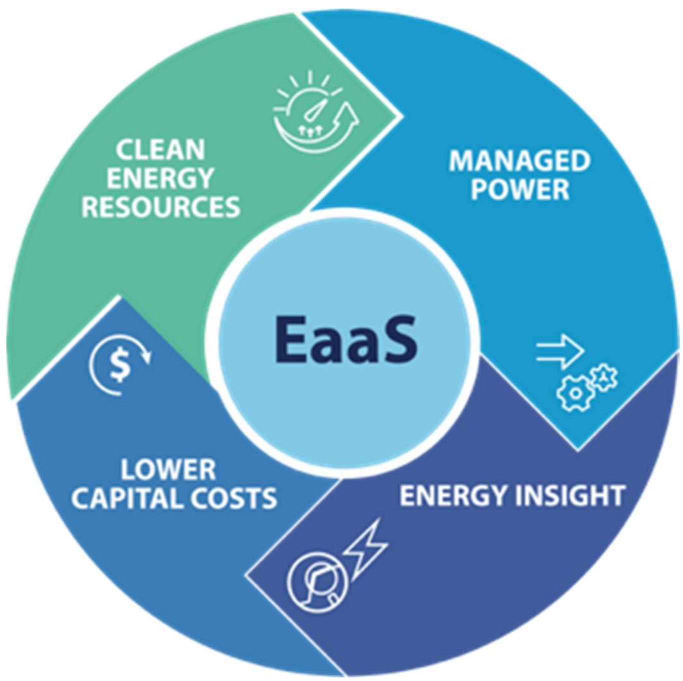
The Smart Off-Grid Company™



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

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

For the three and twelve months ended December 31, 2022

Dated: April 26, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS IN CONNECTION WITH THE FINANCIAL STATEMENTS OF CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC. FOR THE YEARS ENDED DECEMBER 31, 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 Company's audited consolidated financial statements and accompanying notes thereto as at and for the year ended December 31, 2022. This MD&A is presented as of April 26, 2023 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's audited consolidated financial statements for the year ended December 31, 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 three and twelve months ended December 31, 2022, along with any subsequent material information.

Supply Chain Impacts of Recent Armed Conflicts

On February 24, 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 and its customers are 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 customers' 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 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 ever-changing 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 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 customers' 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, was founded on the vision of delivering highly reliable Smart Power to support mission critical applications such as telecommunications infrastructure and Smart Cities.

The Company creates and manages innovative power products and services to meet the growing global demand for reliable, low-cost off-grid and hybrid energy to power lighting, telecom, and other internet-of-things devices – digital infrastructure that is mission-critical to today's modern world.

Clear Blue's patented Smart Power 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 smart 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 systems and soon its Smart Pico-Grid systems. 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 its Smart Power 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 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 systems in the field 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 critically 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 data to manage energy generation and consumption intelligently, thus requiring fewer solar panels and batteries, in turn resulting in an 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 years ending December 31, 2022, and 2021.

On a TFQ basis:

- TFQ revenue was $2,636,972, a 68% decrease from $8,148,659 in the corresponding previous period. This was mainly attributed to a delay in some customer rollouts and deployments due to the global macro-economic environment. Clear Blue has seen customer financing and Capex plans take a pause, thereby impacting Clear Blue 2022 results. The majority of these projects were delayed and not cancelled and are still forecasted by our customers to be deployed.
- TFQ recurring revenue was $819,054, an 83% increase from $446,670 in the corresponding previous period, reflecting the Company's continued emphasis on recurring revenue contracts.
- 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 December 31, 2022, bookings were increased to $1,991,275, an increase of 30%, when compared to $1,536,118 as of December 31, 2021, with delivery anticipated over the next three years.

- TFQ Gross Profit decreased to $988,524 compared to $2,255,460 in the comparable 2021 period, a reduction of 56%. However, the gross margin percentage was very strong at 37% compared to 28% for the comparative TFQ period of 2021.
- Non-IFRS Adjusted EBITDA for the period was $(3,760,719) as compared to $(2,563,334) for the previous period — a 47% decrease from the comparative period of 2021. This decrease is mainly attributable to lower sales partially offset by a higher gross margin percentage and lower operating costs when compared to the comparative TFQ of 2021.

For the quarter ended December 31, 2022 ("Q4 2022"):

- Q4 2022 revenue was $178,344, an 89% decrease from $1,631,389 in Q4 2021. Included in the current quarter is a reversal of $195,320 previously recorded as a bill and hold revenue in Q1 2022. Subsequent to recording the revenue, in Q4, the customer requested to delay this shipment to an indefinite period. In order to facilitate the customer and to use the inventory for other orders, the Company has reversed the revenue in Q4 2022. Excluding the impact of revenue reversal for the quarter, the revenue for Q4 2022 was $373,664.
- Recurring revenue comprised $166,889 of the quarter's revenue compared to $78,860 in Q4 2021, a 112% increase. Recurring revenue is expected to increase each quarter as Clear Blue sells more units with a subscription model and as the Company's base of telecom installations grows. Telecom systems tend to grow their capacity and power consumption, which also increases the recurring revenue for Clear Blue.
- Gross Profit for Q4 2022 was $68,154 compared to $317,875 for Q4 2021, a 79% decrease resulting from lower revenue for the quarter and the order reversal discussed previously. Gross Margin percentage for the quarter was 38%, up from 19% in the comparative quarter of 2021. Excluding the order reversal, gross margin for Q4 2021 would have been $141,794.
- Quarterly Non-IFRS Adjusted EBITDA was $(944,895) versus $(967,587) in Q4 2021. A 2% decrease from the comparative period of 2021. The lower Adjusted EBITDA reflects the lower revenues generated in Q4 2022.

