS and typically in the next four to six months in the case of production orders. The table below provides a breakdown of Clear Blue's bookings:

Bookings as of June 30, 2022	Total	Revenue Year 1	Revenue Year 2 and Beyond
Illumience / EaaS Deferred Revenue	794,945	474,896	320,049
Purchase Orders	1,309,364	1,144,045	165,319
Total Bookings	2,104,309	1,618,941	485,368

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, 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

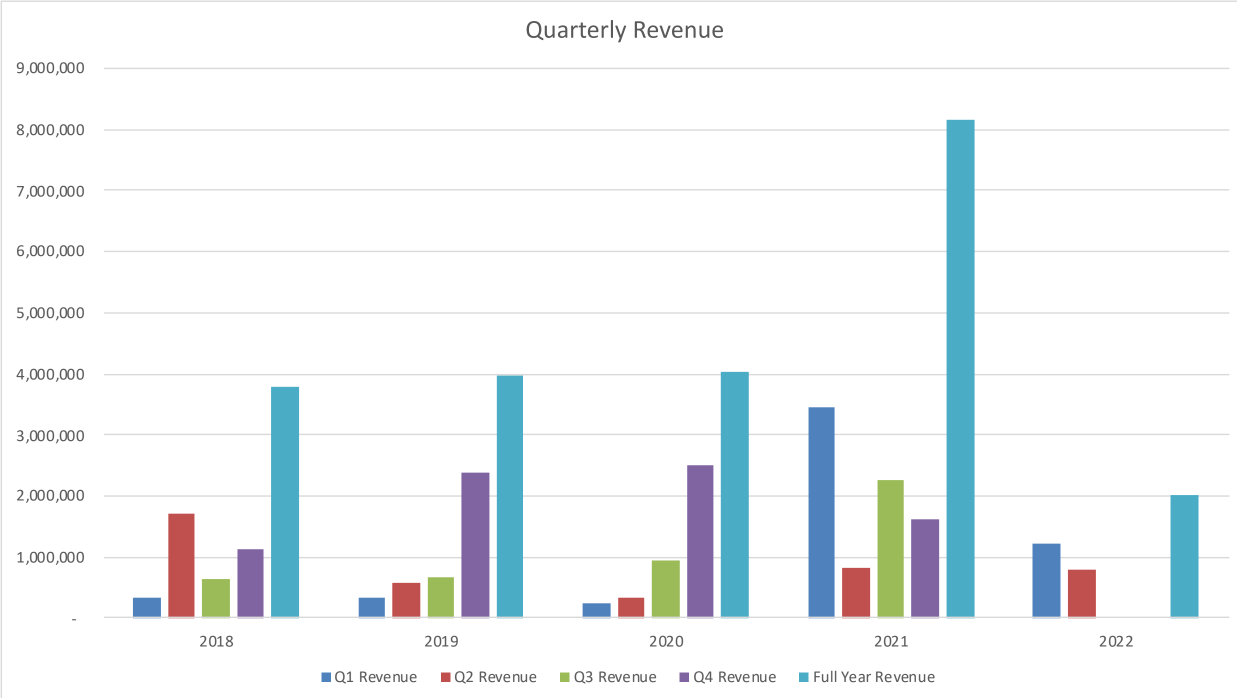
Clear Blue's revenue by product category for the six months and TFQ ended June 30, 2022, and 2021 was:

Revenue by Category	Three months ended June 30 2022	2021	% Change	TFQ ended June 30 2022	2021	% Change
Product revenue						
Nano-Grid incl Telecom Cell Towers	392,233	363,403	8%	4,592,410	6,091,674	-25%
Illumient Smart Off-Grid lighting	31,618	312,993	-90%	574,401	1,163,887	-51%
Illumience & EaaS Recurring	358,250	134,010	167%	719,642	459,148	57%
Total revenue	782,101	810,406	-3%	5,886,453	7,714,709	-24%
Cumulative units deployed	9,832	7,628		9,832	7,628	

On a TFQ basis, revenue decreased from $7,714,709 to $5,886,453, a 24% decrease for the period ended June 30, 2022 compared to the period ended June 30, 2021. As previously highlighted, revenue changes quarter by quarter, and trailing four-quarter revenue is a better indicator of performance. While the TFQ has produced strong revenue yielding periods for the company with revenue of $5,886,453, included in the comparative TFQ ended June 20, 2021, is a one-time revenue from the sale of towers to a major telecom infrastructure operator in Africa, which started its first deployments in Q4 2020 into Q1 2021, resulting in a higher-than-average revenue for these periods. Excluding $1,484,404 from this one-time tower order from Q1 2021, the adjusted comparative TFQ is $6,230,305 compared to $5,886,453, as slight decrease of 6%. Revenue in the quarter ending June 30, 2022 decreased by 3% to $782,101 versus the comparative period revenue of $810,406 in 2021.

