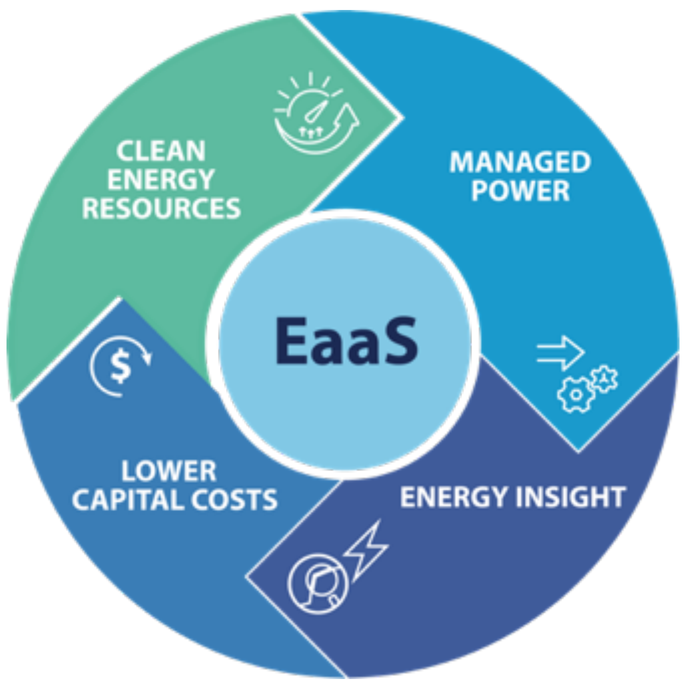
The Smart Off-Grid Company™



Delivering Smart Power Solutions and Energy-as-a-Service In 45 Countries

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

For the Quarters Ended March 31, 2023

Dated: May 29, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE QUARTERS ENDED MARCH 31, 2023 AND 2022

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 unaudited condensed interim consolidated financial statements of Clear Blue and the related notes thereto for the interim period ended March 31, 2023, and the audited consolidated financial statements for the year ended December 31, 2022. This MD&A is presented as of May 29, 2023, and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's unaudited condensed interim consolidated financial statements for the period ended March 31, 2023. 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 months ended March 31, 2023, along with any subsequent material information.

The MD&A is intended to enable readers to gain an understanding of the Company's current results and financial position. To do so, we provide information and analysis comparing the results of unaudited condensed interim consolidated operations and financial position for the current period to those of the same period of the prior year and the comparable period, where applicable. We also provide analysis and commentary that we believe is required to assess the Company's future activities. Accordingly, certain sections of this report contain forward-looking statements based on current plans and expectations. These forward-looking statements are affected by the risks and uncertainties that are discussed in this document on future prospects. Readers are cautioned that actual results could vary.

Management's Responsibility

The Company's management is responsible for the preparation and presentation of the unaudited condensed interim consolidated financial statements and the MD&A. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The information provided in this report, including the unaudited condensed interim consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates and judgements are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates and judgements have been based on careful assessments and have been properly reflected in the accompanying unaudited condensed interim consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Caution Regarding Forward-Looking Information

This MD&A contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the 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 ("IoT") 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 Esite-Micro and Smart Nano-Grid systems, its Illumient solar-powered street lighting systems and soon its Smart Pico-Grid & Senti 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 45 countries around the world to date, generating a recurring revenue stream. Each new system is sold with three years of pre-paid ongoing management and 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 28 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 two 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 March 31, 2023, and 2022.

On a TFQ basis:

- TFQ revenue was $1,674,003, a 72% decrease from $5,914,758 in the corresponding previous period. This current period was impacted by the economic downturn triggered by the macro-economic events of early 2022. As companies around the world paused their capital spending, Clear Blue's revenue was delayed by those delays in customer rollouts. Beginning in Q1 2023, the Company saw a return to strong order intake leading to bookings growth, and as orders begin to ship, the Company expects that TFQ revenue will begin to grow in 2023.
- TFQ Illumience and EaaS recurring revenue was $865,610, a 75% increase from $495,404 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 March 31, 2023, bookings increased to $3,516,857, an increase of 77%, when compared to $1,991,275 as of December 31, 2022, with delivery anticipated 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.

- TFQ Gross Profit decreased to $574,296 compared to $2,011,797 in the comparable period, a reduction of 71%. However, the gross margin percentage remained consistent at 34% with the comparative TFQ period of 2022.
- EBITDA for the period was $(2,825,118) as compared to $(3,232,312) for the previous period — a 13% improvement from the comparative period of 2022. This improvement is mainly attributable to lower expenses as well as the contribution of government grants (See below for Non-IFRS Adjusted EBITDA which is net of government grants). Furthermore, operating costs, attributable to eSite Power systems (eSite) are included in the current period as a result of the acquisition in the current period.

