



Clear Blue Technologies International Inc. Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2024 and 2023

(Expressed in Canadian dollars)

Clear Blue Technologies International Inc. Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of Clear Blue Technologies International Inc. (the "Company"), is responsible for preparing the unaudited condensed interim consolidated financial statements, the notes to the unaudited condensed interim consolidated financial statements and other financial information contained in these unaudited condensed interim consolidated financial statements (the "condensed interim consolidated financial statements").

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

Miriam Tuerk
President and Director
June 4, 2024

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Clear Blue Technologies International Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2024

(Expressed in Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
Assets			
Current assets			
Cash		\$ 384,435	\$ 534,451
Accounts receivable and other receivables	6	2,635,945	1,769,282
Research and development tax credits receivable	7	239,177	239,177
Inventory	8	3,211,777	3,485,956
Prepaid expenses and deposits		111,526	105,880
Current portion of deferred costs	8	92,815	92,815
Total current assets		6,675,675	6,227,561
Non-current assets			
Long-term accounts receivable and other receivables	6	142,015	145,882
Deferred costs	8	155,521	191,214
Property and equipment	9	196,092	230,263
Intangible assets	10	4,397,498	5,225,572
Total assets		11,566,801	12,020,492
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	3,061,437	3,086,965
Customer deposits and advanced billing	11	289,914	—
Short-term loans	12	1,015,833	1,015,833
Current portion of deferred revenue	11	363,824	363,824
Current portion of lease liability	9	96,283	95,641
Current portion of long-term debt	13	666,864	699,764
Total current liabilities		5,494,155	5,262,027
Non-current liabilities			
Deferred revenue	11	308,143	396,466
Lease liability	9	46,373	73,276
Royalty funding	15	375,000	375,000
Convertible debentures	14	3,558,032	3,388,394
Long-term debt	13	6,166,000	5,894,688
Due to shareholders	19	1,251,986	1,166,382
Total liabilities		17,199,689	16,556,233
Shareholder's Deficiency			
Share capital	16	24,431,606	24,371,608
Reserves	17	7,412,824	7,401,161
Equity portion of convertible debentures	14	918,611	918,611
Accumulated deficit		(38,395,929)	(37,227,121)
Total shareholders' deficiency		(5,632,888)	(4,535,741)
Total liabilities and shareholders' deficiency		\$ 11,566,801	\$ 12,020,492

Nature of operations and going concern (Note 1)

Commitments (Note 23)

Subsequent events (Note 26)

On behalf of the Board:

“Miriam Tuerk”

President and Director

“Steve Parry”

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Clear Blue Technologies International Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	Three months ended March 31, 2024	Three months ended March 31, 2023
Revenue		\$ 808,553	\$ 262,137
Cost of sales	8	470,214	168,865
Gross profit		338,339	93,272
Operating expenses			
Salaries, wages and benefits	18	411,079	569,937
Research and development	7	152,935	43,617
General and administrative		238,767	281,094
Bad debt recovery	6	—	(11,159)
Share-based compensation	17,18	53,849	59,266
Travel		20,653	59,109
Business development and marketing		23,826	79,642
Rent		38,878	35,430
Professional fees		127,095	72,879
Amortization of intangible assets	10	180,571	88,928
Depreciation of property and equipment	9	34,331	71,911
Total operating expenses		1,281,984	1,350,654
Loss before other (expenses) income		(943,645)	(1,257,382)
Interest income, net	6	4,353	22,079
Interest and accretion on convertible debenture	14	(169,638)	(201,751)
Interest on short-term loan	12	(70,751)	(22,627)
Interest on lease liability	9	(4,172)	(6,329)
Interest and accretion on long-term debt	13	(200,513)	(270,975)
Interest on royalty funding	15	(13,123)	(2,159)
Foreign exchange gain (loss)		(37,431)	24,025
Acquisition expenses		—	(17,798)
Government grant		266,112	1,115,496
Net loss before taxes		(1,168,808)	(617,421)
Current tax recovery		—	—
Net loss and comprehensive loss		\$ (1,168,808)	\$ (617,421)
Loss per share	20	(0.009)	(0.006)
Weighted average number of shares outstanding			
Basic and Diluted		124,461,400	112,251,125

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Clear Blue Technologies International Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

As at March 31, 2024

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Reserves	Equity portion of convertible debenture	Other comprehensive income	Accumulated deficit	Total shareholders' deficiency
Balance at December 31, 2023	124,021,237	\$ 24,371,608	\$ 7,401,161	\$ 918,611	\$ —	\$ (37,227,121)	\$ (4,535,741)
Warrants issued	—	(11,806)	11,806	—	—	—	—
Advances from shareholder	—	17,812	—	—	—	—	17,812
Maturity of restricted share units	449,944	53,992	(53,992)	—	—	—	—
Share-based compensation	—	—	53,849	—	—	—	53,849
Net loss and comprehensive loss	—	—	—	—	—	(1,168,808)	(1,168,808)
Balance at March 31, 2024	124,471,181	\$ 24,431,606	\$ 7,412,824	\$ 918,611	\$ —	\$ (38,395,929)	\$ (5,632,888)

	Number of common shares	Share capital	Reserves	Equity portion of convertible debenture	Other comprehensive income	Accumulated deficit	Total shareholders' deficiency
Balance at December 31, 2022	95,965,689	\$ 22,849,883	\$ 7,042,678	\$ 918,611	\$ —	\$ (33,589,345)	\$ (2,778,173)
Share issuance - private placement	18,634,568	1,304,420	—	—	—	—	1,304,420
Share issuance costs - cash	—	(68,961)	—	—	—	—	(68,961)
Warrants issued	—	(557,334)	557,334	—	—	—	—
Broker warrants	—	(21,109)	21,109	—	—	—	—
Maturity of restricted share units	178,502	28,320	(28,320)	—	—	—	—
Share-based compensation	—	—	59,266	—	—	—	59,266
Shares issued for acquisition	3,000,000	240,000	—	—	—	—	240,000
Foreign exchange on currency translation	—	—	—	—	33,272	—	33,272
Net loss and comprehensive loss	—	—	—	—	—	(617,421)	(617,421)
Balance at March 31, 2023	117,778,759	\$ 23,775,219	\$ 7,652,067	\$ 918,611	\$ 33,272	\$ (34,206,766)	\$ (1,827,597)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Clear Blue Technologies International Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Three-months ended March 31, 2024	Three-months ended March 31, 2023
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (1,168,808)	\$ (617,421)
Depreciation of property and equipment	34,331	71,911
Amortization of intangible assets	180,571	88,928
Share-based compensation	53,849	59,266
Foreign exchange	37,431	(24,025)
Bad debt recovery	—	(11,159)
Government grant	(266,112)	(1,115,496)
Interest income	(4,353)	(22,079)
Interest on short term debt	55,309	—
Interest on short-term debt (others)	15,442	—
Interest on long-term debt	200,514	169,151
Interest on royalty funding	13,123	—
Interest on convertible debenture	108,350	201,751
Accretion of convertible debenture	61,288	—
Accretion of lease liability	4,172	6,329
	(674,893)	(1,192,844)
Changes in non-cash working capital:		
Accounts receivables and other receivables	747,564	(624,728)
Research and development tax credits receivable	—	(92,715)
Inventory	309,872	(111,964)
Prepaid expenses and deposits	(5,646)	(94,075)
Accounts payable and accrued liabilities	(80,737)	(411,178)
Customer deposits and advanced billing	289,917	29,984
Deferred cost	—	—
Deferred revenue	(88,323)	994,390
	497,754	(1,503,130)
Interest received	—	22,079
Interest paid	(159,914)	(84,431)
Cash provided (used) in operating activities	337,840	(1,565,482)