Quarterly distribution of revenue is as follows:

	2018	2019	2020	2021	2022
Q1 Revenue	324,816	340,266	238,171	3,459,007	1,225,106
Q2 Revenue	1,697,696	568,037	340,344	810,406	782,101
Q3 Revenue	636,944	670,159	940,849	2,247,856	
Q4 Revenue	1,120,720	2,392,839	2,504,446	1,631,390	
Full Year Revenue	3,780,176	3,971,301	4,023,810	8,148,659	



By category, product revenue from Nano-Grid systems:

- decreased 25% from $6,091,674 to $4,529,410 for TFQ ended June 30, 2022, compared to the same period in 2021;
- increased 8% to $393,322 from $363,403 in the comparative quarter of 2021.

As mentioned above, the decrease for the quarter and TFQ is mainly attributed to revenue from a major telecom infrastructure operator in Africa in the comparative periods. Timing of deployment of telecom projects vary, and the resulting revenue for the period varies accordingly, which can be seen being reflected in the current quarter and TFQ of 2022.

Total Illumient systems:

- decreased by 51% from $1,163,887 to $574,401 for the TFQ ended June 30, 2022, compared to the same period in 2021;
- decreased 90% to $31,618 from $312,994 in the comparative quarter of 2021.

As mentioned previously, macro-economic events caused delays in approvals to capital budgets and expenditures, impacting the quarter’s North American Illumient sales.

Clear Blue operates and manages every system it sells to its customers. As a result, recurring revenue growth is a key focus of the Company. Recurring revenue from Illumience and EaaS:

- increased 57% from $459,148 to $719,642 for the trailing twelve months ended June 30, 2022 from the same period in 2021;
- increased 167% from $134,011 to $358,250 for the three months ended June 30, 2022.

Clear Blue's recurring revenues are a key differentiator, enabling the Company to deliver significant value to its customers in relationships that should last over ten years. This results in the significant long-term value of each customer contract the Company signs.

Revenue by Vertical

Clear Blue's revenue distribution by industry vertical for the periods ended June 30, 2022, and 2021 was:

	Three months ended three		TFQ Ended March 31		
Revenue by Vertical	**2022**	**2021**	**2022**	**2021**	**% Change**
Lighting	155,088	431,241	1,056,017	1,751,709	-40%
Telecommunications	626,707	378,105	4,829,431	5,937,125	-19%
Security/IoT/Other	306	1,060	1,005	25,875	-96%
Total revenue	782,101	810,406	5,886,453	7,714,709	-24%

On a TFQ basis, the Lighting vertical posted a 40% decline for the period ended June 30, 2022, compared year-over-year to the previous period.

The Company's Telecommunications vertical has grown significantly over the past few years. Large system rollouts of projects in Clear Blue's Telecommunications vertical began in Q4 2020 and Q1 2021, thereby showing strong growth in the comparative periods during 2021. Taking into consideration the normal seasonality, Q1 2021 TFQ revenue from this vertical is a solid growth metric, and the negative variance is mainly due to revenue in the comparative period from the above-mentioned one-time tower sales. Excluding the impact of the initial deployment, revenues have improved in this vertical.

Revenue by Region

Clear Blue's revenue distribution by geography for the quarter and TFQ ended June 30, 2022, and 2021 was:

	Three months ended June 30		TFQ ended June 30		
Revenue by Geography	**2022**	**2021**	**2022**	**2021**	**% Change**
Canada	59,637	23,976	461,690	414,570	0%
USA	89,015	374,818	531,901	1,257,255	-27%
MEA (Middle East & Africa)	372,526	407,946	4,627,218	6,010,961	-18%
Other	260,923	3,666	265,644	31,923	-50%
Total revenue	782,101	810,406	5,886,453	7,714,709	-18%

Geographically, the Middle East and African market decreased 23% for TFQ and 9% for the quarter ended June 30, 2022. The decrease for the TFQ revenue in MEA is mainly due to the initial deployment of a telecom project in Africa in Q4 2020 and into Q1 2021, resulting in a higher-than-average comparative period.

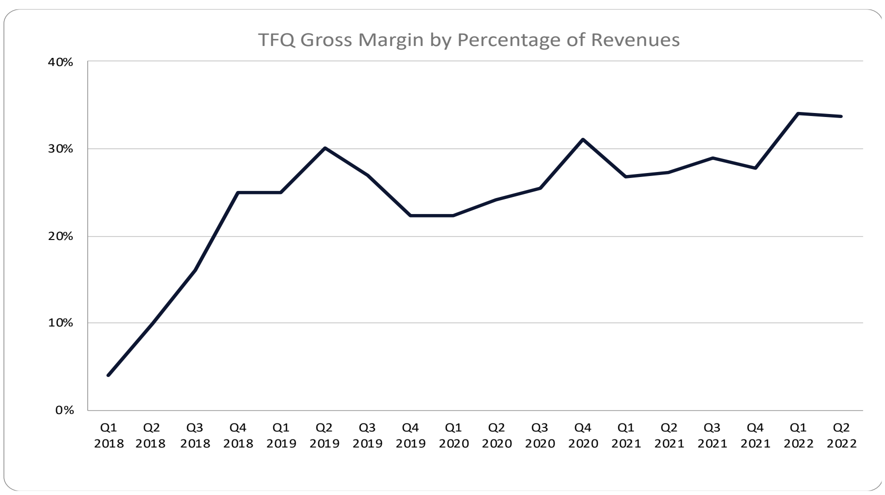
Clear Blue made its first large shipment to the LATAM market in Q2. Clear Blue sees significant interest and market opportunity in the LATAM market and is excited to see its first deployments there take shape.