For the quarter ended March 31, 2023 ("Q1 2023"):

- Q1 2023 revenue was $262,137, a 79% decrease from $1,225,106 for the quarter ended March 31, 2022 ("Q1 2022").
- Illumience and EaaS recurring revenue comprised $212,004 of the quarter's revenue compared to $150,975 in Q1 2022, a 40% 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 Q1 2023 was $93,272 compared to $507,500 for Q1 2022, an 82% decrease resulting from lower revenue for the quarter. Gross Margin percentage for the quarter was 36%, reduced from 41% in the comparative quarter of 2022.
- Quarterly EBITDA was $25,180 versus $(919,958) in Q1 2022, a 102% improvement from Q1 2022. The improved EBITDA reflects the Company's 2022 cost reduction program, increased costs from eSite as well as government grants (see below for Non-IFRS Adjusted EBITDA net of government grants).

Notable developments and announcements for the quarter ending March 31, 2023:

- On May 18, 2023 the Company announced it had received an order for a Roadway Expansion project. The project is expected to ship in Q3 2023 and has an estimated life-time contract value of $425,000. This project, when taken with other orders received after the end of the quarter, brings year to date Clear Blue bookings to $4,600,000 of which $4,000,000 is expected to be revenue recognized in 2023
- In May, 2023, the Company received its next tranche of SDTC R&D government grant financing in the amount of $1.1 million. As of May 29, 2023, the Company has $5.6M of available government funding, with $3.8 million receivable in government grants, and $1.8 Million receivable in the form of a 10-year interest free loan to fund its plans going forward over the next 3 years.

Outlook and Management Commentary

As Clear Blue indicated in our Q4 2022 results, first quarter revenues were relatively small, as is normal in the Company's revenue cycle and was exacerbated by 2022 delays in capital spending by Clear Blue's customers. Most Q1 projects typically result from late previous year's orders, and as previously stated, 2022 had numerous customers delaying their capital spend. The Company achieved a number of key milestones in Q1 2023:

- Bookings were robust in the quarter and continued to build during Q2. The Company's sales funnel is diverse and robust and project planning has restarted with many existing and new customers who had previously paused their roll out activities. We are very pleased that the bookings are a result of multiple orders across all markets and numerous customers;
- The eSite acquisition was closed and integration of the company, the products, employees and customers were a key focus in the quarter; and,
- An NRC-IRAP application for an additional $750K grant was successful adding funds to assist in the Company's R&D program, which is a critical factor in enabling Clear Blue to grow its market leadership in Smart Power.

Management is cautiously optimistic in its Outlook for 2023. Bookings have grown nicely and the Company is pleased to see that these sales are evenly distributed across its markets and products:

- Illumient Solar Off-Grid sales in North America are strong. Customers now proactively look towards solar lighting as a reliable source of lighting – and one that is resilient to factors adversely affecting traditional infrastructure, such as forest fires, floods or grid outages. Additionally, the focus on climate change, with support from government incentive programs has seen an increase in projects for key infrastructure areas such as cities, airport regions, interstate highways and critical roadways;

- Nano-Grid sales are supporting satellite, e-education, and cell phone telecom infrastructure. Deployments in Mexico, Cameroon, and Nigeria are included in our early 2023 activity, with more deployments booked for Q2 and Q3;

- Esite-Micro is also bringing strong sales. The Company undertook the acquisition on the hypothesis that eSite's customers would appreciate Clear Blue's Illumience Smart Off-Grid and predictive analytics services and similarly, Clear Blue's customers would demand the larger and diesel hybrid power systems of eSite. Thus far, both have proven true in that new orders from eSite have included Clear Blue's Illumience services and new orders from existing Clear Blue customers include the Esite-Micro higher power systems.

- Pico-Grid and Senti, the Company's two new products begin shipping in early July 2023. While revenue in 2023 for these new products is expected to be small, these products have a large addressable market and it is planned that they will contribute materially to 2024 revenue.

Clear Blue's focus continues to be cash centric – driving a cash neutral plan for 2023. While this includes benefits from already approved government grants, cash neutrality would be a first in the Company's history. As we move into the later quarters of the year, EBITDA should improve as bookings convert into strong revenue growth, combined with already implemented cost containment measures.

In conclusion, the Company is on track for F2023 to be more in line with the Company's historic revenue profile and its 2021 results. Although the eSite acquisition did increase our cost base slightly, Clear Blue's revenue threshold for cash flow and EBITDA break-even is approximately $9 million, owing to the Company's cost containment measures and considering the integration of the eSite acquisition.

