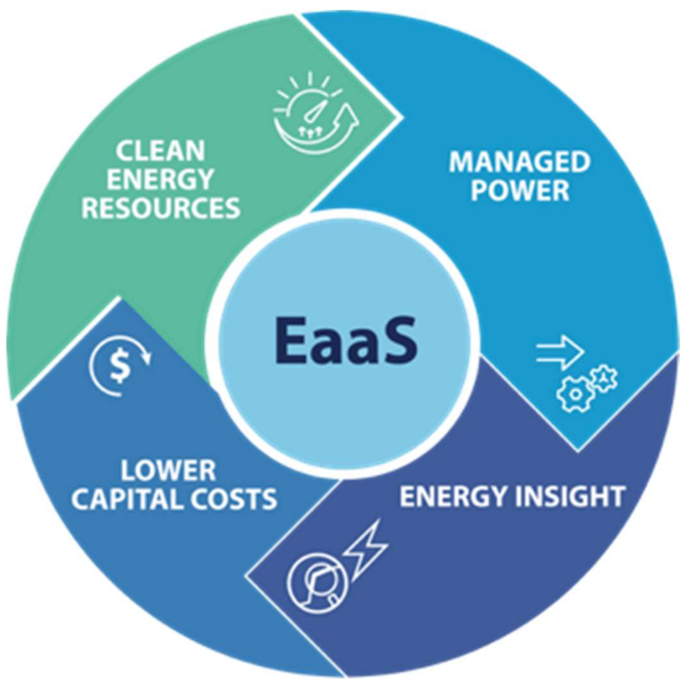
CLEARBLUE
TECHNOLOGIES

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 Quarters Ended September 30, 2023, and 2022

Dated: November 29, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE QUARTERS ENDED SEPTEMBER 30, 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 Company's audited consolidated financial statements and accompanying notes thereto as at and for the quarter ended September 30, 2023 and 2022. This MD&A is presented as of November 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 condensed interim consolidated financial statements for the period ended September 30, 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.sedarplus.ca 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 nine months ended September 30, 2023, along with any subsequent material 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 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 & 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 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 up to 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 September 30, 2023 and 2022.

On a TFQ basis:

- TFQ revenue was $3,466,183, a 15% decrease from $4,090,017 in the corresponding previous period. This entire 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 Q3 2023, the Company saw a return to strong Bookings, and as those orders begin to ship, the Company expects that TFQ revenue will begin to grow nicely in 2023.
- TFQ recurring revenue was $751,351 a 2% increase` from $736,969 in the corresponding previous period, relatively flat for the period.
- 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 September 30, 2023, bookings increased to $2,914,882, an increase of 46%, when compared to $1,991,275 as of December 31, 2022, with delivery anticipated over the next three years.

- TFQ Gross Profit increased to $1,321,021 compared to $1,238,245 in the comparable period, an increment of 7%. However, the gross margin percentage increased to 38% with the comparative TFQ period of 2022.
- Non-IFRS Adjusted EBITDA for the period was $(2,618,881) as compared to $(3,792,410) for the previous period a 31% increase from the comparative period of 2022. This increase is mainly attributable to lower operating costs when compared to the comparative TFQ of 2022 as well as the impact of government grants received in the period.

For the quarter ended September 30, 2023 ("Q3 2023"):

- Q3 2023 revenue was $2,273,377, a 404% increase from $451,421 in Q3 2022, and in-line with the Company's October 5th, 2023 pre-announcement. Q3 revenue represent a record level of quarterly revenue since Q1 2021.
- Recurring revenue comprised $195,315 of the quarter's revenue compared to $142,940 in Q3 2022, a 37% increase.
- Gross Profit for Q3 2023 was $850,588 compared to $135,575 for Q3 2022, a 527% increase resulting from higher revenue and higher margins for the quarter. Gross Margin percentage for the quarter was 37%, increased from 30% in the comparative quarter of 2022.
- Quarterly Non-IFRS Adjusted EBITDA was $33,187 versus $(987,427) in Q3 2022. A 103% improvement in loss from the comparative period of 2022. As a result, Clear Blue is pleased to report a positive EBITDA for the quarter.