Clear Blue Technologies International Inc.

Condensed Interim Consolidated Statements of Cash Flows – (cont'd..)

For the three months ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Three-months ended March 31, 2024	Three-months ended March 31, 2023
Financing activities		
Advances from shareholders	67,001	—
Proceeds from long-term loans	346,679	201,127
Repayment of short-term loans	—	—
Repayment of long-term loans	(132,000)	(48,340)
Repayment of lease liability	(30,432)	(28,723)
Cash from financing activities	251,248	1,359,523
Investing activities		
Additions to intangible assets	(867,015)	(470,389)
Receipt of other receivable	—	27,291
Addition to property and equipment	(160)	—
Proceeds from IRAP	128,071	247,285
Cash used in investing activities	(739,104)	(195,813)
Net decrease in cash during the period	(150,016)	(401,772)
Effects of foreign currency translation	—	231,387
Cash, beginning of period	534,451	853,330
Cash, end of period	\$ 384,435	\$ 682,945

Refer to Note 24 for supplement cash flow information

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

1. Nature of Operations and going concern

Clear Blue Technologies International Inc. (the “Company” or “CBLU”) was incorporated on November 11, 2014 under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the ticker symbol “CBLU”.

The Company is in the business of developing and selling “Smart Off-Grid” power solutions and management services to the power, control, monitor, manage, and proactively service solar and hybrid-powered systems such as street lights, security systems, telecommunications systems, emergency power, and Internet of Things (“IoT”) devices.

The Company’s head office is located at 30 Lesmill Road, Unit #7, Toronto, Ontario, Canada, M3B 2T6.

During the quarter ended March 31, 2024, the Company incurred a net loss in the amount of \$1,168,808 (2023 – \$617,421) and generated negative cash flows from operations of \$337,840 (2023 – \$1,565,482). At March 31, 2024, the Company had working capital surplus of \$1,181,520 (2023 – \$965,534) including cash of \$384,435 (2023 - \$534,451).

Historically, the Company has been able to raise sufficient funds to finance its operations through private placements and government grants. During the year ended December 31, 2022, the Company signed a \$4,000,000 interest free loan facility (refer to Note 12) with Federal Economic Development Agency for Southern Ontario (“Feddev”) under the Jobs and Growth Fund. As at March 31, 2024, the Company has received \$3,800,000 in connection with this loan.

During the year ended December 31, 2022, the Company received an approval for a grant from Sustainable Development Technology Canada (“SDTC”) amounting to \$5,000,000 (Note 10) which is based on the completion of the project milestones. As at March 31, 2024, the Company had received \$1,662,942 in connection with this grant. Subsequent to quarter end, the Company had received additional \$1,514,518.

During the year ended December 31, 2023, the Company received an approval for a grant of \$750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) (refer to Note 26). the Company got approved for an additional IRAP grant of \$125,000 as an amendment to the original funding agreement and received \$128,071 during the three month ended March 31, 2024 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.

These condensed interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company’s inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these condensed interim consolidated financial statements, adjustments might be necessary to the carrying amounts of assets and liabilities reported in the condensed interim consolidated statement of financial position, and such adjustments could be material.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

2. Basis of Presentation

For comparative purposes, the Company has reclassified certain immaterial items to conform with the current year's presentation.

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements were approved for issuance by the Company's Audit Committee and Board of Directors on June 4, 2024.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as described in the significant accounting policies. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

The Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and certain subsidiaries.

Basis of consolidation

The condensed interim consolidated financial statements consolidate the parent company, Clear Blue Technologies International Inc., and its subsidiaries, Clear Blue Technologies Inc., Clear Blue Technologies Kenya Ltd., Clear Blue Technologies US Corp. and eSite Power Systems AB, as of the date that control was obtained over those subsidiaries. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Net Loss and comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

i. Business combinations

The Company applies the acquisition method in accounting for business combinations by allocating the purchase price to the fair value of the assets acquired at the acquisition date, with any difference recognized as goodwill.

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of the consideration transferred to obtain control over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

ii. Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill has been allocated to a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

iii. Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd...)

iii. Foreign currency translation (cont'd...)

The assets and liabilities of foreign operations that have a functional currency different from that of the Company are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the periods and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates.

Judgments

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these consolidated financial statements are discussed below.

(i) Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currencies of the Company and its subsidiaries is the Canadian dollar as this is the currency of the primary economic environment in which the Company operates.

(ii) Segment disclosures

The Company's operations comprise a single reporting operating segment engaged in the provision of off-grid power solutions and related services. As the operations comprise a single reporting segment, amounts disclosed in the condensed interim consolidated financial statements also represent segment amounts. All of the Company's operations and assets are located in Canada.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, residual values and patterns in which the assets' future economic benefits are expected to be consumed, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

4. Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

(ii) Impairment of non financial assets

Non-financial assets are reviewed for an indication of impairment at each consolidated statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for their intended use are tested for impairment at least annually, which also requires significant judgement. To determine the recoverable amount (value in use or fair value less cost to dispose of these assets), management estimates expected future cash flows from the asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows using a discounted cash flow model. In the process of measuring expected future cash flows for intangible and tangible assets not yet available for their intended use, management makes assumptions about future operating results using the estimated forecasted prices obtained from various market sources. These key assumptions relate to future events and circumstances. The actual results will vary and may cause adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected growth of the market for different renewable energy products (demand), b) selling prices which have an impact on revenues and margins (pricing), c) the discount rate associated with new processes and products.