We believe Fiscal 2023 will ultimately look more like 2021 than 2022, based on the customer interest and confirmed bookings to date. While Q1 in 2021 was a strongly positive $3.5 million anomaly, we see a much-improved customer macro environment with confirmed bookings and orders in the pipeline for Q2 to Q4 sufficient to generate an annual revenue outcome more in line with 2021 than 2022.

ACQUISITION

On January 18, 2023, the Company completed its acquisition of eSite Power Systems AB ("eSite"), a company incorporated under the laws of Sweden, specializing in telecom site power management systems. The Company has 20 years of experience designing and manufacturing its award-winning eSite product. eSite Power Systems is a leader in its field and has pioneered the deployment of sustainable green power infrastructure across Africa and Asia.

Upon closing of the Acquisition, the Company issued 3,000,000 common shares to the shareholders of eSite. The transaction was accounted for as a business combination and has been accounted for by applying the acquisition method. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represents revenue growth potential and expected synergies for the Company. The Company recorded $57,769 of revenue in the condensed interim consolidated statements of loss and comprehensive loss during the period ended March 31, 2023 as a result of the acquisition. Goodwill recognized on acquisition, is expected to be non-deductible for income tax purposes.

As allowed by IFRS 3, the fair values for purchase price allocation as a result of business combination with eSite have been determined provisionally based on limited information. Hence, the initial accounting for the business combination is incomplete and will be adjusted during the ensuing financial year based on more accurate and complete information and analysis during the measurement period.

On the date of acquisition, the Company provisionally recognized goodwill of $41,791. The fair value of the total purchase consideration on the closing date was compared with the total fair value of the assets and liabilities acquired. The resulting provisional purchase price allocation was allocated to goodwill as follows:

		March 31, 2023
Purchase consideration:		
Shares issued:		
3,000,000 shares @ 0.08 per	$	240,000
Total purchase consideration		240,000
Assets		
Property and equipment, net		84,057
Inventory		196,179
Security deposits		1,630
Total assets acquired		281,866
Liabilities		
Other payables		83,657
Total Liabilities acquired		83,657
Net assets acquired		198,209
Goodwill on acquisition	$	41,791

Financial Results

From an IFRS perspective:

	Three months ended March 31,			TFQ ended March 31,		
Result of Operations	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenue	262,137	1,225,106	(79%)	1,674,003	5,914,758	(72%)
Cost of sales	168,865	717,606	(76%)	1,099,707	3,902,961	(72%)
Gross profit	93,272	507,500	(82%)	574,296	2,011,797	(71%)
Gross margin %	36%	41%		34%	34%	
Operating expenses	1,350,654	1,525,455	(11%)	5,680,893	5,512,836	3%
Operating loss	(1,257,382)	(1,017,955)	24%	(5,106,597)	(3,501,039)	46%
Other items	639,961	(352,307)	(282%)	112,486	(847,969)	(113%)
Net loss and comprehensive loss	(617,421)	(1,370,262)	(55%)	(4,994,111)	(4,349,008)	15%

From an EBITDA (both Adjusted and unadjusted) perspective:

	Three months ended March 31,			TFQ ended March 31,		
Result of Operations	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenue	262,137	1,225,106	(79%)	1,674,003	5,914,758	(72%)
Cost of sales	168,865	717,606	(76%)	1,099,707	3,902,961	(72%)
Gross profit	93,272	507,500	(82%)	574,296	2,011,797	(71%)
Gross margin %	36%	41%		34%	34%	
Non-IFRS Operating expenses	1,135,481	1,359,390	(16%)	4,538,326	5,010,052	(9%)
EBITDA	25,180	(919,958)	(103%)	(2,825,118)	(3,232,312)	(13%)
Non-IFRS Adjusted EBITDA	(1,042,209)	(851,890)	22%	(3,964,030)	(2,998,255)	32%

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	March 31, 2023	December 31, 2022	Change
Total current assets	$6,479,407	$5,400,577	20%
Total assets	12,313,993	10,869,718	13%
Current liabilities	4,855,144	4,481,532	8%
Total liabilities	14,141,590	13,647,891	4%
Total shareholders' equity (deficiency)	(1,827,597)	(2,778,173)	(34%)
Working capital (current assets exceed current liabilities) *	1,624,263	919,045	77%

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.