Notable developments and announcements for the quarter ending September 30, 2023:

- In the quarter the Company shipped 920 power control devices across 18 orders, a quarterly record for units shipped;
- Further to its September 20, 2023 news release, Clear Blue has completed its previously announced amendments to certain of its unsecured convertible debentures in the aggregate principal amount of $4,334,000 and additionally completed its shares for debt transaction with an arm's length lender;
- The Company opened a new manufacturing facility in Sweden for its Esite product.

Outlook and Management Commentary

Management expects Q4 2023 revenue to be between $1.8 million to $2 million, with the low end of this range occurring in the event that some suppliers slip their scheduled shipments from Q4 2023 into Q1 2024. Gross Margin, expenses, and net income will generally be in line with previous quarters.

Heading into 2024, the Company sees several exciting market trends that support continuing strength in the Company's sales funnel. Some of our existing partners have solid volumes forecasted for next year with supportive financing – which bodes well for our forecasted sales volumes of our Nano-Grid product in 2024. Supporting our strongest ever sales funnel is management's cash-centric focus. Revenue growth, net-zero cash burn and positive EBITDA are still our objectives for the rest of the year.

Of the $2,914,883 in bookings as at the end of Q3, we expect to recognize 76% as revenue over the next 12 months. The large order announced with Watt Renewable will now be mostly delivered in Q1 2024 due to timelines of supply chain and the Christmas shutdown. Some of the order will also be delivered in Q4 2023.

Operationally, our product line has never been more robust due to the eSite acquisition as well as bringing to market three new products in the last 12 months, which significantly expands our addressable market. The sales funnel shows strength in all markets, with all our products, and we expect this to contribute to the Company's revenue for the remainder of 2023 and for 2024. Our Illumient lighting product is seeing solid demand and growth. CBT regularly undertakes detailed design and engineering prior to orders being received, and while annual budgets need to be confirmed by the buyers, the slate of projects for 2024 is quite strong, giving us comfort that we will see strong growth for the product next year

Esite-Micro is also going to strongly contribute in 2024 and could contribute over 50% of our total revenue for the year. We have 8 large customers who have adopted the new Esite-Micro product which integrates Esite's unparalleled power electronics with Clear Blue's industry leading Smart Power management services. As the telecom industry aggressively moves their install base away from diesel generators and towards solar, investments being made are significant and Clear Blue's leadership in Smart Power solar and hybrid systems allows us to deliver unparalleled performance for these migrations. Indeed, there are some large conversion programs being planned for 2024 within the market and Clear Blue is in a strong position to win a good portion of this business. While nothing is assured at this point, the opportunity is maturing in our sales funnel and could have a large impact on 2024 and 2025 revenue.

In summary, management is pleased with our progress since the start of fiscal 2023. The remainder of 2023 is expected to deliver solid results, and we look forward to showing strong growth into 2024.

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 $62,896 of revenue in the condensed interim consolidated statements of loss and comprehensive loss during the period ended September 30, 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:

		September 30, 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:

Result of Operations	Three months ended September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)
Cost of sales	1,422,789	315,846	350%	2,145,162	2,851,772	(25%)
Gross profit	850,588	135,575	527%	1,321,021	1,238,245	7%
Gross margin %	37%	30%		38%	30%	
Operating expenses	1,194,434	1,389,236	(14%)	5,136,453	5,921,380	(13%)
Operating loss	(343,846)	(1,253,661)	(73%)	(3,815,432)	(4,683,135)	(19%)
Other items	(197,083)	385,390	(151%)	(1,235,730)	(645,044)	92%
Net loss and comprehensive loss	(540,929)	(868,271)	(38%)	(5,051,162)	(5,328,179)	(5%)

From a non-IFRS Adjusted EBITDA perspective:

Result of Operations	Three months ended September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)
Cost of sales	1,422,789	315,846	350%	2,145,162	2,851,772	(25%)
Gross profit	850,588	135,575	527%	1,321,021	1,238,245	7%
Gross margin %	37%	30%		38%	30%	
Non-IFRS Operating expenses	817,401	1,123,002	(27%)	3,939,902	5,030,655	(22%)
EBITDA	67,243	(387,315)	(117%)	(2,774,799)	(3,617,465)	(23%)
Non-IFRS Adjusted EBITDA	33,187	(987,427)	(103%)	(2,618,881)	(3,792,410)	(31%)

