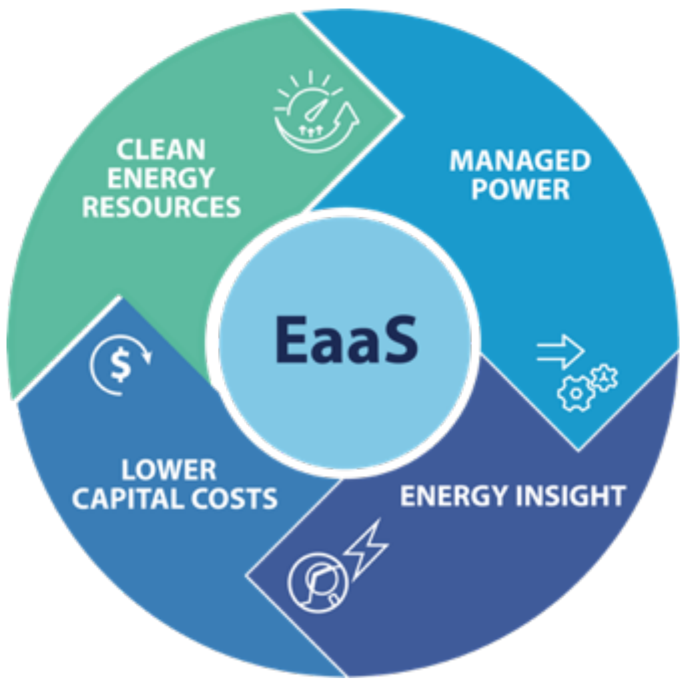
CLEARBLUE
TECHNOLOGIES

The Smart Off-Grid Company™



Delivering Smart Power Solutions and Energy-as-a-Service

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

For the Quarters Ended June 30, 2025, and 2024

Dated: August 27, 2025

**MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE QUARTERS ENDED JUNE 30, 2025 AND 2024**

This management's discussion and analysis of the results of operations and financial condition (the "MD&A") of Clear Blue Technologies International Inc. ("Clear Blue" or "the Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Clear Blue and the related notes thereto for the period ended June 30, 2025 and 2024, and the audited consolidated financial statements for the year ended December 31, 2024. This MD&A is presented as of August 27, 2025 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from Clear Blue's unaudited condensed interim consolidated financial statements for the period ended June 30, 2025. 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 six months ended June 30, 2025, along with any subsequent material information.

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

Clear Blue Technologies International Inc. common shares trade on the TSX Venture Exchange under the symbol "CBLU", and on the Frankfurt Stock Exchange under the symbol "0YA0".

Management's Responsibility

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

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

Caution Regarding Forward-Looking Information

This MD&A contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Clear Blue's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". By identifying such information and statements in this manner, Clear Blue is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Clear Blue to be materially different from those expressed or implied by such information and statements.

The forward-looking information contained herein may include, but is not limited to, information relating to:

- *the expansion of the Company's business to new geographic areas;*
- *the performance of the Company's business and operations;*
- *expectations with respect to the advancement of the Company's products and services;*
- *expectations relating to market adoption of the Company's technologies and solutions;*
- *expectations with respect to the advancement and adoption of new products, including the adoption of new products by the Company's existing customer base;*
- *the anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates;*
- *the ability to obtain capital;*
- *sufficiency of capital;*
- *general economic, financial market, regulatory, and political conditions in which the Company operates;*
- *estimations and anticipated effects of the global, including supply chain and shipping logistics, the impact of recent military conflicts;*
- *impact of trade wars.*

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 " Risks and Uncertainties" in this MD&A. 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 wars, inflation, interest rate increase, and trade wars.

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, IoT and Smart Cities. The Company's Smart Power is heavily driven by data and predictive analytics, critical components on its AI roadmap. Having begun this journey from Day 1 of the Company, Clear Blue today has the largest global repository of data performance for Solar Off-Grid systems – this data is key to maintaining its market leadership through the implementation of AI.

The Company creates and manages innovative power products and services to meet the growing global demand for highly 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, grid, generator, and wind-powered devices and connects them to a cloud-based analytics and 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 Micro and Nano systems, its Illumient solar-powered street lighting systems and its Smart Pico & 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 across the U.S., Canada and Mexico. Globally, Clear Blue's systems power and control lighting, security, and telecom applications, including sites mostly in Africa, but also in Europe, the Middle East, and Southeast Asia.