Notable developments and announcements for the quarter ending December 31, 2022:

- On November 7, 2022 the Company announced selection by Telia Cameroon for power telecom services to MTN, a large multinational telecom provider. An initial system rollout began in Q1 2023.
- On November 14, 2022 the Company announced an expansion of the partnership with Parallel Wireless with three new orders bringing the total four phase contract value to $4 million CAD. The fourth phase of this partnership is scheduled to ship in mid-2023.
- On November 16, 2022 Deloitte name Clear Blue as a winner in the Deloitte Fast 50 Program.

- On December 21, 2022 the Company announced signing of a definitive agreement to purchase eSite Power Systems, expanding the Company's product offering in the retrofit telecom market where there is a major transition from fossil fuel to renewable resource power supplies. A private placement was announced with the acquisition which included adding four strategic investors to the Company's investor base.

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

- On January 23, 2023, Clear Blue completed its acquisition of eSite Power Systems of Sweden. eSite Power Systems has a long and valued history within the telecommunications market. Their power products are particularly well suited for integration with Clear Blue's Smart Power technologies and services. eSite provides a larger power system with enhanced grid and A/C power capabilities, the merger of eSite's hardware products together with Clear Blue's Smart Power management technologies will create a compelling solution to address the burgeoning telecom retrofit marketplace.
- On January 24, 2023 the final oversubscribed closing of the $2.5 million private placement took place with 20% management participation in the round.
- The Government of Canada, in their 2023 budget, announced significant incentives for all entities, both tax paying companies and non-tax paying entities to increase investment in clean technologies in order to address climate change. This announcement was specifically targeted to provide a competitive offer to the U.S. Inflation Reduction Act which is making similar offers within the U.S. As a result, beginning in Q1 of 2023, the Company has seen a marked increase in the demand for its Illumient and Pico-Grid products, as a result.

Outlook and Management Commentary

Robust 2023 order outlook as we exit a truly anomalous 2022.

While Clear Blue was able to deliver strong growth in 2020 and 2021, the cumulative effects of three years of Covid-19, supply chain issues, the war in Ukraine and the current global economy impacted the Company's 2022 results as various companies paused and/or altered their business plans. 2022 results reflect the impact of these macro trends, which were especially pronounced in Q3 and Q4. We expect revenue for Q1 2023 to be low, as it frequently is, as Q1 shipments are dependent upon orders received in late 2022. However, customer demand for new orders in Q1 was quite strong. Most importantly, strong customer demand was seen across all product lines and geographies. As a result, the Company continues to target cashflow neutral and positive EBITDA for 2023.

Based on order intake in 2023, we are optimistic about the rest of the year. Our sales funnel of powering telecom infrastructure using solar power has now become the top priority of many of our customers. Similarly, the Inflation Reduction Act in the United States and the availability of 30% tax credits in both Canada and the United States have clearly stimulated increased interest in our Illumient lighting products.

2023 has started off very strong, more in line with Clear Blue's 2021 fiscal year, where in the Company reported $8.1 million in revenue. Despite continued macro uncertainty and its impacts to our clients 2023 plans, Clear Blue's new orders this year total just over $3.5 million in sales. Of that, the Company anticipates that $3.2 million will be reported as revenue in 2023, up 30% from 2022 revenue. This is a marked change over 2022's results and is indicative, we believe, that 2022's results were truly an anomaly.

More promising is that the new orders are evenly spread across all of Clear Blue's business lines, reducing risk – the North American solar lighting has had its strongest start ever, Clear Blue's Nano-grid telecom business is also bringing in strong order flow, and lastly, the Esite-Micro business, acquired in Q1 of this year, is also contributing, and accounts for over 30% of our $3.5 million of new 2023 orders, partly since Clear Blue was able to recognize some revenue synergies, from Clear Blue's market relationships and the Esite product.

In North America, Clear Blue's Illumient Solar Lighting business has contributed to 30% of the orders, including key infrastructure projects such as:

- A runway extension project at one of the top 5 business airports in the U.S.
- An interchange for a U.S. Interstate Highway
- The remaining orders are a balance of municipalities in both Canada and the U.S. as well as commercial enterprises.

Our Nano-grid Telecom business has contributed to 39% of the orders. As we had presented in 2022, most of the projects were deferred and not/lost or cancelled, especially in cases where Clear Blue's orders were tied to our customers' larger capex projects, which were paused. We are now seeing some of those orders flowing in.

Our new eSite Power Systems acquisition, which we are merging with Clear Blue's Smart Power capabilities as well as our service and operations model, is also contributing 31% of the orders received to date in 2023. The new Esite-Micro product is being well received in the market. As we continue to mobilize this new offering in the market, with our existing customer relationships, we see very large growth opportunities for this product. The macro issues that arose in 2022 have mobilized many companies in the telecom tower industry to invest heavily in solar to retrofit their existing infrastructure. Clear Blue's Smart Power together with the Esite-Micro product delivers superior results as companies embark on the "Road to Zero Diesel".

Our Pico-Grid and SENTI products should begin commercial shipments in Q2 of this year. While we now begin to ramp up our sales efforts in this area, initial orders for the remainder of 2023 will be small. However, we have seen keen interest in a number of areas, even beyond what we had originally envisaged. A key focus will be to ramp this business up in order for it to materially contribute to 2024 growth.