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	September 30, 2023	December 31, 2022	Change
Total current assets	$6,698,897	$5,400,577	24%
Total assets	11,445,609	10,869,718	5%
Current liabilities	5,302,221	4,481,532	18%
Total liabilities	15,538,212	13,647,891	14%
Total shareholders’ equity (deficiency)	(4,092,603)	(2,778,173)	47%
Working capital (current assets exceed current liabilities)	$1,396,676	$919,045	52%

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 September 30, 2023, bookings were $2,914,882, an increase of 46%, 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:

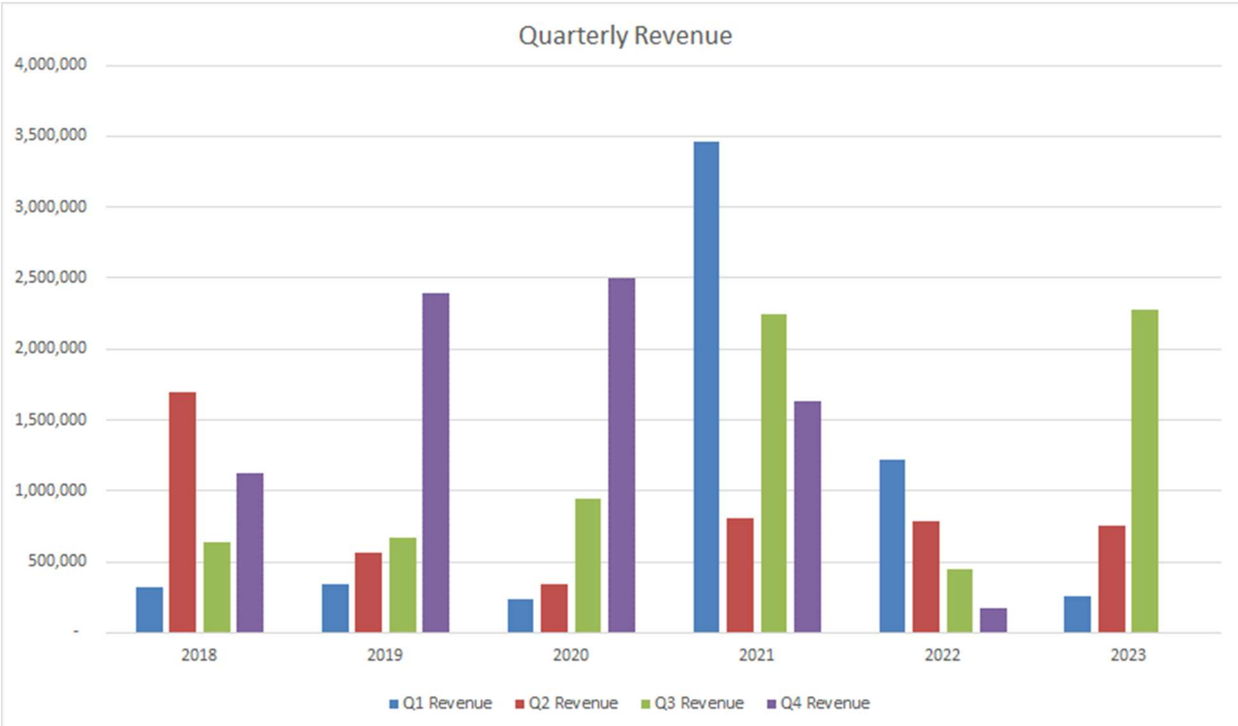
		Revenue	
Booking as of September 30, 2023	**Total**	**Year 1**	**Year 2 and Beyond**
Illumience / EaaS Deferred Revenue	714,339	348,826	365,513
Purchase Orders	2,200,543	1,869,341	331,202
Total Bookings	2,914,882	2,218,167	696,715

In addition to the above, the company had additional bookings in the quarter of $417,739 which it also shipped in the same quarter as sold.