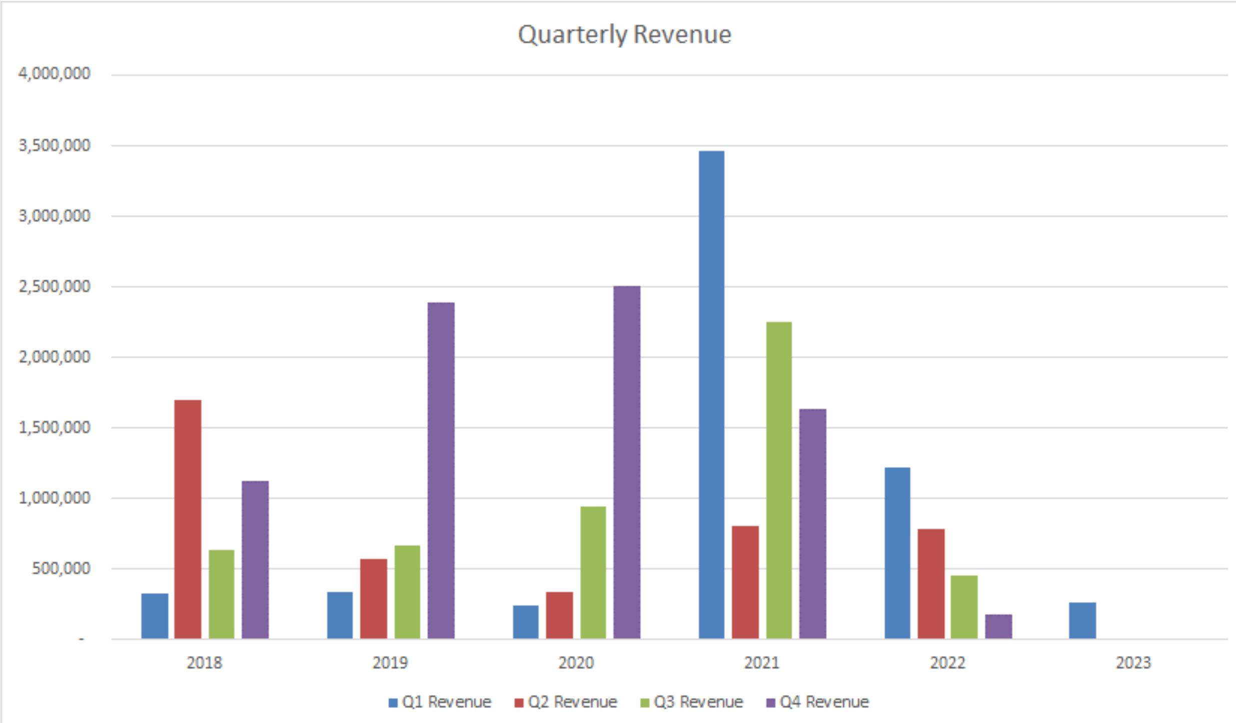
As of March 31, 2023, bookings increased to $3,516,857, an increase of 77%, when compared to $1,991,275 as of December 31, 2022, with delivery anticipated over the next three years in the case of Illumience/EaaS and typically in the next four to six months in the case of production orders. The table below provides a breakdown of Clear Blue's bookings:

		Revenue	
Bookings as of March 31, 2023	Total	Year 1	Year 2 and Beyond
Illumience / EaaS Deferred Revenue	603,702	366,267	237,435
Purchase Orders	2,913,155	2,582,541	330,614
Total Bookings	3,516,857	2,948,807	568,049

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 $5,914,759 to $1,674,003, a 72% decrease for the period ended March 31, 2023, compared to the period ended March 31, 2022.

The Russia-Ukraine conflict, wider geopolitical implications and renewed COVID-19 lockdowns in China compounded an already bleak global supply chain situation coming into Q1. Based upon the bookings in hand, the Company expects to see a nice upswing in quarterly revenue through 2023.

Revenue by Product

Clear Blue's revenue by product category for the three months and TFQ ended March 31, 2023, and 2022 was:

Revenue by Category	Three months ended March 31, 2023	Three months ended March 31, 2022	Change	TFQ ended March 31, 2023	TFQ ended March 31, 2022	Change
Product revenue						
Smart Off-Grid controllers and systems	43,474	1,004,721	(96%)	636,139	4,563,580	(86%)
Illumient Smart Off-Grid lighting	3,994	69,409	(94%)	172,254	855,776	(80%)
Illumience & EaaS Ongoing Services	214,669	150,976	42%	865,610	495,403	75%
Total revenue	262,137	1,225,106	(79%)	1,674,003	5,914,759	(72%)
Cumulative units deployed	11,039	9,648		11,039	9,648	
Average order size	18,239	75,633		34,291	78,109	

Clear Blue's Illumience &EaaS recurring services revenue 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 March 31, 2023, and 2022 was:

	Three months ended March 31,			TFQ ended March 31,		
Revenue by Vertical	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Lighting	156,011	195,076	(20%)	751,588	1,332,171	(44%)
Telecommunications	101,243	1,029,724	(90%)	908,650	4,580,829	(80%)
Security/IoT/Other	4,883	306	1496%	13,765	1,759	683%
Total revenue	262,137	1,225,106	(79%)	1,674,003	5,914,759	(72%)

Revenue by Region

Clear Blue's revenue distribution by geography for the quarter and TFQ ended March 31, 2023, and 2022 was:

	Three months ended March 31,			TFQ ended March 31,		
Revenue by Geography	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Canada	41,412	81,538	(49%)	336,822	426,031	(21%)
USA	119,482	95,418	25%	402,845	817,704	(51%)
MEA (Middle East & Africa)	91,494	1,046,665	(91%)	252,884	4,662,638	(95%)
Other	9,749	1,485	556%	681,452	8,386	8026%
Total revenue	262,137	1,225,106	(79%)	1,674,003	5,914,759	(72%)

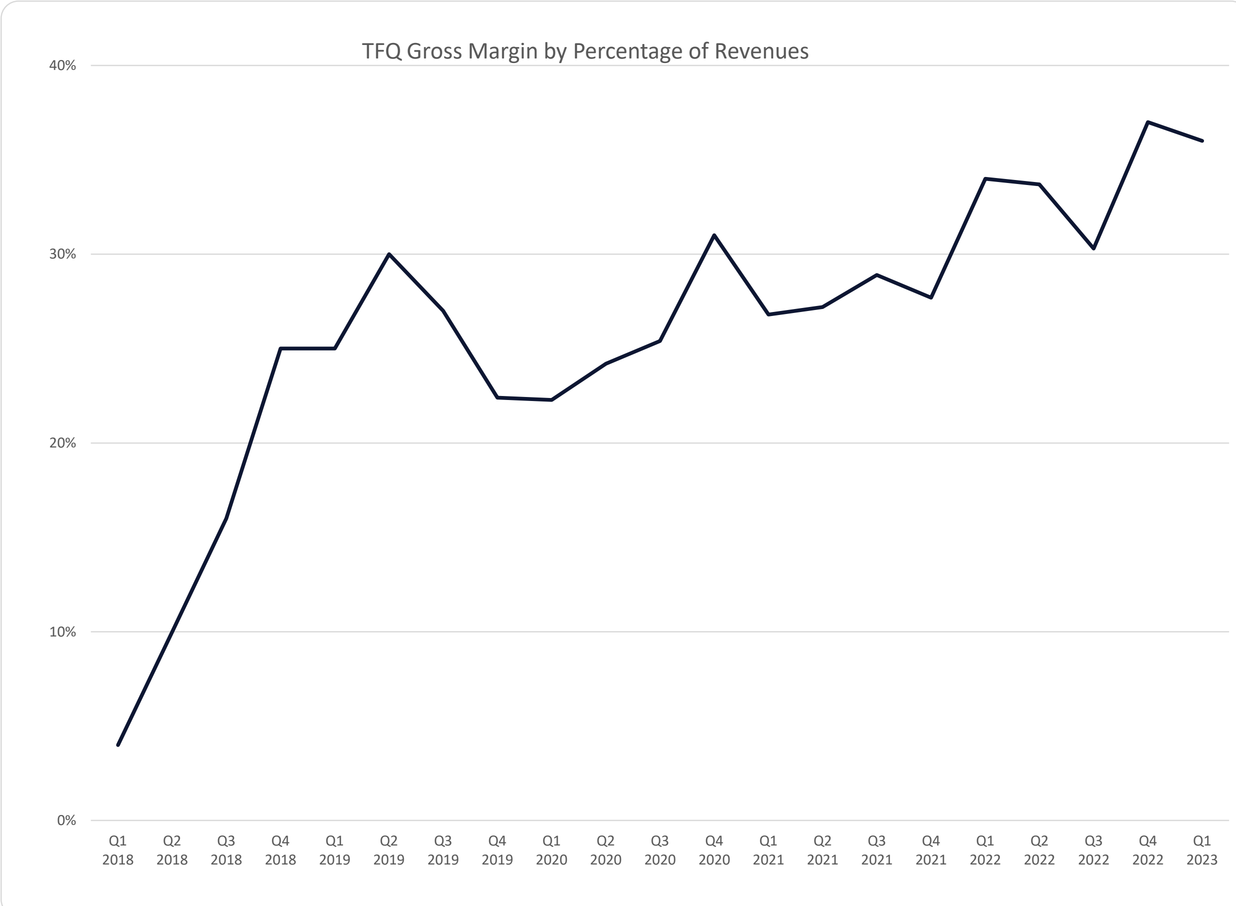
Other incl. Latam market

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. However, other costs including labor are rising and so a continued focus on margins is an ongoing effort within the Company. Clear Blue has above industry average gross margins, which have been increasing on a TFQ basis now since 2018. The value and Illumience service offering that Clear Blue delivers has greatly assisted in its ability to earn the margins it has reported.

Gross margin in Q1 2023 was 36% down from 41% in Q1 2022. This was largely due to lower revenue in the Quarter. The Company has been able to maintain gross margins at 34% for the TFQ ended March 31, 2023 when compared to the comparative TFQ period.