All in, the Clear Blue team is optimistic about returning to strong revenue growth in 2023. While it is still early in the year, we are off to a strong start with regards to order intake. We plan to deliver a positive cash flow and EBITDA year, without the need to raise money, as we have significantly improved our cost structure. As we regain more order to revenue visibility, we will resume providing forward four quarter revenue guidance to our investors, we believe we could be in a position to do so in six to seven months. While the Company has relied on private placements to navigate the last few years' turbulent market environment, the Company's anticipated revenue improvement in H2 2023 along with ongoing access to non-dilutive government funding of approximately $7,000,000 minimizes the need for external growth capital.

On the demand side, we have witnessed a fundamental change in the dialog with customers. Solar is now core to almost every telecom site deployment including existing retrofits. For solar streetlights, our agent network now comments that Solar options are the first ask of their customers.

- In October, the CIO of a major global telecommunications firm began discussions with us around major conversion of their current non-solar power infrastructure to solar. The driver: the cost of diesel. The customer stated that diesel costs had doubled in the last six months and that their number one priority was now to invest Capex in order to power their infrastructure with solar.
- In October, IHS Towers announced its Carbon Reduction roadmap, which includes emissions intensity reduction of 50% by 2030. They have announced a planned $214 million Capex spending plan to 2024 to go Green AND to improve their operating expense.
- Our new Esite product merged with Clear Blue's products and services has created renewed demand with the Esite customer base.
- Subsequent to year end, the U.S. and Canadian Clean Energy tax incentives have spurred an increased amount of sales demand for Illumient orders in North America.

These discrete examples and our Q1 2023 order intake are part of the robust project pipeline the Company has developed over the past three years.

Gross Margin & Positive EBITDA

Clear Blue has undertaken a very aggressive plan around cost reduction and targeting both cash and positive EBITDA results in 2023. Including the integration of the eSite Power Systems acquisition, the Company now expects to be positive EBITDA at approximately $9 million in annual revenues.

Cashflow

As a result of the government's SDTC, IRAP and Fedev grants and loans, Clear Blue is receiving monthly amounts to assist us as we continue to invest heavily to maintain and broaden our technology leadership in the market. Together with a return to the revenue growth traction we had prior to 2022, strong gross margins, and stringent cash and expense management, the Company is tracking to its plan for net cash neutral in 2023.

Financial Results

From an IFRS perspective:

Result of Operations	Three months ended December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Revenue	178,344	1,631,389	(89%)	2,636,972	8,148,659	(68%)
Cost of sales	110,190	1,313,514	(92%)	1,648,448	5,893,199	(72%)
Gross profit	68,154	317,875	(79%)	988,524	2,255,460	(56%)
Gross margin %	38%	19%		37%	28%	
Operating expenses	1,485,297	1,550,982	(4%)	5,855,694	5,012,245	17%
Operating loss	(1,417,143)	(1,233,107)	15%	(4,867,170)	(2,756,785)	77%
Other items	(403,214)	(168,478)	139%	(879,782)	(654,595)	34%
Net loss and comprehensive loss	(1,820,357)	(1,401,585)	30%	(5,746,952)	(3,411,380)	68%

From a non-IFRS Adjusted EBITDA perspective:

Result of Operations	Three months ended December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Revenue	178,344	1,631,389	(89%)	2,636,972	8,148,659	(68%)
Cost of sales	110,190	1,313,514	(92%)	1,648,448	5,893,199	(72%)
Gross profit	68,154	317,875	(79%)	988,524	2,255,460	(56%)
Gross margin %	38%	19%		37%	28%	
Non-IFRS Operating expenses	1,013,049	1,294,462	(22%)	4,749,243	4,818,794	(1%)
Non-IFRS Adjusted EBITDA	(944,895)	(976,587)	(3%)	(3,760,719)	(2,563,334)	47%

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	December 31, 2022	December 31, 2021	Change
Total current assets	$5,400,577	$7,769,382	(30%)
Total assets	10,869,718	11,167,755	(3%)
Current liabilities	4,481,532	4,342,660	3%
Total liabilities	13,647,891	11,382,996	20%
Total shareholders' equity (deficiency)	(2,778,173)	(215,241)	1191%
Working capital (current assets exceed current liabilities) *	919,045	3,426,722	(73%)

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.