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 $4,090,017to $3,466,183, a 15% decrease for the period ended September 30, 2023, compared to the period ended September 30, 2022.

Revenue by Product

Clear Blue's revenue by product category for the three months and TFQ ended September 30, 2023 and 2022 was:

Revenue by Category	Three months ended September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Product revenue						
Nano-Grid	698,717	81,663	756%	1,047,475	2,713,075	(61%)
Illumient Solar Lighting	931,171	226,818	311%	1,082,400	639,973	69%
eSite-Micro	448,174	—	100%	584,957	—	100%
Recurring revenue	195,315	142,940	37%	751,351	736,969	2%
Total revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)
Cumulative units deployed	12,187	9,854		12,187	9,854	
Average order size	563,585	29,835		306,788	29,835	

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 September 30, 2023 and 2022 was:

Revenue by Vertical	Three months ended September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Lighting	1,126,486	198,814	467%	1,828,572	945,140	93%
Telecommunications	1,145,570	252,418	354%	1,623,021	3,143,308	(48%)
Others	1,321	190	595%	14,590	1,569	830%
Total revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)

Revenue by Region

Clear Blue's revenue distribution by geography for the quarter and TFQ ended September 30, 2023 and 2022 was:

Revenue by Geography	Three months ended September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Canada	193,737	102,801	88%	518,432	489,285	6%
USA	862,001	89,691	861%	1,310,058	441,835	197%
MEA (Middle East & Africa)	1,099,973	(108,976)	(1109%)	1,451,862	2,526,984	(43%)
Other	117,666	367,906	(68%)	185,830	631,915	(71%)
Total revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)