Cost of Sales and Gross Margin

Gross margin in Q2 2022 was 36% of sales, slightly down from a gross margin of 38% in Q2 2021. Q2 2021. The slight decrease is due to material price increases resulting from higher inflation. The Company managed to pass a significant portion of these increased costs of materials to its customers.

TFQ gross margin increased to 34%, up from a gross margin of 27% in 2021. The increase is attributed to a strategic deal entered into in the comparative period of 2021. This was a one-time low margin deal entered to support a major customer in their roll-out in Africa.

To more easily see the ongoing improvement in Gross Margin of the Company, below is a chart showing the historical results on a TFQ basis:



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 the Company 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 Q2 2022, Clear Blue deployed 184 units for a total number of units of 9,832 to date. Every system sold includes ongoing Illumience and EaaS management services. Today Clear Blue has the most extensive data collection of production

systems in the world, with over 10.1 million operating days of site production data and more than 10 billion cloud transactions, allowing the Company to build 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 carries a balance sheet item showing the amount of sold and paid service revenue that it will recognize over time. Tracking the growth of this item is a crucial metric for the Company's progress.

	Three months ended June 30			Six month ended June 30		
	2022	2021	Change	2022	2021	Change
Deferred Revenue - Opening	875,890	938,597	-7%	950,566	975,664	-3%
New Deferred Revenue bookings	59,063	191,370	-69%	135,363	265,070	-49%
Recurring Revenue delivered	(140,008)	(135,258)	4%	(290,984)	(246,025)	18%
Deferred Revenue - Closing	794,945	994,709	-20%	794,945	994,709	-20%

Operating Expenses

Operating expenses under IFRS consisted 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 and included any offsets such as Covid subsidies that the Company may have received.

	Three months ended June 30		TFQ Ended June 30	
	2022	2021	2022	2021
Operating expenses	$ 1,455,707	$ 1,157,895	$ 5,810,648	$ 5,017,862

For the three months ended June 30, 2022, operating expenses increased by $297,812 compared to the same period in 2021. The Company has started amortizing intangibles related to completed R&D projects, amortizing $88,928 for the quarter, compared to nil in the comparative quarter of 2021. Travel-related expenses were higher compared to the comparative quarter by $53,259, due to the Company's participation in various customer meetings. Marketing and investor-related events resulted in an increase of $70,032 when compared to the same period in 2021. During the peak of Covid-19 in the comparative period, both marketing and investor-related events and resulting travel were restricted.

On a TFQ basis, operating expenses increased by $792,786 to $5,810,648, compared to $5,017,862. The Company offset a wage subsidy of $86,003 in the current TFQ, compared to $796,080 against salaries, wages and benefits and rent subsidy, resulting in an increase in operating expenses for the TFQ ended June 30, 2022.

Travel-related expenses were higher compared to the comparative quarter by $53,259 and higher by $220,296 for the TFQ ended June 30, 2022, when compared to the comparative TFQ of 2021, due to the Company's participation in various customer meetings, marketing and investor-related events, whereas travel was restricted in the comparative periods of 2021.

Over the trailing four quarters, development and marketing expenses remained relatively consistent at $502,204, compared to $499,084 for the comparative period of 2021. For the TFQ ended June 30, 2022, rent is higher by 89%, primarily due to renting a new warehouse in Nigeria and renting office space in Kenya. These operations in Eastern and Western Africa positively impact Clear Blue's sales and customer outlook for that key market for Clear Blue.

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 TFQ ended June 30, 2022, the Company issued 1,847,590 new RSUs, which had an impact on stock-based compensation.

Other Expenses

Other expenses include interest expenses, foreign exchange, depreciation, and amortization which are more determined by market factors and/or accounting choices rather than management actions.

Net Loss

		Three months ended June 30		TFQ Ended June 30		
		2022	**2021**	**2022**	**2021**	
Net loss and comprehensive loss	$	(1,688,061)	(980,750)	$ (5,056,319)	$ (3,575,610)	41%

For the TFQ ended June 30, 2022, the Company reported a net loss of $(5,056,319), an increase of $1,480,709 or 41% over 2021. An increase in operating loss is a combination of lower revenue, and higher operating expenses, partially offset by higher margins.

The Company has undertaken an expense management right-sizing exercise to reduce its operating expenses. As part of this program, employee headcount has been reduced both through natural attrition and some restructuring. Additionally, management and a number of employees have accepted reduced cash compensation in exchange for equity.