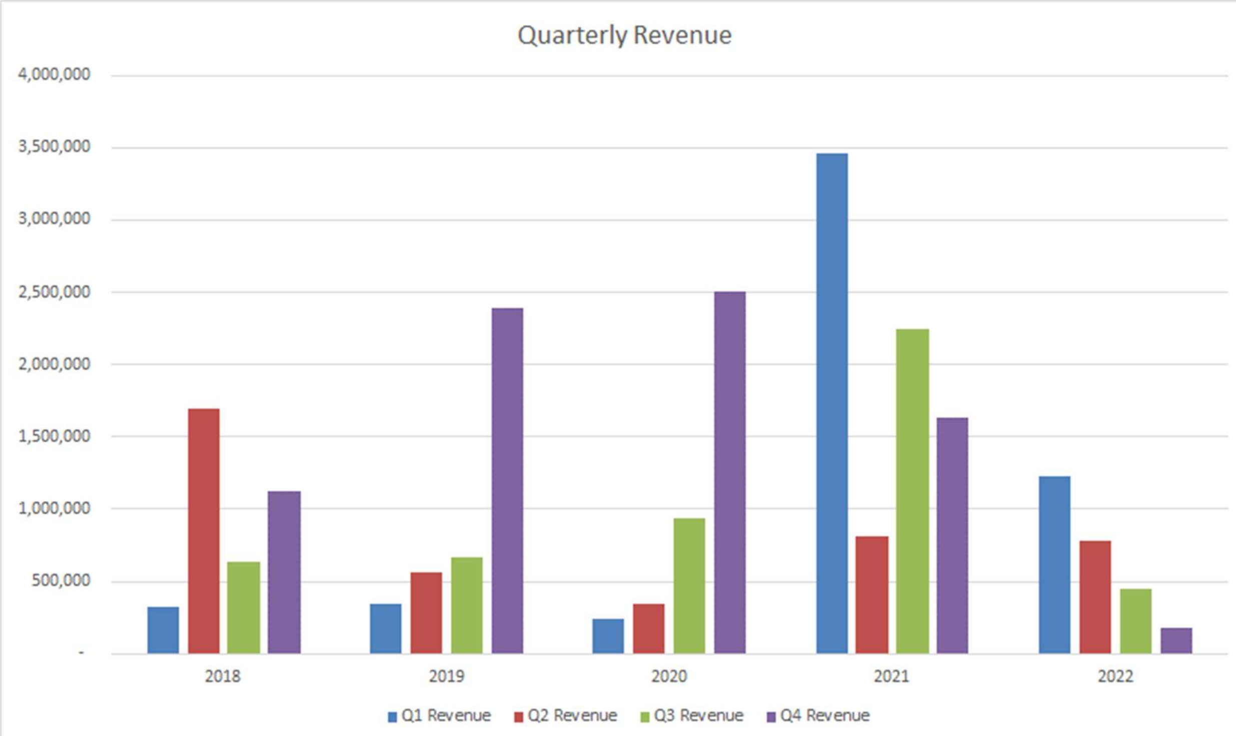
As of December 31, 2022, Clear Blue's bookings increased by 30% to $1,991,275 versus $1,536,118 as of December 31, 2021, which will be delivered over the next three years in the case of Illumience/EaaS and typically in the next four to six months in the case of production orders. The table below provides a breakdown of Clear Blue's bookings:

		Revenue	
Booking as of December 31, 2022	**Total**	**Year 1**	**Year 2 and Beyond**
Illumience / EaaS Deferred Revenue	707,458	429,899	277,559
Purchase Orders	1,283,817	1,010,523	273,294
Total Bookings	1,991,275	1,440,422	550,853

Revenue

Clear Blue develops and sells integrated Smart 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 Power rectifiers, chargers, controllers, Esite-Micro and 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.



On a TFQ basis, revenue decreased from $8,148,659 to $2,636,972, a 68% decrease for the period ended December 31, 2022, compared to the period ended December 31, 2021.

The Russia-Ukraine conflict, wider geopolitical implications and renewed COVID-19 lockdowns in China compounded an already bleak global supply chain situation. Due to these Macro-environmental factors in 2022, the Company noted a delay in some customer rollouts and deployments. While no projects have been cancelled, Clear Blue saw customer financing, and Capex plans take a pause, thereby impacting Clear Blue's 2022 results.

The chart above illustrates the change from 2018 to 2022 where revenues grew sequentially and seasonally quarter on quarter up until 2021 and then in 2022 where the macroeconomic headwinds depressed revenues. Management observes that while 2022's top line results were extremely divergent from the previous consistent growth trends, , the pipeline of potential orders, the addition of Esite-Micro and the fact that orders are not being cancelled but rather deferred, provides evidence that the trend should reverse as the economic environment stabilizes.

Revenue by Product

Clear Blue's revenue by product category for the three months and TFQ ended December 31, 2022, and 2021 was:

Revenue by Category	Three months ended December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Product revenue						
Smart Off-Grid controllers and systems	54,979	1,234,458	(96%)	1,533,596	6,880,217	(78%)
Illumient Smart Off-Grid lighting	(43,523)	312,127	(114%)	284,322	813,248	(65%)
Illumience & EaaS Ongoing Services	166,889	84,805	97%	819,054	455,194	80%
Total revenue	178,344	1,631,390	(89%)	2,636,972	8,148,659	(68%)
Cumulative units deployed	9,995	9,352		9,995	9,352	
Average order size	31,737	92,984		63,951	116,114	

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'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 December 31, 2022, and 2021 was:

Revenue by Vertical	Three months ended December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Lighting	241,676	396,163	(39%)	790,653	1,260,191	(37%)
Telecommunications	(71,718)	1,234,458	(106%)	1,837,132	6,880,217	(73%)
Security/IoT/Other	8,386	769	991%	9,187	8,251	11%
Total revenue	178,344	1,631,390	(89%)	2,636,972	8,148,659	(68%)

On a TFQ basis, the Lighting vertical posted a 37% decline for the period ended December 31, 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. However, to due global supply chain issues, rollouts have been delayed and pushed to 2023, resulting in a decrease in revenue for the quarter and TFQ of 2022.

Revenue by Region

Clear Blue's revenue distribution by geography for the quarter and TFQ ended December 31, 2022, and 2021 was:

Revenue by Geography	Three months ended December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Canada	132,972	245,308	(46%)	376,949	368,983	2%
USA	104,657	167,711	(38%)	378,782	816,901	(54%)
MEA (Middle East & Africa)	(102,160)	1,216,770	(108%)	1,208,054	6,952,934	(83%)
Other	42,875	1,601	2579%	673,187	9,841	6741%
Total revenue	178,344	1,631,390	(89%)	2,636,972	8,148,659	(68%)

Geographically, the Middle East and African market decreased 83% for TFQ and 108% for the quarter ended December 31, 2022. The decrease for the TFQ revenue in MEA is mainly due to the delay in rollouts and deployment of telecom project in Africa from 2022 into 2023. For the quarter a 108% decrease is due to sales return by a telecom customer. In the current quarter, one of the Company's telecom customers experienced delays in obtaining financing for their project, resulting in a delay in its deployment. In light of this delay in the project and keeping in mind the global supply chain and logistics crisis, the Company has allowed this customer to return goods to the Company. The Company intends to resell these finished goods to other customers. This sales return has negatively impacted the revenue for the quarter by $195,320.