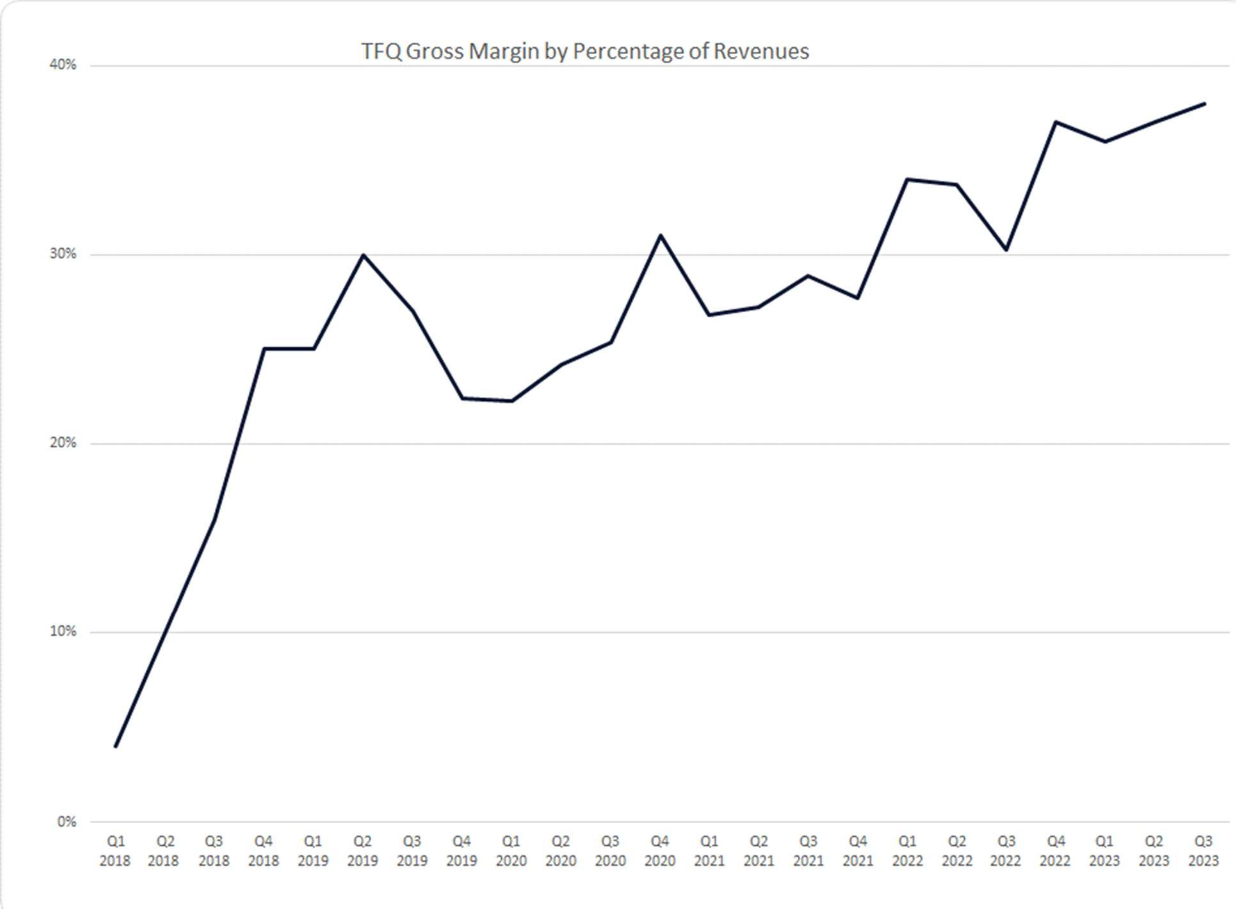
Other incl. LATAM market

Cost of Sales and Gross Margin

In 2022, global supply chains saw significant price increases, and Clear Blue 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 in 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 strong gross margins in an industry where these margins tend to be quite small, especially at low volumes. The Illumience service and Clear Blue's other IP that is included as part of its offering that Clear Blue delivers has greatly assisted in its ability to earn the margins it has reported.

Gross margin in Q3 2023 was 37% of sales, up from a gross margin of 30% in Q3 2022. This was largely as a result of higher sales prices of Clear Blue's products combined with ongoing cost and supply chain management processes.

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.



As Esite-Micro and Pico-Grid revenues start to contribute more, these products are newer and their margins will improve over time. Initially, their margins are expected to be lower than the Company norm. Therefore, the Company does expect that margins will be in the low to mid 30s over the coming quarters until volumes and supply chain allows for growth in margins on our new products.

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

- Number of units deployed:
    - In Q3 2023, Clear Blue deployed a net of 920 power units for a total number of 12,187 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 13.9 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 September 30,			TFQ ended September 30,		
Revenue by Geography	2023	2022	Change	2023	2022	Change
Canada	193,737	102,801	88%	518,432	489,285	6%
USA	862,001	89,691	861%	1,310,058	441,835	197%
MEA (Middle East & Africa)	1,099,973	(108,976)	(1109%)	1,451,862	2,526,984	(43%)
Other	117,666	367,906	(68%)	185,830	631,915	(71%)
Total revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)

*Some legacy eSite customers may purchase equipment without a managed service.

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 September 30,			TFQ ended September 30,		
	2023	2022	Change	2023	2022	Change
Operating expenses	1,194,434	1,389,236	(14%)	5,136,454	5,921,380	(13%)

For the three months ended September 30, 2023, operating expenses decreased by $194,802 compared to the same period in 2022. Share-based compensation expenses were lower compared to the comparative quarter by $164,690. General and administrative expenses decreased by $163,940. Professional fees were higher by $95,931, and rent was higher by $38,651 when compared to the comparative quarter of 2022.

On a TFQ basis, operating expenses decreased by $784,925 to $5,136,454 compared to $5,921,380 in the previous period. The decrease was mainly attributable to salaries, wages and benefits expenses of $460,846, research and development expenses of $219,687, general and administrative expenses of $243,281 and share-based compensation of $477,535. The decrease was offset by higher bad debts expenses amounting to $305,038, together with increase in amortization of intangible assets related to completed R&D projects amounting to $88,927 and higher professional fee expenses of $206,957 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 higher compared to the comparative quarter by $26,750 and higher by $43,393 for the TFQ ended September 30, 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 decreased at $385,120, compared to $392,905 for the comparative period of 2022. For the TFQ ended September 30, 2023, rent is lower by $2,141, 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 September 30,			TFQ ended September 30,		
	2023	2022	Change	2023	2022	Change
Net loss and comprehensive loss	(540,929)	(868,271)	38%	(5,051,162)	(5,328,179)	5%

For the TFQ ended September 30, 2023, the Company reported a net loss of ($5,051,162), a decrease of $277,017 or 5% over 2022. An increase in operating loss is due primarily to the drop in one-time revenue.