To better 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 its 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. To monitor its progress in this area, Clear Blue tracks two key metrics:

- Number of units deployed:
  - In Q1 2023, Clear Blue deployed a net of 30 new units and added eSite's historical 1,014 unit deployments for a total number of 11,039 units 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 12.8 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 March 31, 2023	2022	Change	TFQ ended March 31, 2023	2022	Change
Deferred Revenue - Opening	707,458	950,566	(26%)	707,458	950,566	(26%)
New Deferred Revenue bookings	34,235	76,300	(55%)	34,235	76,300	(55%)
Recurring Revenue delivered	(137,992)	(150,976)	(9%)	(137,992)	(150,976)	(9%)
Deferred Revenue - Closing	603,702	875,890	(31%)	603,702	875,890	(31%)

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-19* subsidies that the Company may have received.

	Three months ended March 31, 2023	2022	Change	TFQ ended March 31, 2023	2022	Change
Operating expenses	1,350,654	1,525,455	(11%)	5,680,894	5,512,836	3%

The above include operating expenses of $310,600 relating to the acquisition of eSite. Excluding the eSite, revised operating expenses, relating to the Company for three months ended March 31, 2023, is $1,040,054, which declined by 32% as compared to March 31, 2022. For TFQ ended March 31, 2023, operating expenses, excluding eSite is $5,370,294, which decreased by 3% when compared to March 31, 2022.

For the three months ended March 31, 2023, operating expenses decreased by $174,801 compared to Q1 2022. Travel-related expenses were lower compared to the comparative quarter by $45,860, research and development expenses decreased by $127,581 and rent decreased by $28,642 compared to Q1 2022. Professional fees were higher by $25,585 and depreciation of property and equipment was higher by $31,996 when compared to Q1 2022.

On a TFQ basis, operating expenses increased by $168,058 to $5,680,894 compared to $5,512,836 in the previous period. The increase was mainly attributed to operating expenses of $310,600 pertaining to eSite are now being consolidated with the operating expenses of the Company. The increase was offset by lower salaries, wages and benefits expenses of $162,446 and share-based compensation of $342,024, compared to the comparative period of 2022, 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 lower compared to the comparative quarter by $45,860 and higher by $129,924 for the TFQ ended March 31, 2023, when compared to the comparative TFQ of 2022, due to the Company's participation in various customer meetings, marketing and investor-related events.

Over the trailing four quarters, development and marketing expenses increased slightly at $439,248, compared to $431,992 for the comparative period of 2022. For the TFQ ended March 31, 2023, rent is lower by $96,736, 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.

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 March 31, 2023	2022	Change	TFQ ended March 31, 2023	2022	Change
Net loss and comprehensive loss	(617,421)	(1,370,261)	55%	(4,994,110)	(4,349,008)	(15%)

For the TFQ ended March 31, 2023, the Company reported a net loss of ($4,9994,110), an increase of $645,102 or 15% over 2022. 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 March 31, 2023, the Company's inventory mix comprises of 61% finished goods. Management believes that 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 $Nil, as compared to $2,613 in the comparative period.

Beginning in Q1, 2023, the Company's inventory now also includes its Esite-Micro product.

	March 31, 2023	December 31, 2022	Change
Raw materials	1,272,083	1,226,643	4%
Finished goods	2,005,459	1,891,807	6%
Total	3,277,542	3,118,450	5%

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 March 31, 2023	2022	Change	TFQ ended March 31, 2023	2022	Change
Revenue	262,137	1,225,106	(79%)	1,674,003	5,914,758	(72%)
Cost of sales	168,865	717,606	(76%)	1,099,707	3,902,961	(72%)
Gross profit	93,272	507,500	(82%)	574,296	2,011,797	(71%)
Gross margin %	36%	41%		34%	34%	
Operating expenses	1,350,654	1,525,455	(11%)	5,680,893	5,512,836	3%
Operating loss	(1,257,382)	(1,017,955)	24%	(5,106,597)	(3,501,039)	46%
Other items	639,961	(352,307)	(282%)	112,486	(847,969)	(113%)
Net loss and comprehensive loss	(617,421)	(1,370,262)	(55%)	(4,994,111)	(4,349,008)	15%
Interest, taxes and depreciations	642,601	450,304		2,168,993	1,116,696	
EBITDA	25,180	(919,958)	(103%)	(2,825,118)	(3,232,312)	(13%)
Stock based compensation	59,266	65,455		294,671	636,695	
Government funding	(1,115,496)	-		(2,085,939)	(195,350)	
Bad debt allowance	(11,159)	-		388,626	(69,201)	
Inventory writeoff	-	2,613		263,730	(138,087)	
Non-IFRS Adjusted EBITDA	(1,042,209)	(851,890)	22%	(3,964,030)	(2,998,255)	32%

EBITDA was slightly positive at the quarter at $25,180, as compared to (919,958) in the comparative Q1 2022 period. This result includes the impact of government R&D grants. The Company has signed contracts for government R&D grants over the next 3 years.