Included in "Others", is the LATAM market. Clear Blue made its first large shipments to the LATAM market in 2022. 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

In 2022, global supply chains saw significant price increases, and Clear was impacted across the commodity components within its solutions – solar panels and components, lithium, steel and shipping costs rose dramatically. In many cases, these costs have come back down going into 2023.

Efforts made by the Company have yielded significant improvements in Gross Margin for TFQ of 2022:

- increased pricing as a result of the proven value and performance track record of Clear Blue's Smart Power technology;
- through increases in the efficiency of our supply chain management, procurement, and inventory management;
- through increased gross margin on our core products through improved design for manufacturability and cost reduction;
- through new products and enhanced value add features which deliver more business benefit to our customers:
    - launch of the Clear Blue Smart DC/DC Regulator

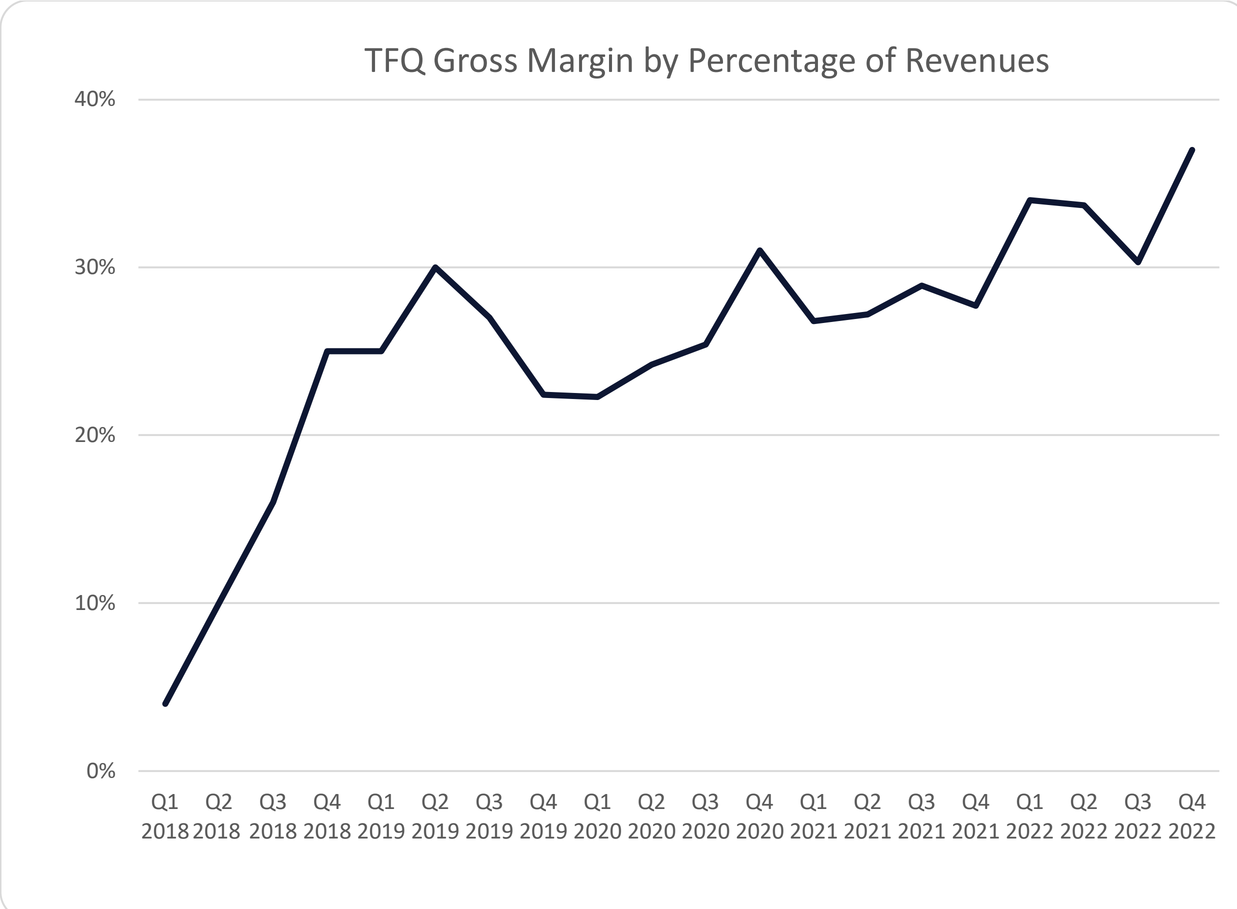
- the support of more diverse Internet of Things and Smart City applications
- the launch of our lithium battery-based product line
- the support of more mission-critical applications such as telecom requiring more sophisticated functionality.

While the Company believes the long-term trajectory of our gross margins will continue to increase, the acquisition of Esite will cause pressure on the Company's gross margins as it ramps up this business.

TFQ gross margin increased to 37%, up from a gross margin of 28% in 2021. Included in the 2021 is a lower margin strategic one-time deal to support a major customer in their roll-out in Africa. Clear Blue provided certain towers and fences, which are lower-margin products, along with its core product in TFQ 2021. Excluding this one-time margin headwind from these towers and fences, the Gross Margin was 31%.