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 September 30, 2023, the Company's inventory mix comprises of 62% finished goods. Management believes that an increased finished goods percentage provides the Company with a strategic advantage. 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 $200,000, as compared to $112,022 in the comparative period.

Beginning in Q3, 2023, the Company's inventory now also includes its Esite-Micro product.

	September 30, 2023	December 31, 2022	Change
Raw materials	1,232,340	1,226,643	0.5%
Finished goods	1,973,018	1,891,807	4.3%
Total	3,205,358	3,118,450	2.8%

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 measure 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 September 30, 2023	2022	Change	TFQ ended September 30, 2023	2022	Change
Revenue	2,273,377	451,421	404%	3,466,183	4,090,017	(15%)
Cost of sales	1,422,789	315,846	350%	2,145,162	2,851,772	(25%)
Gross profit	850,588	135,575	527%	1,321,021	1,238,245	7%
Gross margin %	37%	30%		38%	30%	
Operating expenses	1,194,434	1,389,236	(14%)	5,136,453	5,921,380	(13%)
Operating loss	(343,846)	(1,253,661)	(73%)	(3,815,432)	(4,683,135)	(19%)
Other items	(197,083)	385,390	(151%)	(1,235,730)	(645,044)	92%
Net loss and comprehensive loss	(540,929)	(868,271)	(38%)	(5,051,162)	(5,328,179)	(5%)
Interest, taxes and depreciations	608,172	480,956	26%	2,276,363	1,710,714	33%
EBITDA	67,243	(387,315)	(117%)	(2,774,799)	(3,617,465)	(23%)
Stock based compensation	(65,621)	99,069	(166%)	135,730	613,265	(78%)
Government funding	(168,435)	(811,203)	(79%)	(589,796)	(811,203)	(27%)
Bad debt allowance	—	—	0%	387,929	(55,512)	(799%)
Inventory writeoff	200,000	112,022	79%	222,055	78,505	183%
Non-IFRS Adjusted EBITDA	33,187	(987,427)	(103%)	(2,618,881)	(3,792,410)	(31%)

The Company excludes its government R&D grant as part of its Adjusted EBITDA calculation. As the company has commitments for these grants for at least the next three years, and it is a fundamental part of our financial plan to assist in our R&D development, it has been included in this calculation.

Adjusted EBITDA loss decreased by 103% for the quarter and 31% on a TFQ-basis. The delta in Non-IFRS Adjusted EBITDA between Q3 2023 and Q3 2022 can be attributed to funding received from the government towards operating expenses.

Summary of Quarterly Results

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

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Total Revenue	2,273,377	752,325	262,137	178,344	451,421	782,101	1,225,106	1,631,389
Recurring revenue	195,315	139,056	214,669	149,752	142,940	358,250	150,975	84,805
Gross margin	37%	41%	36%	30%	30%	36%	41%	28%
EBITDA	67,243	(1,622,611)	25,180	(1,244,612)	(387,315)	(1,218,370)	(919,958)	(1,091,822)
Adjusted EBITDA	33,187	(664,964)	(1,042,209)	(944,895)	(987,427)	(989,498)	(838,898)	(976,587)
Debt	11,381,131	10,820,950	10,764,994	10,314,500	10,269,039	8,762,482	8,820,971	7,264,701
Cash	1,086,050	746,100	682,945	853,330	647,899	364,001	443,568	2,116,612
Total assets	12,190,809	10,492,784	12,313,993	10,869,718	10,507,416	10,009,702	10,008,694	11,167,755
Common shares outstanding	123,917,071	118,942,907	117,778,759	95,965,689	77,247,595	76,695,578	67,014,242	66,954,241
Cumulative units deployed	12,187	11,267	11,039	9,995	9,854	9,832	9,648	9,352
Days of cumulative operating data collected	2,119,373	13,983,740	12,863,099	11,377,965	11,036,274	10,478,788	9,581,618	8,701,238