(iii) Share-based compensation

The Company uses estimates, including but not limited to, the fair value of the Company, estimates of forfeitures, share price volatility at the time of issuance, the risk-free interest rates and expected lives of the options and warrants granted in the calculation of the Share-based compensation and issuance related costs, respectively.

(iv) Deferred income taxes

The calculation of deferred income taxes is based on assumptions that are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse as well as assumptions as to the extent and likelihood that the Company will be able to utilize its non-capital losses.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

4. Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

(v) Recoverability of accounts receivable

Accounts receivable are amounts due from customers for products and services delivered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for expected credit loss ("ECL"). Provisions for expected credit losses are established using an ECL model. The provisions are based on a forward-looking ECL, which includes possible default events on the accounts receivable over the entire holding period of the accounts receivable, considering the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as the probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. These provisions represent the difference between the accounts receivable's carrying amount in the consolidated statements of financial position and the estimated net collectible amount. Charges for ECLs are recorded as bad debt expense (recovery) in the consolidated statements of loss and comprehensive loss. As at March 31, 2024, management has determined that ECL was \$nil (December 31, 2023 - \$68,356).

(vi) Recoverability of inventory

Determining whether the carrying value of inventory is recoverable requires management to exercise judgment in estimating the ability to sell the inventory on-hand for amounts in excess of its carrying value.

(vii) Royalty funding

The Company's royalty funding agreement has been accounted for as a financial liability and measured at fair value at initial recognition. The Company made this determination after reviewing the substance of the agreement and determining that the cash received at the inception of the arrangement did not represent advance payments for any future sales. The Company has valued the royalty agreement at fair value when it became party to the arrangement.

(viii) COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

4. Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

(ix) Changes in Accounting Standards

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current - In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact of the amendments. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

5. 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 acquired control through obtaining 100% voting equity interest and the policy making decision powers in eSite in order to expand their product portfolio.

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. Transaction costs of \$18,721 were expensed with respect to the above acquisition. The Company recorded revenue of \$51,057 and a net loss of \$850,197 in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023, as a result of the acquisition. If the acquisition had occurred as at January 1, 2023, revenue and the net loss in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023 remains same since there was no transactions until date of acquisition.

In accordance with IFRS, the Company has recognized a bargain purchase gain amounting to \$565,897 in the statement of loss and comprehensive loss during the year ended December 31, 2023.. The fair value of the total purchase consideration on the closing date was compared with the total fair value of the assets (tangible and intangible) and liabilities acquired. The resulting amount was recorded as a bargain purchase gain as follows:

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

5. Acquisition (cont'd...)

	December 31, 2023
Purchase consideration:	
Shares issued:	
3,000,000 shares @ 0.08 per	\$ 240,000
Total purchase consideration	240,000
Tangible Assets	
Cash and cash equivalent	115,895
Current assets	809,114
Property and equipment	15,796
Other assets	1,631
Liabilities assumed	(451,379)
Total Tangible Assets	491,057
Intangible Assets	
eSite Brand	104,440
Intellectual property	210,400
Total Intangible Assets	314,840
Bargain purchase gain	565,897

The bargain purchase gain was a result of the eSite owners selling to a strategic buyer in order to grow the eSite business and allow the eSite owners to participate in the combined company after the acquisition.

The additional information disclosure for the acquired receivable:

	December 31, 2023
Accounts Receivable	
The fair value of the receivables	\$ 178,542
The gross contractual amounts receivable; and	\$ 178,542
The best estimate at the acquisition date of the contractual cash flows not expected to be collected.	-
Other Receivable	
The fair value of the receivables	\$ 13,537
The gross contractual amounts receivable; and	\$ 13,537
The best estimate at the acquisition date of the contractual cash flows not expected to be collected.	-

6. Accounts Receivable and Other Receivables

	March 31, 2024	December 31, 2023
Accounts receivable, net	\$ 647,368	\$ 1,392,603
Harmonized sales taxes and Value added tax	189,498	92,118
Feddev - Job and Growth Fund (ii)	200,477	200,477
SDTC receivable	1,514,518	-
Loan receivable (i)	226,099	229,966
Less:		
Long-term loan receivable - (i)	(142,015)	(145,882)
Total	\$ 2,635,945	\$ 1,769,282

- (i) On January 22, 2020, a loan agreement was executed to allow a customer to settle the receivable amounting to US\$309,910 in 60 equal consecutive monthly installments of US\$6,181 beginning on April 1, 2020. The loan receivable has an interest rate is 7.3% per annum and matures on June 30, 2025. As at March 31, 2024, the carrying value of the loan receivable amounts to \$226,099 of which \$142,015 relates to long-term portion. During the three months ended March 31, 2024, the Company earned interest of \$4,353 (US \$3,213) (2023 - \$4,797 (US \$3,556)).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. Accounts Receivable and Other Receivables (cont'd...)

On June 22, 2022, 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, 2024, the Company had approved claims of \$200,000 (December 31, 2023 - \$200,477).

During the three months ended March 31, 2024, the Company recorded bad debts recovery of \$nil (2023-\$11,159).

7. Research and Development Tax Credits Receivable

The Company's research and development tax credits receivable balance is comprised of the following:

	March 31, 2024	December 31, 2023
Industrial Research Assistance Program	\$ —	\$ —
Ontario Innovation tax credits	239,177	239,177
Total	\$ 239,177	\$ 239,177

8. Inventory

	March 31, 2024	December 31, 2023
Raw materials	\$ 1,058,680	\$ 1,181,804
Finished goods	2,064,097	2,304,152
Total	\$ 3,122,777	\$ 3,485,956

Inventory included in cost of sales amounted to \$383,199 (December 31, 2023 - \$2,491,442).

The Company recognizes deferred costs which all relate to the Company's EAAS revenue stream. The costs will be recognized as services are being rendered.