As revenue grows, Clear Blue anticipates strong growth in both top line revenues and in gross margin. Management believes costs can be managed such that profitability improves over time, leading to its objective of profitability.

Inventory

As at June 30, 2022, the Company's inventory mix has changed significantly, with 57% of its inventory being finished goods, as opposed to 36% at the end of December 31, 2021. Management believes that this shift is a sign of maturing inventory, and an increased finished goods percentage provides the Company with a strategic advantage. With the armed conflict in Ukraine, the lingering effects of the Covid-19 pandemic, and the resulting difficult supply chain environment, the Company is now in a position to commit to timely delivery to its customers. Furthermore, the Company's strategic investment in long lead time raw materials and components has provided the company with a competitive advantage, where the company has secured raw materials at a comparatively reasonable cost and guaranteed it onward supply to customers. Inventory write-off for this quarter was $129,652, which was $21,361 in the comparative period.

	June 30, 2022	December 31, 2021
Raw materials	$ 1,369,637	$ 2,128,682
Finished goods	1,787,138	1,214,923
Total	$ 3,156,775	$ 3,343,605

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 believes 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 June 30 2022	2021	Change	TFQ ended June 30 2022	2021	Change
Revenue	782,101	810,406	-3%	5,886,453	7,714,708	-24%
Cost of sales	504,806	506,123	0%	3,901,644	5,613,965	-31%
Gross profit	277,295	304,283	-9%	1,984,809	2,100,743	-6%
Gross margin %	35%	38%		34%	27%	
Operating expenses	1,455,707	1,157,895	26%	5,810,648	5,017,862	16%
Operating loss	(1,178,412)	(853,612)	38%	(3,825,839)	(2,917,119)	31%
Other items	(509,649)	(127,138)	301%	(1,230,480)	(658,491)	87%
Net loss and comprehensive loss	(1,688,061)	(980,750)	72%	(5,056,319)	(3,575,610)	41%
Interest, taxes and depreciations	469,691	172,150		1,414,237	736,439	
EBITDA	(1,218,370)	(808,600)	51%	(3,642,082)	(2,839,171)	28%
Stock based compensation	98,523	63,091		672,127	329,194	
Government funding due to COVID	-	(109,347)		(86,003)	(796,080)	
Bad debt allowance	697	-		(55,511)	266,321	
Inventory writeoff	129,652	21,361		(29,797)	21,361	
Non-IFRS Adjusted EBITDA	(989,498)	(833,495)	19%	(3,141,266)	(3,018,375)	4%

Adjusted EBITDA loss increased by 19% for the quarter and 4% on a TFQ-basis. The delta in Non-IFRS Adjusted EBITDA between Q2 2022 and Q2 2021 can be attributed to reduced margin due to reduced revenue, due to increased salary expenses for employees due to increasing wage pressures and the return of travel and marketing expenses as Q2 2022 saw the return of customer meetings, conferences and in-person investor meetings.

Summary of Quarterly Results

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

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020 *	Q3 2020 *
Revenue	782,101	1,225,106	1,631,389	2,247,857	810,406	3,459,007	2,504,446	940,849
Recurring revenue	140,008	150,976	84,805	124,720	132,293	110,767	117,746	96,624
Gross margin	35.5%	41.4%	19.5%	39.2%	37.6%	21.7%	26.7%	39.9%
Adjusted EBITDA	(989,498)	(851,890)	(976,587)	(336,282)	(833,495)	(416,969)	(971,618)	(796,293)
Debt	8,762,482	8,820,971	7,264,701	4,134,053	3,081,042	3,121,143	3,073,470	2,987,601
Cash	364,001	443,568	2,116,612	538,049	656,966	597,359	3,507,249	463,415
Total assets	10,009,702	10,008,694	11,167,755	8,251,363	7,405,432	7,175,078	8,398,173	5,023,229
Common shares outstanding	76,695,578	67,014,242	66,954,241	65,766,064	65,742,064	63,898,684	62,876,662	45,742,804
Cumulative units deployed	9,832	9,648	9,352	8,079	7,628	7,025	6,162	5,296
Days of cumulative operating data collected	10,137,096	9,581,618	8,701,238	7,110,659	6,414,604	5,773,573	5,211,290	4,728,030

* 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", the on the Frankfurt Stock Exchange under the symbol “0YA”, and on the OTC Venture Exchange (OTCQB) under the symbol “CBUTF”. The Company is authorized to issue an unlimited number of common shares without par value. On June 30, 2022, there were:

- 76,695,578 common shares issued and outstanding,
- 4,097,718 stock options outstanding with a weighted average exercise price of $0.34 expiring between 2024 and 2027,
- 17,912,276 warrants outstanding with a weighted average exercise price of $0.31 expiring between 2022 and 2025, and
- 2,337,839 RSUs outstanding.