Disclosure of Outstanding Share Data

Clear Blue Technologies International Inc. common shares trade on the TSX Venture Exchange under the symbol "CBLU", 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 September 30, 2023, there were:

- 123,917,071 common shares issued and outstanding,
- 7,780,282 stock options outstanding with a weighted average exercise price of $0.16 expiring between 2023 and 2028,
- 55,715,383 warrants outstanding with a weighted average exercise price of $0.21 expiring between 2023 and 2028, and
- 704,438 RSUs outstanding.

Fundraising & Other Share Activities

Transactions during the three months ended September 30, 2023, are as follows:

- On January 10, 2023, the Company issued 178,502 common shares valued at $39,870 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.

- 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 $1,232,275 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. The common shares and share purchase warrants were valued at $735,187 and $569,233 respectively, using the relative fair value method.

  In connection with private placement, the company issued share issuance cost of $68,961 and issued 340,018 broker warrants valued at $21,109. Each broker warrant is exercisable for one common share at $0.07 per share until December 21, 2027. The stand-alone value of share purchase warrants and broker warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 5.0 years, risk-free rate of 3.07%, dividend yield of 0% and volatility of 116%.

- On June 1, 2023, the Company issued 360,000 warrants valued at $16,078, and each is exercisable for one common share at $0.06 per share until May 31, 2028. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 5.0 years, risk-free rate of 3.41%, dividend yield of 0% and volatility of 116%.

- On June 30, 2023, the Company issued 1,164,148 common shares valued at $139,698 pursuant to the maturity of RSUs. 465,660 common shares valued at $23,283 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

- On July 15 2023, the Company amended its existing loan agreement with BDC (refer Note 13) and issued 4,900,000 common shares at $0.07 per share for settlement of accrued interest amounting to $343,000 until June 30, 2023.

- On September 30, 2023, the Company issued 74,164 common shares valued at $25,120 pursuant to the maturity of RSUs. 29,664 common shares valued at $1,187 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Liquidity and Capital Resources

The Company's cash balance increased from $853,330 as of December 31, 2022 to $1,086,050 as of September 30, 2023.

In September of Q3 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 $3,436,753 as at September 30, 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 December 31, 2022, the Company had received $564,796 in connection with this grant. As at September 30, 2023, the Company had received $1,662,943 in connection with this grant.

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 September 30, 2023, the Company has received $465,058 in connection with the grant.

Taken in combination with gross profit from the sale of products and the material cost reductions implemented in Q3 2023, 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:

	September 30, 2023	September 30, 2022
Salaries and benefits	432,447	380,796
Stock-based compensation	129,160	67,041
Total	$561,607	$447,837

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.

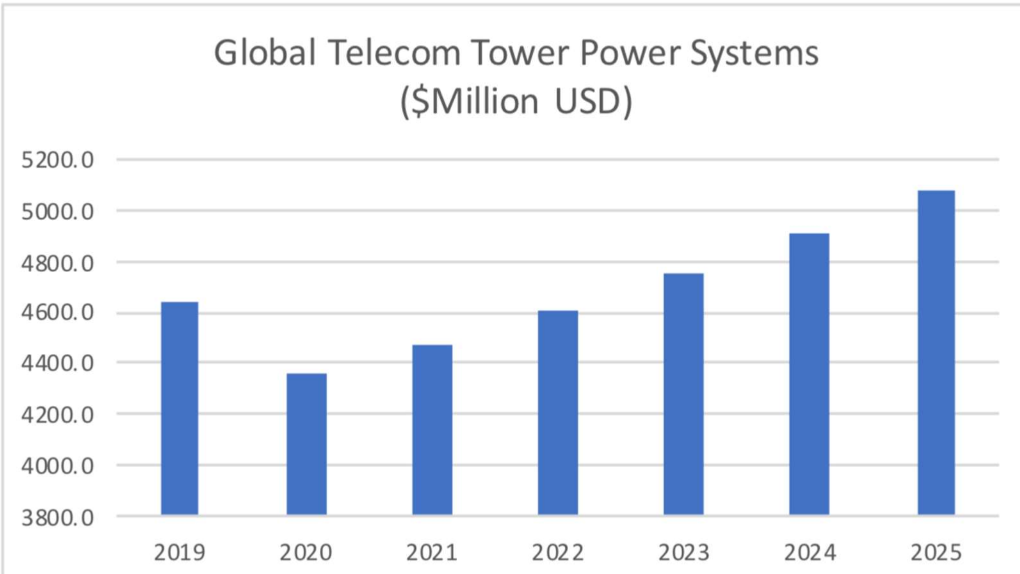
As of September 30, 2023, amounts owing to key management in connection with reimbursement of business expenses, deferred salaries, and convertible debentures was $298,339 (December 31, 2022 - $365,645). Additionally, the Company received an advance amounting to $200,000 from shareholders on August 16, 2023. The said advance had been provided by management to supplement the working capital of the Company.