9. Property and Equipment

	Computer and equipment	Furniture and fixtures	Leasehold improvements	Right-of-use Assets	Total
Balance as of December 31, 2022	\$ 187,332	\$ 13,567	\$ 51,275	\$ 628,576	\$ 880,750
Additions	15,808	5,198	13,641	—	34,647
Acquired	—	—	—	15,796	15,796
Disposals	—	(51)	—	(9,292)	(9,343)
Balance as of December 31, 2023	203,140	18,714	64,916	635,080	921,850
Additions	—	160	—	—	160
Balance as of March 31, 2024	203,140	18,823	64,916	641,583	922,010
Accumulated Depreciation					
Balance as of December 31, 2022	132,978	8,377	51,275	366,659	559,289
Depreciation	24,215	1,275	3,481	103,887	132,858
Disposals	—	(15)	—	(546)	(561)
Balance as of December 31, 2023	\$ 157,193	\$ 9,637	\$ 54,756	\$ 470,000	\$ 691,586
Depreciation	7,162	357	987	25,825	34,331
Disposals	—	—	—	—	—
Balance as of March 31, 2024	\$ 164,355	\$ 9,994	\$ 55,743	\$ 495,825	\$ 725,917
Net book value as at:					
December 31, 2023	\$ 45,947	\$ 9,077	\$ 10,160	\$ 165,080	\$ 230,263
March 31, 2024	\$ 38,785	\$ 8,829	\$ 9,173	\$ 145,758	\$ 196,092

Clear Blue Technologies International Inc.
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9. Property and Equipment

Lease Liability

A reconciliation of the carrying amount of the lease liability to March 31, 2024 is as follows:

Balance as of December 31, 2022	\$	260,911
Acquired		15,796
Lease payments		(122,190)
Lease interest		23,097
Lease termination / cancellation		(8,698)
Balance as of December 31, 2023		168,916
Lease payments		(30,432)
Lease interest		4,172
Balance as of March 31, 2024	\$	142,656

	March 31, 2024	December 31, 2023
Current portion of lease liability	\$ 96,283	\$ 95,641
Long term portion of lease liability	46,373	73,276
Total	\$ 142,656	\$ 168,917

Maturity analysis – contractual undiscounted cash flows:

2024	\$	77,296
2025		75,610
Total undiscounted future lease payments	\$	152,906

The Company did not have any short-term leases or leases of low-value assets included in condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2024 and 2023.

10. Intangible Assets

Below is a continuity of internally generated Smart Off-Grid Technology:

Cost	
Balance as of December 31, 2023	6,005,187
Additions	867,015
Government Grant	(1,514,518)
Balance as of March 31, 2024	5,357,684

Accumulated Amortization	
Balance as of December 31, 2023	779,615
Addition	180,571
Balance as of March 31, 2024	960,186

Net book value as at:	
December 31, 2023	5,225,572
March 31, 2024	4,397,498

As at March 31, 2024, intangible assets included \$4,595,089 (December 31, 2023 - \$4,623,206) of intangibles assets not yet available for use.

Clear Blue Technologies International Inc.

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For the three months ended March 31, 2024

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11. Customer Deposits and Advanced Billing and Deferred Revenue

Customer Deposits and Advanced Billing

Customer deposits and advance billing of \$289,914 (December 31, 2023 - \$nil), pertaining to the sale of solar or hybrid streetlight systems and power pack solutions that are paid by customers and billed by the Company in advance.

Deferred Revenue and Government Grant

Deferred revenue is comprised of ongoing energy management services paid in advance by customers and grant received from the government:

	March 31, 2024	December 31, 2023
Deferred revenue	\$ 671,967	\$ 760,290
Less: Current portion	363,824	363,824
	\$ 308,143	\$ 396,466

The deferred revenue is amortized to the condensed interim consolidated statements of loss and comprehensive loss on a straight-line basis over the life of the related contract. Deferred government grant is amortized to the condensed interim consolidated statements of loss and comprehensive loss based on completion of milestones over the life of the grant.

As at March 31, 2024, expected revenue to be recognized over the term of the contracts are as follows:

2024	\$	363,824
2025		154,515
2026		153,628
Total	\$	671,967

12. Short-term Loans

In 2019, the Company obtained a \$1,000,000 revolving credit facility, amended to \$750,000 starting August 31, 2022. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 3%, is due on demand, and is secured by the assets of the Company.

The outstanding balance as of March 31, 2024 is \$750,000 (December 31, 2023 - \$750,000). The Company incurred interest expense related to its short-term loan of \$18,894 during the three months ended March 31, 2024 (March 31, 2023 - \$17,769).

During the year ended December 31, 2022, the Company entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022 to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified by the TSX that the application was time barred and therefore, the extension was not granted. Consequent to the reclassification, the accretion expense has been accelerated to bring the loan to its face value (refer to Note 14). The outstanding balance for the short-term loan as at March 31, 2024 is \$265,833 (December 31, 2023 - \$265,833).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

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13. Long-term Debt

	March 31, 2024	December 31, 2023
(i) Eastern Ontario Futures Development Corporations Network Inc.	\$ —	\$ —
(ii) Federal Economic Development Agency of Southern Ontario - Investing in Business Innovation	122,261	160,874
(iii) Business Development of Canada	3,154,443	3,256,780
(iv) Federal Economic Development Agency of Southern Ontario - Jobs and Growth Fund	2,708,948	2,533,398
(v) Loan from Navigo Invest AB	253,600	263,400
(vi) Convertible debentures issued in November 2019	380,000	380,000
(vii) Loan from Eric Woerner	213,612	—
	6,832,864	6,594,452
Less:		
Current portion	666,864	699,764
Deferred financing fees	—	—
	\$ 6,166,000	\$ 5,894,688