Fundraising & Other Share Activities

During the six months ended June 30, 2022, the Company issued:

- On January 4, 2022, the Company issued 60,000 common shares valued at $12,825 pursuant to the maturity of RSUs. 15,000 common shares valued at $4,275 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- On April 29, 2022, the Company completed a private placement through issuance of 5,822,554 units at $0.17 per unit for gross proceeds of $989,834. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at $0.22 per share until April 28, 2024. The common shares and share purchase warrants were valued at $495,047 and $494,787, respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of $70,038 and issued 407,579 broker warrants valued at $37,835.
- On May 20, 2022, the Company completed a private placement through issuance of 3,843,782 units at $0.17 per unit for gross proceeds of $653,443. Each unit is comprised of one common share and one share purchase warrant. The common shares and share purchase warrants were valued at $297,457 and $355,986, respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of $17,052 and issued 100,303 broker warrants valued at $10,110.
- On June 1, 2022, the Company issued 15,000 common shares valued at $2,100 pursuant to the maturity of RSUs. 3,750 common shares valued at $525 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- On June 22, 2022, Clear Blue received $4 million in Government of Canada support through the FedDev Ontario. The financing will be drawn upon over a 21-month period until March 2024. Repayment begins in 2025, continues to 2031, and carries 0% interest.

> The Company intends to use the proceeds for sales and business development, to expand its production capacity, and to support the commercialization of its new Pico-Grid technology. Pico-Grid, announced earlier in 2022 is expected to launch by the end of 2022.

During 2021, Clear Blue received an additional tranche of $1,000,000 from BDC resulting in total utilization of $3,000,000 under the $5,000,000 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 $2,000,000 in $1,000,000 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 (the "TSXV").

On October 27, 2021, the Company completed a private placement offering of convertible unsecured subordinated debentures of the Company at a conversion price of $0.40 per unit, for gross proceeds of $1,535,000 followed by an additional issue of $2,799,000 on November 15, 2021. The net proceeds shall be used to fund working capital requirements and for general corporate purposes. In consideration for introducing certain subscribers to the Offering, the Company paid finders’ fees in cash, totaling $223,866, and in broker warrants, totaling 319,200 warrants, with each broker warrant entitling the holder to acquire one Common Share for a period of 48 months at a price per share of $0.40.

The debentures shall pay interest semi-annually at 10% per annum and shall mature at a date which is the earlier of: (i) 48 months of the Closing Date and (ii) the date specified in any Debenture Acceleration Notice. After twelve months following the initial Closing Date, the Company will have the right to extinguish the Debentures if the daily volume weighted average trading price of the Common Shares be greater than $1.20 for any 10 consecutive trading days on the TSX Venture Exchange.

The principal amount of the Debentures will be convertible into units of the Company (the "Units") at the option of the holder at any time preceding the Maturity Date, at a conversion price of $0.40 per Unit (the "Conversion Price"). A Unit comprises 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, a "Warrant") carrying exercise price of $0.60.

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, Clear Blue continues to closely monitor the rapidly evolving situation and is looking into all possible actions that could minimize the impact of the Covid-19 pandemic.

During the six months ended June 30, 2022, the Company did not receive any government grants in response to the Covid-19 pandemic. For the Company's subsidiaries, the Canada Emergency Wage Subsidy 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. has applied for this program for consecutive periods since its release.

Liquidity and Capital Resources

During the six months ended, the Company cash balance decreased from $2,116,612 to $364,001 as at the end of Q2 2022. In June of Q2, the Company signed an agreement to receive a $4,000,000 interest-free loan facility through Federal Economic Development Agency for Southern Ontario under the Jobs and Growth Fund. Pursuant to the agreement, the Company has applied for and expects to draw down approximately $1,750,000 in Q3 2022, approximately $250,000 in Q4 2022 and the remainder facility over a 15-month period until March 2024, providing sufficient cash to fund its operations for the subsequent 12 months. Additionally, Q1 and Q2 is traditionally a low revenue quarters for the Company, the Company's outlook shows increasing cash from customer deposits and other sources in the later half of the year. Since the onset of the Covid pandemic and accompanying economic disruptions, the Company has successfully grown its business with a cash balance ranging from ~$350K to ~$3.5 million by tightly managing its cash cycle, even as global supply chains have been strained during this period. Accordingly, while management continues to monitor cash tightly, it is confident that it has adequate cash resources to achieve the next stage of its growth objectives.

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, convertible debentures and government loan and grant programs, a loan from BDC with a total utilization of $3,000,0000 out of the $5,000,000 facility available, and a $1,000,000 revolving credit facility.

On June 22, 2022, the Company signed an agreement to receive a $4,000,000 interest free loan facility through Federal Economic Development Agency for Southern Ontario ("Feddev Ontario") under the Jobs and Growth Fund. Pursuant to the agreement, the Company has applied for and expects to draw down approximately $1,750,000 in Q3 2022, and the remainder facility over a 21-month period until March 2024. Furthermore, subsequent to Quarter end, as of September 1, the revolving credit facility will decrease to $750,000.

The Company continues to seek capital through various means including the issuance of securities. Additionally, reduction in expenses, increase in gross margin, and increases in revenue are key aspects that will contribute to meet the Company's liquidity needs.