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 is forecasted to 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 2022

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.

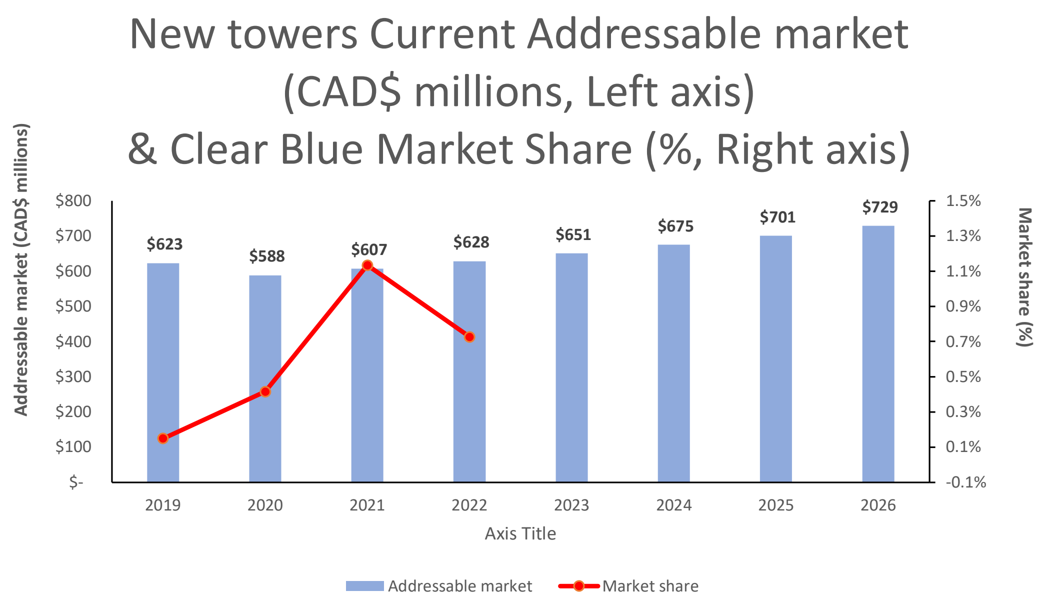
Africa presents the largest market opportunity

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 is forecasted to grow 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

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 September 30, 2023, the Company had working capital of $1,396,676. 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 $119,118 as at September 30, 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 nine months ended September 30, 2023, the Company incurred a net loss in the amount of $3,230,806 (nine months ended September 30, 2022 - $3,926,593) and generated negative cash flows from operations of $1,492,715 (nine months ended September 30, 2022 - $2,169,335). At September 30, 2023, the Company had working capital surplus of $1,396,676 (December 31, 2022 - $919,045) including cash of $1,086,050 (December 31, 2022 - $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 September 30, 2023, the Company has received $3,436,753 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 December 31, 2022, the Company had received $564,796 in connection with this grant. As at September 30, 2023, the Company had received $1,662,943 in connection with this grant

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 September 30, 2023, the Company has received $465,058 in connection with the grant.

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 nine months ended September 30, 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 dissatisfied 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, OTCQB, or Frankfurt Stock Exchanges. 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.sedarplus.ca.