- (i) Eastern Ontario Community Futures Development Corporations Network Inc. loan bearing interest at 10% per annum, repayable in monthly blended principal and interest installments of \$8,301, was amended, as a result of the COVID-19 pandemic, on April 6, 2020 to defer the installments from March 1, 2020 to August 31, 2020 and extend the maturity date from September 30, 2022 to April 30, 2023. The amendment to the terms of the loan did not result in a gain or loss on modification of debt. The loan is secured by a general security agreement against all of the assets of the Company. For the three months ended March 31, 2024, the Company recognized interest expense of \$nil (2023 - \$562).
- (ii) Federal Economic Development Agency of Southern Ontario non-interest-bearing loan, repayable in monthly installments beginning January 1, 2019 and maturing on December 1, 2023 was amended, as a result of the COVID-19 pandemic, on June 8, 2020 to: (i) extend the maturity date to December 1, 2024; (ii) defer monthly instalments from April 1, 2020 to September 1, 2020; (iii) reduce monthly instalments to \$2,000 from October 1, 2020 to December 31, 2020; and (iv) adjust the monthly installments to \$3,000, \$5,000, \$8,000 and \$14,000 for the years 2021 through 2024, respectively, with a final month payment of \$15,000, which resulted in a gain on modification of debt of \$21,924. The face value of the loan is \$400,000. It was initially recorded on the consolidated statement of financial position at its fair market value of \$251,608 and is being accreted (through interest expense) back to its face value over the term of the loan with an effective interest rate of 9.54% per annum. For the three months ended March 31, 2024, the Company recognized interest expense of \$3,387 (2023 - \$5,309).
- (iii) Business Development of Canada (“BDC”) loan of \$3,000,000 under a total facility of \$5,000,000. The loan facility was set to mature on January 15, 2025 and consists of interest-only monthly payments through June 15, 2023, monthly principal payments of \$86,207 and interest payments from July 15, 2023 upto and including January 15, 2025 (or earlier date if the loan facility is not fully drawn) and a balloon payment at the end of the term. The loan is secured against the assets of the Company and carries an annual interest rate of BDC Capital Floating Base Rate plus 2.95%. In addition to the cash interest, a non-compounding payment in kind (“PIK”) interest of up to 9.5% per annum will accrue and be payable at the end of the term. The PIK interest rate will be reduced by 0.5% (to 9.0%) when the Company reaches a trailing 12 months of EBITDA greater than \$1,000,000, and a further 0.5% (to 8.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$3,000,000. On August 15, 2021, the Company drew down an additional tranche of \$1,000,000 resulting in a cumulative drawdown of \$3,000,000 as at December 31, 2023 (2022 - \$3,000,000). On April 3, 2023, the Company cancelled the unavailed portion of \$2,000,000 from the total facility of \$5,000,000, resulting in a total facility of \$3,000,000 and reduction of the balloon payment to \$1,362,067, payable on January 15, 2025.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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13. Long-term Debt (cont'd...)

(iv)

On July 15, 2023, the Company amended the terms of BDC loan as follows:

- Extending the maturity date from January 15, 2025 to July 15, 2026;
- Revising monthly principal installments of \$30,000 from July 15, 2023 to June 15, 2024;
- Revising monthly principal installments of \$40,000 from July 15, 2024 to June 15, 2025;
- Revising monthly principal installments of \$50,000 from July 15, 2025 to June 15, 2026;
- Increasing final balloon payment from \$1,362,067 to \$1,473,793;
- PIK interest rate of 9.5% will be reduced by 1% (to 8.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$Nil, and a further 1% (to 7.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$1,000,000, and
- Scheduled repayment of PIK interest amounting to \$763,000 accrued until June 15, 2023 as follows:
 - Conversion of \$343,000 into 4,900,000 shares at \$0.05 per share resulting in a gain of \$98,000; and
 - Repayment of \$155,000, \$100,000 and \$165,000 in March 2024, March 2025 and July 2026 respectively.

On November 15, 2023, the Company amended the repayment terms of PIK Interest as follows:

- Scheduled repayment of PIK interest amounting to \$763,000 accrued until June 15, 2023 as follows:
 - Repayment of \$77,500 in March 2024, \$77,500 in September 2024, \$50,000 in March 2025, \$50,000 in September 2024 and \$165,000 in July 2026.

As the present value of the cash flows under the revised debt instrument differed by less than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was not substantially modified which resulted in modification accounting. Upon amendment, the fair value of liability component of \$ 3,534,991 was determined using a market rate of 22%. As a result of revaluation, the Company recorded a loss on modification of debt amounting to \$225,471 for the year ended December 31, 2023 within gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

For the three months ended March 31, 2024, the Company recognized interest expense of \$147,577 (2023 - \$123,232).

- (v) Federal Economic Development Jobs and Growth Fund, non-interest-bearing loan received based on completion of milestones beginning from June 22, 2022, to March 31, 2024, repayable in monthly installments beginning April 15, 2025 and maturing on March 15, 2031. The face value of the loan is \$3,762,239 (2022 - \$2,386,771). It was initially recorded on the consolidated statement of financial position at its fair market value of \$1,415,395. The original face value and the additional disbursement during the year ended December 31, 2023 of \$1,373,414 are being accreted (through interest expense) back to its face value over the term of the loan with an effective interest rate of 10% per annum.

For the three months ended March 31, 2024, the Company recognized interest expense of \$39,846 (2023 - \$140,617).

Clear Blue Technologies International Inc.

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13. Long-term Debt (cont'd...)

- (vi) eSite Power Systems AB received a loan of \$248,000 in two tranches of \$99,200 (Tranche 1) and \$148,800 (Tranche 2) from Navigo Invest AB on August 23, 2023. The terms of lending are as follows:

For Tranche 1 amounting to \$99,200

- Repayment due date is December 31, 2025;
- Interest rate is 11%;
- Quarterly interest payments through December 31, 2025;
- Monthly principal repayments of \$4,126 from the last day of January 2024 to December 2025; and
- Remaining outstanding amount is to be paid as a lumpsum (including interest) on December 31, 2025.

For Tranche 2 amounting to \$148,800

- Repayment due date is June 30, 2024;
- Interest rate is 11%;
- Quarterly interest payments through June 30, 2024;
- The outstanding amount is to be paid as lumpsum (including interest) on June 30, 2024.

For the three months ended March 31, 2024, the Company recognized interest expense of \$7,067 (2023 - \$nil).

- (vii) During the year ended December 31, 2022, the Company entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022 to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified that TSX application was time barred and the extension was not granted. Therefore, the November 2019 convertible debentures were reclassified to short term (Note 12) and long term loans. Consequent to the reclassification, the accretion expense has been accelerated to bring the loan to its face value (refer to Note 14). A portion of the convertible debenture holders agreed to waive their demand rights until January 2025 with an outstanding balance as at March 31, 2024 of \$380,000 being recorded as long-term loans.

- (viii) The Company received loans of \$150,000 and USD 45,000 during the quarter ended March 31, 2024 at following terms:
- Repayment due date is February 21, 2027;
 - Interest rate is 12% payable at the end of 3 year term;
 - Issuance of 300,000 warrants subject to TSX approval and valid for 3 years at strike price of \$0.10 each (refer to Note 16).

For the three months ended March 31, 2024, the Company recognized interest expense of \$2,637 (2023 - \$nil).

The future principal and interest payments required under the terms of the Company's long-term debt agreements are as follows:

2024	1,152,187
2025	1,997,341
2026	3,414,619
2027 and thereafter	3,331,845
Total	\$ 9,895,992

Clear Blue Technologies International Inc.