Gross margin in Q4 2022 was 38% of sales and increased from a gross margin of 19% in Q4 2021. Included in the comparative Quarter is the above-mentioned strategic order with a new partner for $392,103, with slightly lower margins. Adjusting for this, margins were 26% for the quarter.

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 Q4 2022, Clear Blue deployed a net of 141 units for a total number of units of 9,995 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 11.38 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 December 31,			TFQ ended December 31,		
Revenue by Geography	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Deferred Revenue - Opening	792,237	1,021,969	(22%)	950,566	975,664	(3%)
New Deferred Revenue bookings	64,973	7,457	771%	340,568	421,572	(19%)
Recurring Revenue delivered	(149,752)	(78,860)	90%	(583,676)	(446,670)	31%
Deferred Revenue - Closing	707,458	950,566	(26%)	707,458	950,566	(26%)

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 December 31,			TFQ ended December 31,		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Operating expenses	1,485,297	1,550,982	(4%)	5,855,694	5,012,245	17%

For the three months ended December 31, 2022, operating expenses decreased by $65,685 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 $88,090, due to the Company's participation in various customer meetings. Business development and marketing expenses were higher by $48,830 and professional fee was higher by $41,995 when compared to the comparative quarter of 2021. The increase was offset by lower general and administration expenses of $148,200 and share-based compensation of $312,405, compared to the comparative quarter of 2021, whereby the management team is providing the Company salary relief of $323,440 in 2022, by agreeing to forgo a portion of their remuneration owed as at December 31, 2022.

On a TFQ basis, operating expenses increased by $843,449 to $5,855,694 compared to $5,012,245 in the previous period. The increase was mainly attributed to amortization of intangible assets related to completed R&D projects amounting to $355,713, together with higher R&D expense by $175,788, higher Travel-related expenses compared to the comparative period by $276,285 and higher general and administration expenses of $18,240. The increase was offset by lower and share-based compensation of $343,222, compared to the comparative period of 2021, whereby the management team is providing the Company salary relief of $323,440 in 2022, by agreeing to forgo a portion of their remuneration owed as at December 31, 2022.

Travel-related expenses were higher compared to the comparative quarter by $88,090 and higher by $276,285 for the TFQ ended December 31, 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 reduced at $441,735, compared to $505,733 for the comparative period of 2021. For the TFQ ended December 31, 2022, rent is lower by $24,368, primarily due to lower warehouse costs in Nigeria. These operations in Eastern and Western Africa positively impact Clear Blue's sales and customer outlook for that key market.

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 December 31, 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 December 31,			TFQ ended December 31,		
	2022	2021	Change	2022	2021	Change
Net loss and comprehensive loss	(1,820,357)	(1,401,585)	30%	(5,746,952)	(3,411,380)	68%

For the TFQ ended December 31, 2022, the Company reported a net loss of ($5,746,952), an increase of $2,335,572 or 41% over 2021. An increase in operating loss is due primarily to the drop in one-time revenue.

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.

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

Inventory

As of December 31, 2022, the Company's inventory mix has changed significantly, with 61% 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 its onward supply to customers. Inventory write-off for this quarter was $266,344, as compared to $140,700 in the comparative period.

	December 31, 2022	December 31, 2021
Raw materials	1,226,643	2,128,684
Finished goods	1,891,807	1,214,923
Total	3,118,450	3,343,607

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 December 31, 2022	2021	Change	TFQ ended December 31, 2022	2021	Change
Revenue	178,344	1,631,389	(89%)	2,636,972	8,148,659	(68%)
Cost of sales	110,190	1,313,514	(92%)	1,648,448	5,893,199	(72%)
Gross profit	68,154	317,875	(79%)	988,524	2,255,460	(56%)
Gross margin %	38%	19%		37%	28%	
Operating expenses	1,485,297	1,550,982	(4%)	5,855,694	5,012,245	17%
Operating loss	(1,417,143)	(1,233,107)	15%	(4,867,170)	(2,756,785)	77%
Other items	(403,214)	(168,478)	139%	(879,782)	(654,595)	34%
Net loss and comprehensive loss	(1,820,357)	(1,401,585)	30%	(5,746,952)	(3,411,380)	68%
Interest, taxes and depreciations	575,745	309,763		1,976,696	854,146	
EBITDA	(1,244,612)	(1,091,822)	14%	(3,770,256)	(2,557,234)	47%
Stock based compensation	37,813	350,218		300,860	644,082	
Government funding	(159,240)	-		(970,443)	(440,281)	
Bad debt allowance	399,087	(69,201)		412,777	(69,201)	
Inventory writeoff	22,057	(165,782)		266,343	(140,701)	
Non-IFRS Adjusted EBITDA	(944,895)	(976,587)	(3%)	(3,760,719)	(2,563,335)	47%

Adjusted EBITDA loss increased by 3% for the quarter and 47% on a TFQ-basis. The delta in Non-IFRS Adjusted EBITDA between Q4 2022 and Q4 2021 can be attributed to reduced margin due to reduced revenue and increase in travel and marketing expenses as Q4 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:

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	178,344	451,421	782,101	1,225,106	1,631,389	2,247,857	810,406	3,459,007
Recurring revenue	149,752	142,940	358,250	150,975	84,805	124,720	132,293	110,767
Gross margin	38%	30%	36%	41%	28%	39%	38%	22%
Adjusted EBITDA	(1,143,458)	(987,427)	(989,498)	(838,899)	(976,587)	(336,282)	(833,495)	(416,969)
Debt	10,314,500	10,269,039	8,762,482	8,820,971	7,264,701	4,134,053	3,081,042	3,121,143
Cash	814,312	647,899	364,001	443,568	2,116,612	538,049	656,966	597,359
Total assets	10,795,833	10,507,416	10,009,702	10,008,694	11,167,755	8,251,363	7,405,432	7,175,078
Common shares outstanding	95,965,689	77,247,595	76,695,578	67,014,242	66,954,241	65,766,064	65,742,064	63,898,684
Cumulative units deployed	9,995	9,854	9,832	9,648	9,352	8,079	7,628	7,025
Days of cumulative operating data collected	11,377,965	11,036,274	10,478,788	9,581,618	8,701,238	7,110,659	6,414,604	5,773,573

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 December 31, 2022, there were:

- 95,965,689 common shares issued and outstanding,
- 3,914,416 stock options outstanding with a weighted average exercise price of $0.35 expiring between 2023 and 2027,
- 36,380,797 warrants outstanding with a weighted average exercise price of $0.23 expiring between 2023 and 2027, and
- 2,120,082 RSUs outstanding.

Fundraising & Other Share Activities

Transactions during the year ended December 31, 2022 are as follows:

- On January 4, 2022, the Company issued 60,000 common shares valued at $33,600, 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 29, 2024. The common shares and share purchase warrants $755,563 and $234,271 respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of $69,288 and issued 407,579 broker warrants valued at $24,746.
- 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, with each full share purchase warrant exercisable for one common share at $0.22 per share until May 20, 2024. The common shares and share purchase warrants were valued at $492,978 and $160,465, 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 finders warrants valued at $5,682.
- On June 1, 2022, the Company issued 15,000 common shares valued at $1,440 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 mid 2023. The face value of the loan is $2,386,771. It was initially recorded on the consolidated statement of financial position at its fair market value of $1,415,395 and is being accreted

(through interest expense) back to its face value over the term of the loan with an effective interest rate of 10% per annum. For the year ended December 31, 2022, the Company recognized interest expense of $45,645 (2021 - $nil).

- On September 16, 2022, the Company received, from the Board of Directors of Sustainable Development Technology Canada ("SDTC"), approval for funding on the Company's project, subject to meeting established contracting requirements. The maximum approved SDTC contribution for your Project is (a) 33.5% of the Eligible Project Costs, and (b) $5,000,000 the "SDTC Funding Limit". The Company received a grant of $564,796 during the current year recorded under Deferred grant. The remaining amount of the grant will be received upon successful completion of milestones during 2023 through 2025.

- On November 01, 2022, the Company reached an agreement with holders of its 10% unsecured convertible debentures (the "Debentures"), with a principal amount outstanding of $641,000 to extend the maturity date of the Debentures from November 1, 2022 to November 1, 2024 and is pending TSXV approval. The agreement also adjusted the applicable interest rate from 10% to 12% per annum. Furthermore, for non-insiders the exercise price of the common share purchase warrants forming part of the units issuable on conversion of the Debentures from $0.35 per common share to $0.32 per common share.

- Upon revaluation the fair value of the liability component $587,155, was determined using a market rate of 20%. As a result of revaluation, the Company recorded gain on modification of convertible debentures of $44,226 for the year ended December 31, 2022.

- On December 20, 2022, the Company completed a private placement for the first tranche through issuance of 18,138,095 units at $0.07 per unit for gross proceeds of $1,039,202 and shares for debt of $230,465. 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 $0.12 per share until December 21, 2027. The common shares and share purchase warrants were valued at $952,936 and $316,731 respectively, using the relative fair value method. In connection with the private placement, the Company incurred share issuance costs of $27,090 and issued 387,002 broker warrants valued at $13,043. Each broker warrant is exercisable for one common share at $0.07 per share until December 21, 2027.

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 an annual interest rate of BDC Capital Floating Base Rate plus 2.95% per annum. 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. The Company recognized interest expense of $493,757 during the year ended December 31, 2022.

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").

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 year ended December 31, 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 year, the Company's cash balance decreased from $2,116,612 to $853,330 as at the end of Q4 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 ("FedDev") under the Jobs and Growth Fund. Pursuant to the agreement, the Company has claimed approximately $2,386,772 as at December 31, 2022, of which approximately $393,565 was received subsequent to quarter end in December. Subsequent to year end, the Company received notice that it had been awarded an IRAP grant of $750,000 of which $250,000 has been received in March 17, 2023 and the remainder will be received over a 12-month period ending March 2024.

Taken in combination with gross profit from the sale of products and the material cost reductions implemented in Q4 2024, the BDC, FedDev, IRAP funding provides sufficient working capital to fund operations for the subsequent twelve months.

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 inventory for orders;
- 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.

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 Power product offerings. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

Related Party Transactions

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

Remuneration to key management was as follows:

	December 31, 2022	December 31, 2021
Salaries and benefits		
Cash	$592,784	$664,458
Stock-based compensation	150,604	393,251
Total	$743,388	$1,057,709

Management has undertaken numerous measures in order to assist the Company in managing its cash position, including cancelling bonus compensation, deferring part of its salaries, accepting shares for debt and delaying 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.