Adjusted EBITDA loss increased by 32% for the quarter and increased 22% on a TFQ-basis. The delta in Non-IFRS Adjusted EBITDA between Q1 2023 and Q1 2022 can be attributed to a decrease in revenue and inclusion of operating expenses from eSite.

Summary of Quarterly Results

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

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	262,137	178,344	451,421	782,101	1,225,106	1,631,389	2,247,857	810,406	3,459,007
Recurring revenue	137,992	149,752	142,940	358,250	150,975	84,805	124,720	134,904	110,767
Gross margin	36%	41%	30%	36%	41%	28%	39%	38%	22%
EBITDA	25,180	(1,244,612)	(387,315)	(1,218,370)	(919,958)	(1,091,822)	(411,932)	(808,600)	(244,880)
Adjusted EBITDA	(1,042,209)	(1,143,458)	(987,427)	(989,498)	(851,890)	(976,587)	(336,282)	(833,495)	(416,969)
Debt	10,764,994	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	682,945	814,312	647,899	364,001	443,568	2,116,612	538,049	656,966	597,359
Total assets	12,313,993	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	117,778,759	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	10,025	9,995	9,854	9,832	9,648	9,352	8,079	7,628	7,025
Days of cumulative operating data collected	12,863,099	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 March 31, 2023, there were:

- 117,778,759 common shares issued and outstanding,
- 5,485,667 stock options outstanding with a weighted average exercise price of $0.27 expiring between 2023 and 2028,
- 55,355,383 warrants outstanding with a weighted average exercise price of $0.21 expiring between 2023 and 2028, and
- 2,116,082 RSUs outstanding.

Fundraising & Other Share Activities

Transactions during the three months ended March 31, 2023 are as follows:

- On January 10, 2023, the Company issued 178,502 common shares valued at $15,173 pursuant to the maturity of RSU's. 59,027 common shares valued at $ 5,017 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

- On January 19, 2023, the Company issued 3,000,000 common shares for acquisition of eSite pursuant to share purchase and sale agreement at $0.08 per share (refer above).

- On January 24, 2023, the Company completed a private placement for the second tranche through issuance of 18,634,568 units at $0.07 per unit for gross proceeds of $1,232,723 and settlement of $72,145 in debt. 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.

Liquidity and Capital Resources

During the three months ended March 31, 2023, the Company's cash balance decreased slightly from $853,330 to $682,945 as at the end of Q1 2023.

In June of 2022, the Company signed an agreement to receive a $4,000,000 interest-free loan facility through Federal Economic Development Agency for Southern Ontario ("FedDev") under the Jobs and Growth Fund. Pursuant to the agreement, the Company has received approximately $2,194,333 as at March 31, 2023.

In December 2022, the Company signed an agreement for a grant from Sustainable Development Technology Canada ("SDTC") amounting to $5,000,000 which is based on the completion of the project milestones. As at March 31, 2023, the Company had received $564,796 in connection with this grant. Subsequent to the quarter end, the Company has received an additional $1,098,147 from SDTC.

During the current quarter, the Company received an approval for a grant of $750,000 from National Research Council of Canada Industrial Research Assistance Program "NRC IRAP" and as at March 31, 2023, the Company has received $247,285 in connection with the grant. Subsequent to the quarter end, the Company received an additional $77,715 from NRC IRAP

Taken in combination with gross profit from the sale of products and the material cost reductions implemented in Q1 2023, the BDC, FedDev, and 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:

	March 31, 2023	March 31, 2022
Salaries and benefits		
Cash	$145,519	$162,628
Stock-based compensation	65,245	28,778
Total	$210,764	$191,406

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.