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14. Convertible Debentures

• Issued in October and November 2021

On November 15, 2021, the Company issued 10% convertible notes in the principal amount of \$4,334,000. The convertible notes mature on October 27, 2025, and are convertible at any point prior to maturity, at the option of the noteholders, into units comprised of: (i) one common share of the Company (each, a "Common Share"); and (ii) one-half of one Common Share purchase warrant (each whole warrant being a "Warrant"). Each Convertible Debenture is convertible into that number of units computed on the basis of the principal amount of the Convertible Debentures divided by the conversion price of \$0.40 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.60 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 48 months following the initial Closing Date; and (ii) the date specified in any Warrant Acceleration Notice. Interest on the principal amount outstanding is calculated and payable semi-annually in June and December each year and was first payable on June 30, 2022.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$1.20.

Upon initial recognition, the Company allocated the proceeds between the components based on the fair value of the debt and the residual to the equity component. Transaction costs were allocated proportionally to the liability and equity components. The fair value of the liability component of \$3,064,921, net of transaction costs of \$166,964, was determined using a market rate of 20%. The value of the equity component amounted to \$1,042,745, net of transaction costs of \$56,902, and deferred taxes of \$276,327.

The transaction costs totaling \$223,866, as described above, comprised of finders' fees amounting to \$131,180 and 319,200 share purchase warrants issued to finders with a fair value of \$41,403 and other costs of \$51,283. Each share purchase warrant entitled the holder to one common share at an exercise price of \$0.40 until October 27, 2025. The share purchase warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 4.0 years, risk-free rate of 1.28%, dividend yield of 0% and volatility of 109%.

• Issued in October and November 2021 (cont'd...)

On September 20, 2023, the Company amended the terms of the 10% unsecured convertible debentures issued in November 2021 as follows:

- Extending the maturity date of the Debentures from October 27, 2025 to October 27, 2026;
- Decreasing the conversion price of convertible debentures from \$0.40 to \$0.15;
- Decreasing the exercise price of the common share purchase warrants forming part of the units issuable on conversion of the Debentures from \$0.60 per common share to \$0.25 per common share; and
- Extending the terms of warrant from 48 months to 60 months.

As the present value of the cash flows under the new debt instrument differed by less than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was not substantially modified which resulted in modification accounting. Upon amendment, for the convertible debentures issued on October 27, 2021 and November 15, 2021, the fair value of the liability component of \$1,173,475 and \$2,239,171 was determined using a market rate of 22.57% and 20.54%, respectively. As a result of revaluation, the Company recorded gain on modification of convertible debentures issued on October 27, 2021 and November 15, 2021 amounting to \$94,046 and \$152,018, respectively, for the year ended December 31, 2023 gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

Clear Blue Technologies International Inc.

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• Issued in November 2019

On November 01, 2022, the Company amended the terms of the 10% unsecured convertible debentures issued on November 01, 2019, as follows:

- Extending the maturity date of the Debentures from November 1, 2022, to November 1, 2024;
- Increasing the interest rate under the Debentures from 10% to 12% per annum; and
- Decreasing the exercise price of the common share purchase warrants forming part of the units issuable on conversion of the Debentures from \$0.35 per common share to \$0.32 per common share.

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of the liability component of \$587,155, was determined using a market rate of 20%. The value of the equity component, net of deferred taxes was \$39,576. As a result of revaluation, the Company recorded gain on modification of convertible debentures of \$44,226 for the year ended December 31, 2022, within gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

In the year 2022, the Company had entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022, to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified that TSX application was time barred and therefore the extension was not granted and the Company recategorized these convertible debentures to loan repayable (refer to Note 12 and 13).

As at March 31, 2024, the outstanding balances associated with the convertible debenture were as follows:

	March 31, 2024	December 31, 2023
Liability component of debenture	\$ 3,388,394	3,907,851
Accretion	61,288	322,312
Interest	108,350	521,469
Interest paid	—	(236,082)
Interest recorded in accounts payable and accrued liabilities	—	(272,457)
Gain on loan modification	—	(246,064)
Reclass to short-term loans	—	(608,635)
Balance	3,558,032	3,388,394
Less: Current portion	—	—
	\$ 3,558,032	3,388,394

15. Royalty Funding

On November 12, 2013, the Company entered into a sales agreement under which Flow Capital Corp., formerly known as Grenville Strategic Royalty Corp. ("Grenville"), advanced the Company \$375,000. In form, the amount received represents a prepaid deposit for future goods and services to be provided by the Company to Grenville to be drawn down based on Grenville's annual purchases from the Company.

Grenville is entitled to a royalty of 1.125% ("Royalty Percentage") of the Company's revenues, in perpetuity which can be extinguished by paying \$1,875,000 to Grenville (the "Final Repurchase Right").

The agreement meets the definition of financial liability under IAS 32, Financial Instruments: Presentation because it represents a contractual obligation to deliver cash or another financial asset to another entity.

The Company made this determination after reviewing the substance of the agreement and determining that the cash received at the inception of the arrangement did not represent a deposit for any future sales, but rather an obligation for future royalty payments that will remain payable at the original amount of \$375,000 until such time as the Company extinguishes all or part of the Royalty Percentage and the obligation for future royalty payments.

Clear Blue Technologies International Inc.

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15. Royalty Funding

The Company incurred interest expense related to its royalty funding of \$13,123, for the three months ended March 31, 2024 (2023 - \$2,159).

16. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.

Transactions during the three months ended March 31, 2024

- (i) On January 2, 2024, the Company issued 449,944 common shares valued at \$53,992 pursuant to the maturity of RSU's. 179,979 common shares valued at \$12,599 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (ii) In connection to receipt of loan on February 22, 2024, the Company issued 300,000 warrants valued at \$11,806 and each is exercisable for one common share at \$0.10 per share until February 21, 2027. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 3 years, risk-free rate of 3.97%, dividend yield of 0% and volatility of 99.19%.

Transactions during the year ended December 31, 2023

- (i) 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.
- (ii) On January 19, 2023, the Company issued 3,000,000 common shares at a value of \$240,000 for the acquisition of eSite pursuant to a share purchase and sale agreement (refer Note 5).
- (iii) On January 24, 2023, the Company completed a private placement for the second tranche through issuance of 17,673,175 units at \$0.07 per unit for proceeds of \$1,232,275 and 961,393 units for 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%.

- (iv) In connection to services provided for merger and acquisition research and assistance, on June 1, 2023, the Company issued 360,000 warrants values 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%.
- (v) On June 30, 2023, the Company issued 1,164,148 common shares valued at \$139,698 pursuant to the maturity of RSU's. 465,660 common shares valued at \$23,283 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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16. Share Capital (cont'd...)