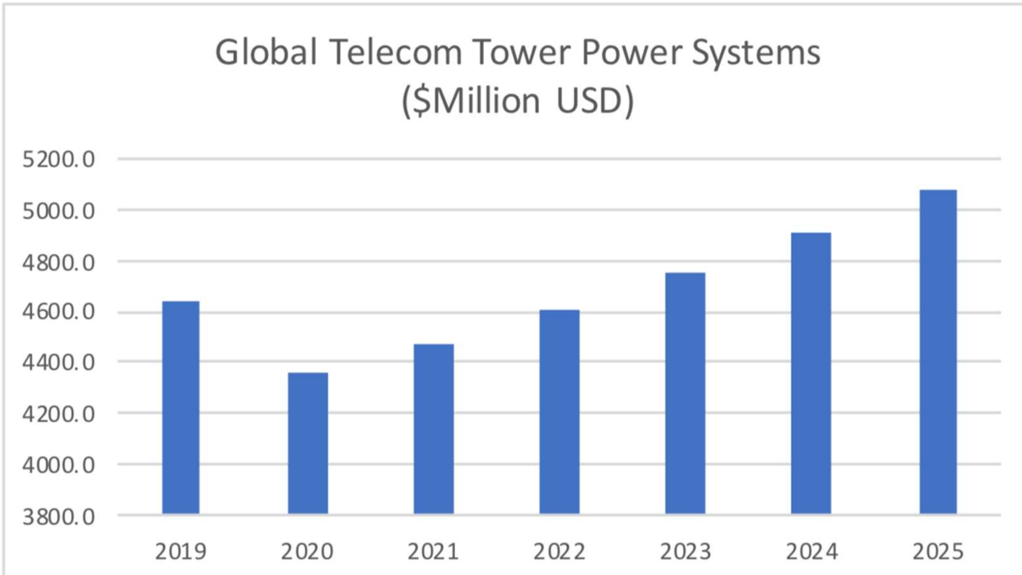
As of December 31, 2022, amounts owing to key management in connection with reimbursement of business expenses, and convertible debentures was $ 365,645 (December 31, 2021 - $395,847).

Clear Blue's Addressable Market

The Company has previously 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 cell phone market is currently the Company's largest growth opportunity.

The global market for telecom tower power systems will grow from US$3.9 billion in 2022 to US$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.

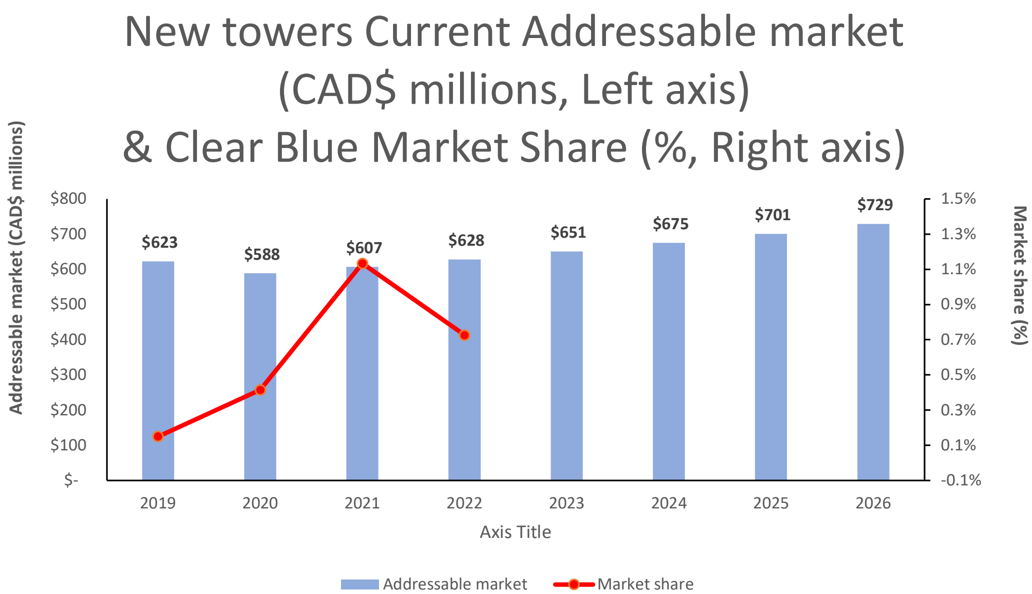
Africa presents the largest market opportunity

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 2,865,365 pounds of carbon offsets through the Smart Power 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 Power 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 Power system includes a solar or solar-hybrid controller, a built-in communications network, and Illumience. Illumience is Clear Blue's Smart Power 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 Power 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 2SLGBTQ+ 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 2SLGBTQ+ 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 increased its presence in Africa, by establishing an office in Nigeria. 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.

Risks and Uncertainties

Liquidity risk

As of December 31, 2022, the Company had working capital of $919,045. 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 $16,736as at December 31, 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 consolidated financial statements (the "Financial Statements") have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2022, the Company incurred a net loss in the amount of $5,746,952 (2021 – $3,411,380) and generated negative cash flows from operations of $2,446,583 (2021 – $3,899,647). At December 31, 2022, the Company had working capital of $919,045 (2021 - $3,426,722) including cash of $853,330 (2018 - $2,116,612), which is insufficient to fund operations for more than 12 months.

Historically, the Company has been able to raise sufficient funds to finance its operations through private placements and government grants. During the current year, the Company signed a $4,000,000 interest free loan facility with Federal Economic Development Agency for Southern Ontario ("FedDev") under the Jobs and Growth Fund. As at December 31, 2022, the Company has received $1,993,206 in connection with this loan. The Company during the current year received an approval for a grant from Sustainable Development Technology Canada (STDC) amounting to $5,000,000 which is based on the completion of the project milestones. As at December 31, 2022, the Company has received $564,796 in connection with this grant. Subsequent to the year end, the Company received an approval for a grant of $750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP).

The Company's ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and its ability to obtain future funds either in the form of additional equity, debt, research and development grants, and or large sales orders. The outcome of these matters cannot be predicted at this time. These material uncertainties may cast significant doubt upon 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 December 31, 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.