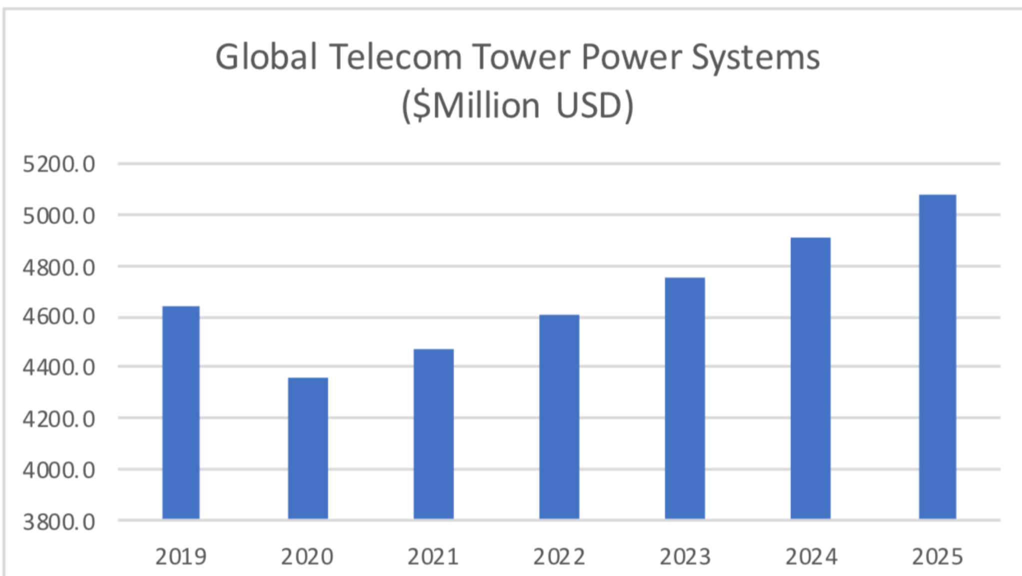
As of March 31, 2023, amounts owing to key management in connection with reimbursement of business expenses, and convertible debentures was $ 370,140 (December 31, 2022 - $365,645).

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, and;
- 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.

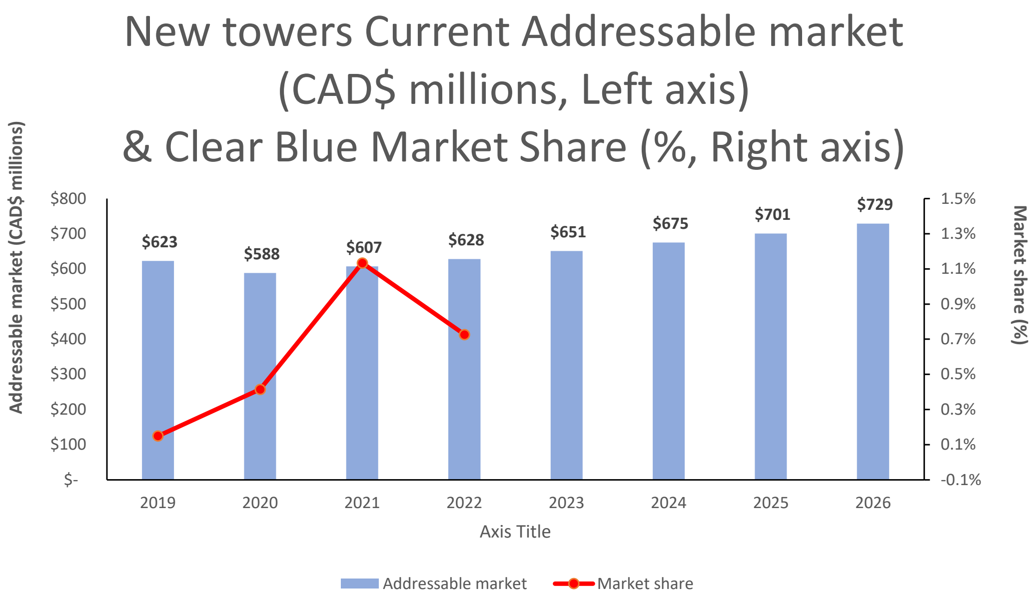
Africa presents the largest market opportunity

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 45 countries, 28 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

Supply Chain Impacts of Macro-Events & 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.

Liquidity risk

As of March 31, 2023, the Company had working capital of $1,624,263. 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 $20,031 as at March 31, 2023.

(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

The interim condensed 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 condensed interim 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 period ended March 31, 2023, the Company incurred a net loss in the amount of $617,421 (2022 – $1,370,261) and generated negative cash flows from operations of $1,565,482 (2022 – $1,030,800). At March 31, 2023, the Company had working capital of $1,624,263 (2022 - $919,045) including cash of $682,945 (2018 - $853,330), 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 March 31, 2023, the Company has received $2,194,333 in connection with this loan. The Company during the current year received an approval for a grant from Sustainable Development Technology Canada ("SDTC") amounting to $5,000,000 which is based on the completion of the project milestones. As at March 31, 2023, the Company had received $564,796 in connection with this grant. Subsequent to the quarter end, the Company has received an additional $1,098,147 from SDTC.

During the current quarter, the Company received an approval for a grant of $750,000 from National Research Council of Canada Industrial Research Assistance Program "NRC IRAP" and as at March 31, 2023, the Company has received $247,285 in connection with the grant. Subsequent to the quarter end, the Company received an additional $77,715 from 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.

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 three months ended March 31, 2023, the Company had negative cash flow. 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.