- (vi) On July 15, 2023, the Company amended its existing loan agreement with BDC (refer to Note 13) and issued 4,900,000 common shares at a value of \$245,000 for settlement of accrued interest amounting to \$343,000 until June 30, 2023.
- (vii) On September 29, 2023, the Company issued 74,164 common shares valued at \$25,120 pursuant to the maturity of RSU's. 29,664 common shares valued at \$1,187 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (viii) On November 3, 2023, the Company issued 104,166 common shares valued at \$43,333 pursuant to the maturity of RSU's. 41,666 common shares valued at \$1,875 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Treasury Shares

As at March 31, 2024, the Company holds 275,579 (2023 – 233,913) treasury shares.

17. Reserves

a. Options

Under the Company's stock option plan, the Company may, at its discretion, grant stock options to its directors, officers, and employees. Unless specified within the option agreement, all stock options vest equally over 4 years. All stock options have a maximum term of 7 years from the date of the grant.

Below is a continuity of stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Stock options outstanding - December 31, 2022	3,914,416	0.35
Stock options issued	7,370,335	0.06
Stock options forfeited	(1,542,469)	(0.27)
Stock options outstanding - December 31, 2023	9,742,282	\$ 0.14
Stock options issued	20,000	0.09
Stock options outstanding - March 31, 2024	9,762,282	\$ 0.23

For the three months ended March 31, 2024, the Company recognized \$51,772 (2023 - \$43,634) of share-based compensation expense in relation to its stock option plan.

The fair value of all options granted was estimated at the date of grant using the Black-Scholes option-pricing model, using the following assumptions:

	March 31, 2024
Expected option life (years)	5
Volatility	119%
Risk-free interest rate	3.36%
Dividend yield	—

Clear Blue Technologies International Inc.

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For the three months ended March 31, 2024

(Expressed in Canadian dollars)

17. Reserves (cont'd...)

Options outstanding and exercisable at March 31, 2024 were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of options	Number of options exercisable
\$ 0.15	02-May-24	0.09	106,692	106,692
1.76	12-Sep-24	0.45	448,335	443,373
0.52	20-Apr-25	1.05	247,394	247,394
1.65	29-May-25	1.16	201,334	185,291
0.17	30-Jun-25	1.25	94,242	94,242
0.48	30-Sep-25	1.50	26,667	21,670
0.52	11-Dec-25	1.70	236,590	236,590
1.08	02-Jan-26	1.76	36,000	36,000
3.45	30-Apr-26	2.08	933,083	933,083
6.80	31-Aug-26	2.42	317,967	194,921
0.50	17-Nov-26	2.63	109,300	61,512
1.01	31-Oct-27	3.59	55,324	55,324
0.64	31-Dec-27	3.75	1,183,020	1,183,020
0.32	31-Jan-28	3.84	370,000	25,000
2.88	31-May-28	4.17	2,126,334	—
0.06	07-Aug-28	4.36	40,000	20,000
0.05	13-Aug-28	4.37	40,000	20,000
0.05	20-Aug-28	4.39	40,000	20,000
0.04	27-Sep-28	4.50	900,000	—
0.05	19-Nov-28	4.64	40,000	—
0.59	31-Dec-28	4.76	2,190,000	—
\$ 0.09	04-Jan-29	4.77	20,000	—
Total			9,762,282	3,884,112

b. Share purchase warrants

The following is a summary of changes in share purchase warrants from to December 31, 2023 to March 31, 2024:

	Number of Warrants	Weighted Average Exercise Price
Share purchase warrants - December 31, 2022	36,380,797	\$ 0.23
Granted	19,334,586	0.12
Expired	(7,648,317)	(0.53)
Share purchase warrants - December 31, 2023	48,067,066	(0.14)
Granted	300,000	0.04
Expired	—	—
Share purchase warrants - March 31, 2024	48,367,066	\$ (0.10)

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(Expressed in Canadian dollars)

18. Reserves (cont'd...)

Share purchase warrants outstanding and exercisable at March 31, 2024 are comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of Warrants
\$ 0.08	28-Apr-24	0.08	5,822,554
0.10	29-Apr-24	0.08	407,579
0.08	19-May-24	0.13	3,843,782
0.10	20-May-24	0.14	25,963
0.10	20-May-24	0.14	4,340
0.10	20-May-24	0.14	70,000
0.94	11-Jul-24	0.28	10,462
0.38	11-Jul-24	0.28	1,004
0.38	11-Jul-24	0.28	5,743
0.38	11-Feb-25	0.87	15,957
0.04	21-Feb-27	2.90	300,000
0.03	21-Dec-27	3.73	18,138,094
0.07	21-Dec-27	3.73	387,002
0.06	24-Jan-28	3.82	18,634,568
0.06	24-Jan-28	3.82	340,018
\$ 0.04	31-May-28	4.17	360,000
Total:			48,367,066

c. Restricted Share Units ("RSU")

Under the Company's equity incentive compensation plan, the Company may, at its discretion, grant RSUs to its directors, officers, and employees, that give rights to receive shares or cash or a combination thereof upon settlement. Each RSU is subject to a Period of Restriction, during which time the RSU is subject to forfeiture based on the passage of time, the achievement of performance criteria, and/or upon the occurrence of other events as determined.

As of March 31, 2024, there were 78,330 (December 31, 2023 – 600,272) RSUs outstanding. For the three months ended March 31, 2024, the company recognized \$2,077 (2023 - \$27,028) of share-based compensation expense in relation to the RSU's.

18. 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, 2024	March 31, 2023
Salaries and benefits, including bonuses	\$ 86,333	\$ 145,519
Share-based compensation	3,430	65,245
Total	\$ 89,763	\$ 210,764

The remuneration related to share-based compensation in the table above represents the fair value of the stock options and RSU's issued and vested to key management during each year.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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19. Related Party Transactions (cont'd...)

As of March 31, 2024, amounts owing to key management in connection with reimbursement of business expenses, and convertible debentures was \$397,820 (December 31, 2023 - \$387,128). The Company has obtained advances from shareholders and key management during the quarter ended March 31, 2024 (refer to Note 19).

19. Due to Shareholders

During the quarter ended March 31, 2024, the Company obtained additional interest-free and unsecured advances from shareholders and key management amounting to \$167,000 which have been fair valued at inception using a discount rate of 12% amounting to \$149,188. The shareholders will not demand repayment within next 12 months and hence, these advances have been disclosed as other long-term liabilities. The day-one gain of \$17,812 has been recorded as share capital during the year ended March 31, 2024.

As of March 31, 2024, the Company accrued interest expenses of \$36,415 on outstanding amount of \$1,215,984 being due to shareholders (December 31, 2023 - \$1,153,464).