The decrease in cash balances for the six months ended June 30, 2022 is mainly due to the cyclical nature of its business wherein Q2 is traditionally a low revenue quarter as customers ramp up their spending plans for the year. Future quarter sales are supported by significant deposits and the Company anticipates accounts receivables to be converted to cash in a short time.

As of June 30, 2022, the Company had working capital of $750,975 as compared to $3,426,722 as of December 31, 2021. The Company anticipates receiving cash proceeds from the realization of accounts receivable, revenue growth, the exercise of options and warrants, private placements of shares and debentures, non-dilutive government cleantech funding programs and disbursements from Feddev Ontario on the $4,000,000 from its Jobs and growth fund; however, the Company cannot predict the timing or amount of additional options and warrants that may be exercised, if any.

Should it be needed, 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:

	June 30, 2022	June 30, 2021
Salaries and benefits		
- Cash	$ 246,281	$ 289,139
- Salary Deferral	78,854	-
Stock-based compensation	69,973	102,947
Total	$ 395,108	$ 392,086

Management has undertaken numerous measures in order to assist the company in managing its cash position, whereby the management is deferring part of its salaries, accepting shares for debt and delaying in expense reimbursements.

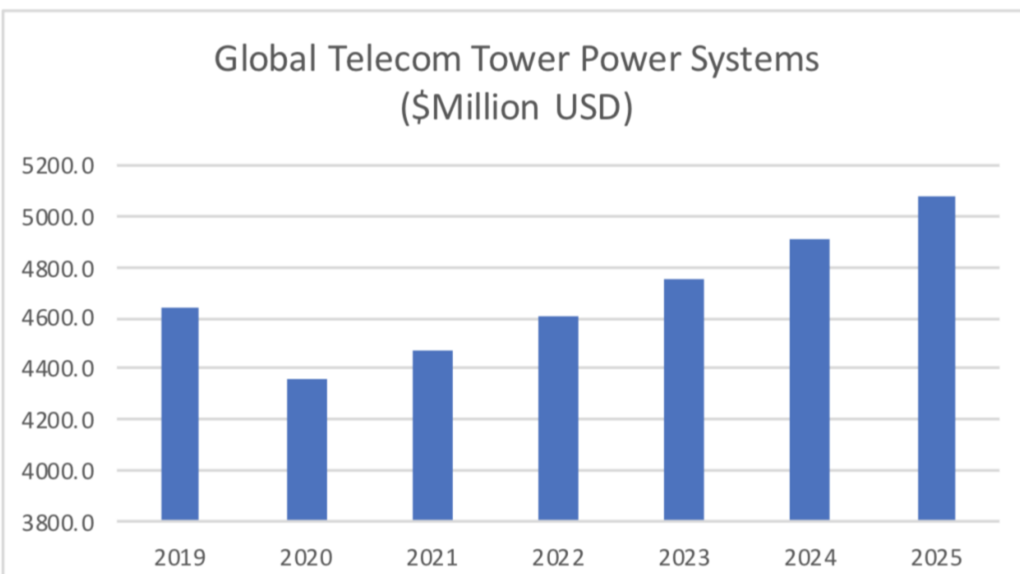
The remuneration related to stock-based compensation in the table above represents the entire fair value of the stock options issued to key management, and fair value of Restricted Share Units issued to the management and employees as their annual bonus payments during the year, which are being recognized as expense over the related vesting periods.

Accounts payable and accrued liabilities as of June 30, 2022, includes short-term amounts owing to key management of the Company for bonuses and convertible debenture interest, totaling $326,955 (December 31, 2021 - $395,487).

Clear Blue's Addressable Market

The Company has previously, with its Q2 2021 filings, highlighted that there are 3.8 billion persons in the world currently who do not have access to the internet.

Recall that Clear Blue is currently focused on three markets: the solar off-grid streetlight market, the wireless cell phone market, and the satellite Wi-Fi market. The wireless cellphone market is currently the Company's largest growth opportunity. The Global market for Telecom Tower Power systems will grow from USD 3.9 billion in 2022 to USD 5.4 billion by 2027, at a 7.1% CAGR from 2022 to 2027. (Researchandmarkets.com)



Source: Mordor Intelligence Market Research 2021

In 2020 alone, the world installed 250,000 new telecom towers. Telecom tower growth is driven by:

- Increased demand through growing populations;

- Increased adoption of cell phones;
- Greater geographical cellular coverage;
- Evolving technologies – as technology progresses from 2G to 3G to 4G LTE and then ultimately to 5G, each technology provides increased bandwidth to the customer. This increased bandwidth forces the towers to be closer together to provide the appropriate tower density, which is needed to deliver higher bandwidth. Thus, with every incremental evolution in cellular technology, there is a direct increase in the number of towers installed.

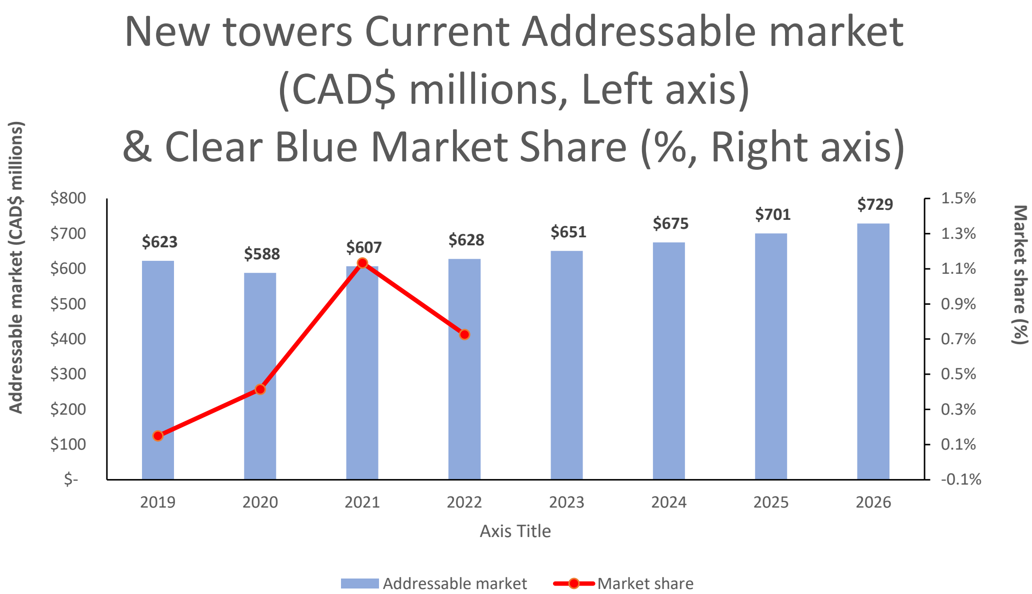
Africa presents the largest market opportunity

Clear Blue's core tower focus market in Africa leads globally for every demand driver for telecom power.

Growth Driver	Africa	Comment
Growing Population	✓	The working-age population of Sub-Saharan Africa is set to increase more than twofold by 2050 to become the largest in the world.
Young & Ageing Population	✓	Median age of 18, youngest in the world.
Adoption of Cell Phones	✓	Over the next five year, the number of smartphone connections in Sub-Saharan Africa will almost double to reach 678 million by the end of 2025 – an adoption rate of 65%.
Geographical Expansion	✓	Sub-Saharan Africa is home to 67% of the worlds population that are not covered by mobile broadband.
Evolving Technologies	✓	Africa has high demand for 2G, just at the beginning of the tech evolution – will go through 2G, 3G, 4G LTE, and then 5G.
Leader in Adoption of Renewables for Power in Telecom	✓	Due to cost and the lack of available grid power, African telco operators are specifying 100% solar only systems to power their telecom infrastructure.

Clear Blue focuses on Africa, the Middle East, and APAC (excluding China and India). These markets have the largest planned deployments of new telecom infrastructure and are also the most aggressive in adopting solar off-grid power.

This market is large at around US$1 billion and growing consistently at 3-4% per year for the next five years, according to industry data.



Within that market, new telecom towers are approximately a $600 million CAD per year market. Clear Blue has approximately 0.7-1.0% of that market on a trailing four-quarter basis, as shown in chart above, which suggests the Company has a very long and consistent runway for revenue growth.

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

Clear Blue Technologies is committed to being a leader in Environmental, Social and Governance factors. ESG is embedded within the Company's culture, starting with three co-founders, of which one is female. The Company has female representation at all levels, including its Board and C-suite. As a cleantech company, Clear Blue delivers emission reductions to the world daily. Since its inception, the Company has recorded 2,424,437 pounds of carbon offsets through the Smart Off-Grid solar and wind-based systems and services it delivers to its customers. It has made significant efforts toward integrating ESG into business operations. Sustainability metrics have been organized into four pillars – the Principles of Governance, Planet, People and Prosperity.

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

Governance

Clear Blue understands that good governance is critical for the Company's success. In recent years the Company has dedicated essential resources to proper Corporate Governance and established codes of Business Conduct. With the Company's expansion towards a global market, Clear Blue dedicates resources to developing strategies to identify and manage risks associated with international 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 for Cyber-Risk, 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.

Environment

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. Clear Blue's Smart Off-Grid system includes a 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%. Clear Blue's products assist in reducing the environmental footprint of hardware infrastructure, moving grid-connected hardware to renewable energy through Smart Off-Grid technology.

Social

Like many Canadian companies, Clear Blue is committed to the Government of Canada's 50 – 30 Challenge. This initiative 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 the 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 its Board and 37% female representation across the Company. Clear Blue has a 60% diverse board and a 70% diverse Company, with representations from females, visible minorities and the LGBTQT2 community.