20. Loss Per Share

For all the periods presented, diluted net loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	March 31, 2024	March 31, 2023
Shares options	9,762,282	5,485,667
Warrants	48,367,066	55,355,383
RSUs	78,330	2,116,082
Total	58,207,678	62,957,132

Expenses related to the warrants and RSUs are included in Share-based compensation in the condensed interim consolidated statements of loss and comprehensive loss or as an adjustment to share capital if the costs relate to the issuance of shares and are based on the same assumptions as disclosed in Note 16.

21. Capital Risk Management

Capital is comprised of the components of the Company's shareholders' equity (deficiency). At March 31, 2024, the Company's shareholders' deficiency was \$5,628,245 (December 31, 2023 - \$4,535,741) and the Company's debt was \$13,033,715 (December 31, 2023 - \$12,540,061).

The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. No changes were made in the objectives, policies or processes of capital management during the quarter ended March 31, 2024.

The Company is dependent on cash flows generated from its operations and from external financing to fund its activities. The Company will spend its existing working capital and raise additional amounts as needed. The Company is subject to Capital restrictions (Note 13) and there have been no changes to the Company's approach to capital management for the years presented.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

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22. Financial Instruments

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at March 31, 2024, the Company's financial instruments consist of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, debt, convertible debentures, and royalty funding. The fair values of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, debt, and royalty funding approximate their carrying values due to their nature.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the period.

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risks such as equity price. The Company's exposure to other price risk is low. Financial instruments affected by market risk include accounts receivable and other receivables, accounts payable and accrued liabilities, long-term debt, and royalty funding.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's long-term debt is subject to fixed and floating interest rates and the risk of fluctuating future cash flows resulting from changes in market interest rates is not expected to be significant.

(iii) Foreign currency risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. A significant portion of the Company's revenues are denominated in United States dollars ("USD") along with a portion of its purchases. To the extent possible, the Company uses cash received from sales to finance its USD purchases and limit its exposure to foreign currency risk.

The Company has the following balances denominated in USD (amounts in the table below are post-translation to Canadian dollars):

	March 31, 2024	December 31, 2023
Cash	\$ 82,488	\$ 150,193
Accounts receivable and other receivables	1,148,665	1,543,357
Accounts payable and accrued liabilities	\$ 831,905	\$ 985,676

A change in foreign currency exchange rates by 10% would change the foreign exchange gain or loss on the Company's net monetary assets by approximately \$39,925 at March 31, 2024 (December 31, 2023 - \$70,787).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

22. Financial Instruments (cont'd...)

The Company has the following balances denominated in SEK (amounts in the table below are post-translation to Canadian dollars):

	March 31, 2024	December 31, 2023
Cash	\$ 6,614	\$ 11,760
Accounts receivable and other receivables	552,378	92,398
Accounts payable and accrued liabilities	\$ 963,789	\$ 670,914

A change in foreign currency exchange rates by 10% would change the foreign exchange gain or loss on the Company's net monetary assets by approximately (\$40,480) as at March 31, 2024 (December 31, 2023 - (\$56,676)).

(iv) Concentration of credit risk and economic dependence

The Company is exposed to credit risk with respect to the collectability of its customer accounts receivable. Credit risk is concentrated as three customers represented 96% at March 31, 2024 (March 31, 2023 – three customers represented 89%) of the Company's accounts receivable balance. The Company performs credit assessments of potential customers and ensures its accounts receivable where appropriate. Regular credit assessments are performed of customers' accounts receivable balances and allowances for potentially uncollectible accounts receivable are provided where appropriate. The following table provides information about the exposure to credit risk for accounts receivable as at March 31, 2024:

	March 31, 2024	December 31, 2023
Current (not past due)	\$ 435,657	\$ 161,388
0 - 30 days past due	298,104	790,216
31 - 60 days past due	136,243	23,482
61 - 90 days past due	8,927	91,824
Over 90 days past due	309,201	489,396
Total	\$ 1,188,132	\$ 1,556,306

The Company is also exposed to economic dependence risk with respect to its sources of revenue. For the quarter ended March 31, 2024, five customers represented 84% (December 31, 2023 - five customers represented 61%) of its total revenue.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk resulting from its accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding by ensuring sufficient cash is on hand from cash flows from operations and financing from investors. As of March 31, 2024, the Company's current assets exceeded its current liabilities by \$1,186,163.

The Company's revolving credit facility is amended to \$750,000 as at August 30, 2022 and contractual maturities of the Company's long-term debt are outlined in Note 13 and 14 to the condensed interim consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities have maturities within 12 months of the Company's period end.

The Company is contracted to receive a \$4,000,000 interest free loan through Feddev under the Jobs and Growth Fund. The Company has received \$3,800,000 as at March 31, 2024, and expects to draw down the remainder of \$200,000 over a 3-month period until June 2024.

Furthermore, the Company has been approved for a government grant of \$5,000,000 from SDTC. As at March 31, 2024, the Company had received \$1,662,942 in connection with this grant. Subsequent to quarter end, the Company had received additional \$1,514,518.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

22. Financial Instruments (cont'd...)

During the year ended December 31, 2023, the Company has received \$746,929 in connection with the IRAP grant. Subsequent to the year end, the Company got approved for and received an additional \$125,000 as an extension to the original funding and received \$128,071 during the quarter ended March 31, 2024.

23. Commitments

As explained in Note 15, the Company is committed to pay Grenville annually an amount equal to 1.125% of its annual revenue, unless "Final Repurchase Right" is availed by paying out \$1,875,000.

24. Segment Information

The Company has one reportable segment. This single reportable operating segment derives its revenues from the sale of off-grid solar power solutions and related services.

The Company operates in three principal geographical areas: Canada, the United States of America ("USA"), and the Middle East and Africa ("MEA").

The Company's revenue from external customers by location of operations is detailed:

	March 31, 2024		March 31, 2023	
Canada	\$	117,817	\$	41,412
USA		11,861		119,482
MEA		675,666		91,494
Other		3,209		9,749
Total	\$	808,553	\$	262,137

All non-current assets are located in Canada.

25. Supplemental Cash Flow Information

During the quarter ended March 31, 2024, inventory reclassified to deferred costs amounted to \$35,693 (December 31, 2023 - \$58,704). There were no income taxes paid during the quarter ended March 31, 2024.

26. Subsequent events

The Company has evaluated subsequent events through June 4, 2024 which is the date the condensed interim consolidated financial statements were issued, and has determined that there are no events to report.