Community Engagement

Clear Blue has four offices in Canada, the United States of America, Kenya and Nigeria. Clear Blue systems are operational in 37 countries, 27 U.S. states, and 9 Canadian provinces. The Company works with local vendors and is committed to recruiting and managing a global, diverse and skilled workforce. Clear Blue recently expanded to Africa, establishing an office in Nairobi, Kenya. Pursuant to its commitment to providing local prosperity by hiring locally, it hired four of the five team members in Kenya from the local community.

Health and Safety Measures/Protocols

Clear Blue Technologies is committed to protecting and promoting the health and safety of its employees, customers, partners, visitors, and communities where it operates. The Company's objective is to eliminate or reduce workplace-related injury and illness by anticipating, recognizing and controlling hazards. Management will continue to ensure that employees are competent, knowledgeable of the hazards and risks associated with their tasks and provided with the resources and training to complete their work safely.

Managers and Supervisors must provide direction and demonstrate effective leadership in the pursuit of injury-free workplaces. They are responsible for ensuring the health and safety of their employees by making health and safety an integral part of doing business and practicing a proactive approach. Managers and Supervisors have a duty to promote and enforce safety policies and best practices.

Employees at all levels are responsible and will be held accountable for protecting their health and safety and that of their co-workers by following Company's safety rules, reporting all unsafe conditions to their supervisor or a member of the Joint Health and Safety Committee and adhering to the Company safety standards. Employees are encouraged to assist management in anticipating potential risks before an accident can happen and to aid management in implementing safe work practices.

The Joint Health and Safety Committee members, along with other employees, are responsible for recognizing, assessing and controlling all health and safety hazards arising from business activities and recommending improvements. Clear Blue believes that a healthy and safe working environment is an essential value and the Company's primary responsibility towards its employees and any other individuals working at a Clear Blue site. As a result, Clear Blue hasn't had any Lost Time accidents over the past three years, with no lost time due to injury and a Lost Time Injury Frequency of zero.

Financial Instruments

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition that are debt instruments depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value plus transactions costs. Accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the "SPPI test" and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

Financial assets are subsequently measured at amortized cost using the effective interest method ("EIR") and are subject to an impairment test. Interest received is recognized as part of the interest and other income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, other financial liabilities, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statements of loss and comprehensive loss.

Financial assets and liabilities that are subsequently measured at amortized cost include cash, accounts receivable and other receivables, long-term accounts receivable, accounts payable and accrued liabilities, short-term loans, long-term debt, convertible debenture, and royalty funding.

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when expires.

Impairment of financial assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired using a forward-looking expected credit loss ("ECL") model. Loss allowances will be measured on either of the following bases:

i. 12-month ECLs, which are ECLs that result from possible default events within 12 months after the reporting date (stage 1); and

ii. Lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instrument (stages 2 and 3).

The Company applies the simplified approach to measuring expected credit losses, which uses lifetime ECLs for all of its financial assets. For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the receivable and the present value of the estimated future cash flows, discounted using the effective interest rate.

Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures that can be converted to ordinary shares at the option of the holder when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity instrument is initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound instrument is measured at amortized cost using the effective interest method. The equity component of a compound instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

Embedded derivatives

Embedded derivatives are contained in non-derivative host contracts and are treated as separative derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value, with mark-to-market adjustments recorded in profit or loss.

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 of June 30, 2022, the Company had working capital of $731,398. The Company plans to realize its assets, increase revenues and gross profit margins, and drawdown on the interest free loan from Feddev Ontario. Furthermore, the Company also intends to 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 its debt has fixed interest rates, 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 transactions denominated in a currency other than its functional currency. A significant portion of the Company’s revenues and a portion of its purchases are denominated in United States dollars (“USD”). To the extent possible, the Company uses cash received from sales to finance its USD purchases, thereby limiting 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 $137,000 as at June 30, 2022.

(c) Macro-economic trends

The Company’s customers purchase systems from Clear Blue as part of their infrastructure capital spending and growth plans. As such, global macro-economic trends can have an impact on those plans – causing delays and or slowdowns in those plans. As these occur, it can have a resulting impact in the Company’s revenue.

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, debt financing 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 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 twelve months ended June 30, 2022, the Company had negative cash flow, mainly resulting from addition to intangible assets. The Company has not been profitable since its inception. 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. 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.

Components

The Company uses different components in the manufacturing of its products and relies on a steady supply of these components to be able to meet is production and revenue targets. Companies managing electronic components have been facing challenging times with successive waves of part shortages, price hikes and lengthening lead times increasingly due to the Covid-19 pandemic and the accompanying global supply chain stresses. A major surge in demand on one side and a critical materials and parts shortage on the other strained capabilities to meet demand, especially for more standard passive components, such as multilayer ceramic capacitors, resistors, transistors, diodes and even memory. 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.

Warranty

The Company's business exposes it to potential liability risks. The Company provides a warranty for its products, 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 and future sales opportunities with dis-satisfied customers 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 products and 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 early-stage and operates 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 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. 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.

Proposed transactions

There are no undisclosed proposed transactions that will materially affect the Company.

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.