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 global data repository of more than 1 trillion transactions 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

For the quarter ended June 30, 2025 ("Q2 2025"):

- Q2 2025 revenue was $1,133,996, a 12% increase from $1,014,690 in Q2 2025. The increase is mainly attributed to an increase in North American lighting sales.
- Recurring revenue comprised $179,848 of the quarter's revenue compared to $169,106 in Q2 2024, a 6% increase.
- Gross Profit for Q2 2025 was $493,824 compared to $245,564 for Q2 2024, a 101% increase. The Gross Margin percentage for the quarter was 44%, increasing from 24% from the comparative period of 2024.
- Quarterly Non-IFRS Adjusted EBITDA was ($225,434) versus ($721,262) in Q2 2024, a 69% improvement from the comparative period of 2024.

For the six months ended June 30, 2025 ("YTD 2025):

- As of June 30, 2025, bookings decreased to $4,235,599, a decrease of 16%, when compared to $5,071,105 as of December 31, 2024, with delivery anticipated over the next three years. Of this, $3,533,025 is expected to be recognized over the next 12 months.
- For the six months ended June 30, 2025, revenue was $2,185,257, a 20% increase from $1,823,243 in the corresponding previous period.
- For the six months ended June 30, 2025, recurring revenue was $434,925 a 7% decrease from $469,892 in the corresponding previous period.
- For the six months ended June 30, 2025, Gross Profit increased to $1,045,425 compared to $583,903 in the comparable period, a 79% increase. However, the gross margin percentage increased to 48% from 32% with the corresponding period of 2024.
- Non-IFRS Adjusted EBITDA for the period was ($611,895) as compared to ($1,433,587) for the previous period, a 57% improvement from the comparative period of 2024. This is primarily the result of reduced operating expenses, improved gross margins and higher revenue.
- Cash as of June 30, 2025, was $526,823.

The first two fiscal quarters are generally slower quarters as customers finalize their capital spending plans for the year. Historically, the Company sees greater revenue recognition in the last two quarters of this fiscal year as compared to the first half.

Clear Blue 2.0 – Developing A Pathway for Sustainable Growth

Clear Blue 2.0 emphasizes execution on better unit economics, improved profitability, and more scalable revenue growth. There are three key themes to support this initiative:

Road to Zero Diesel: Empowering Africa's Telecom Transition

As telecom operators across Africa transition away from diesel, Clear Blue delivers high-performance solar power systems that ensure energy reliability and cost savings—supporting the continent's clean energy future. (Clear Blue Products: Micro & Nano)

Enabling Satellite Internet & IoT Expansion

Satellite internet is now critical infrastructure. Through our partnerships with Eutelsat and others, Clear Blue is enabling large-scale rollouts of satellite-powered community internet and IoT services across emerging markets—unlocking a significant revenue opportunities and potential scale in the coming years. (Clear Blue's Product: Pico)

Smart Solar Lighting Goes Mainstream

Clear Blue is powering the shift as smart solar lighting becomes the default for municipalities, power utilities, and Departments of Transportation (DoTs) seeking sustainable, intelligent lighting solutions. (Clear Blue Products: Illumient & Senti)

Having filled out Clear Blue's portfolio with three new products over the last two years, and having successfully completed the financial restructuring, Clear Blue is building a pathway to more sustainable growth around the above key markets. The first two quarters of 2025 have showcased the improving foundation and the Company aims to continue strengthening its profile throughout the rest of 2025 and beyond.

Financial Results

From an IFRS perspective:

Result of Operations	Three months ended June 30, 2025	Three months ended June 30, 2024	Change	Six months ended June 30, 2025	Six months ended June 30, 2024	Change
Revenue	1,133,996	1,014,690	12%	2,185,257	1,823,243	20%
Cost of sales	640,172	769,126	(17%)	1,139,832	1,239,340	(8%)
Gross profit	493,824	245,564	101%	1,045,425	583,903	79%
Gross margin %	44%	24%		48%	32%	
Operating expenses	995,326	1,161,726	(14%)	1,947,807	2,443,710	(20%)
Operating loss	(501,502)	(916,162)	(45%)	(902,382)	(1,859,807)	(51%)
Other items	136,165	(464,002)	(129%)	517,484	(689,165)	(175%)
Net loss and comprehensive loss	(365,337)	(1,380,164)	(74%)	(384,898)	(2,548,972)	(85%)

From a non-IFRS Adjusted EBITDA perspective:

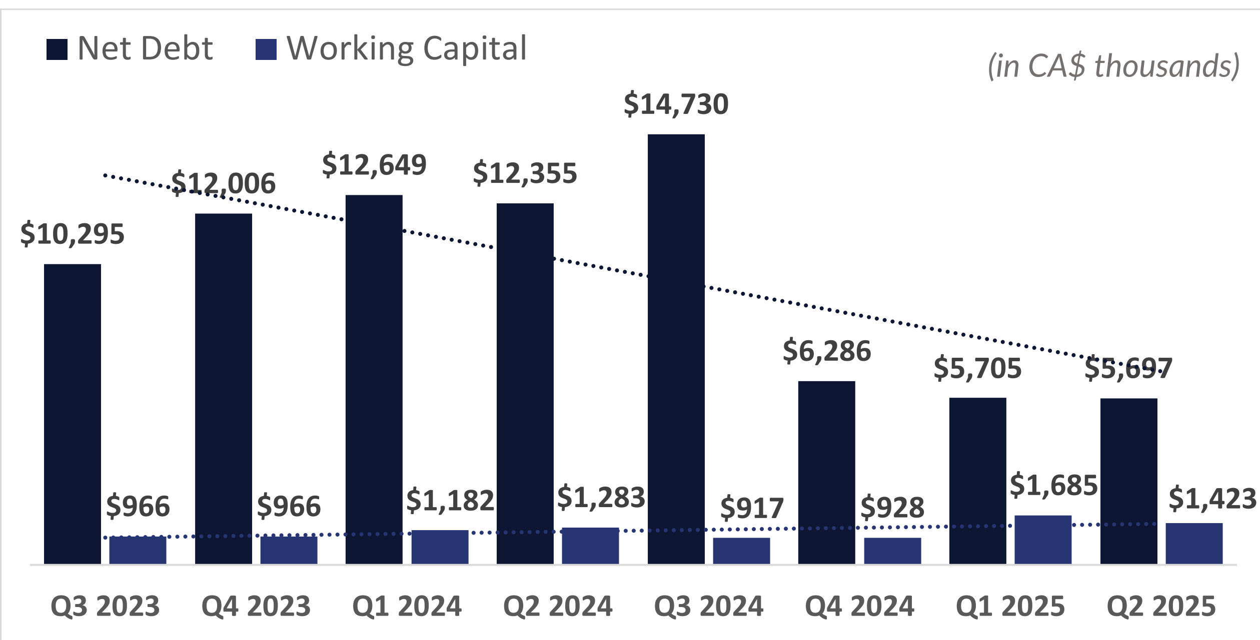
Result of Operations	Three months ended June 30, 2025	2024	Change	Six months ended June 30, 2025	2024	Change
Revenue	1,133,996	1,014,690	12%	2,185,257	1,823,243	20%
Cost of sales	640,172	769,126	(17%)	1,139,832	1,239,340	(8%)
Gross profit	493,824	245,564	101%	1,045,425	583,903	79%
Gross margin %	44%	24%		48%	32%	
Non-IFRS Operating expenses	719,258	966,826	(26%)	1,657,320	2,017,490	(18%)
EBITDA	(98,513)	(750,583)	(87%)	144,137	(1,250,645)	(12%)
Non-IFRS Adjusted EBITDA	(225,434)	(721,262)	(69%)	(611,895)	(1,433,587)	(57%)

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

From a balance sheet perspective:

Clear Blue has been working to ensure that its cash demands are serviceable by the business. To that end, the cash portion of the liabilities have been improving significantly as evidenced below:

Balance Sheet	June 30, 2025	December 31, 2024	Change
Total current assets	$4,599,980	$5,639,807	(18%)
Total assets	5,229,849	5,818,210	(10%)
Current liabilities	3,176,623	4,711,524	(33%)
Total liabilities	9,925,692	10,302,006	(4%)
Total net debt	5,697,997	6,285,592	(9%)
Total shareholders' equity (deficiency)	(4,695,843)	(4,483,796)	5%
Working capital (current assets exceed current liabilities)	$1,423,357	$928,283	53%



The Company's net debt position also improved materially. At the end of Q2 2025, net debt stood at $5.7 million, down from $14.7 million at Q3 2024. This reduction of over 60% in less than a year was made possible through tremendous stakeholder support and the successful execution of a comprehensive debt restructuring plan. Under this plan:

- Certain convertible debentures were converted into equity;
- Shareholder loans were converted into equity;
- Other debt facilities were restructured to extend terms and improve flexibility; and
- A short-term loan was converted into a combination of royalty, equity, and a smaller remaining debt balance.

This restructuring significantly strengthened the Company's balance sheet by reducing leverage, lowering near-term cash requirements, and aligning stakeholders with the long-term success of the business.

As revenues continue to grow, management remains focused on ensuring that cash inflows are sufficient to support the business's operating and financing needs. The combination of improved operating performance and enhanced capital structure positions Clear Blue to execute on its growth plans with greater financial stability and flexibility.

Bookings

Clear Blue reports on bookings, which represent the current dollar value for future products and services that will be recognized as revenue in future periods.

The Company defines bookings as:

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

As of June 30, 2025, bookings were $4,235,599 a decrease of 16%, when compared to $5,071,105 as of December 31, 2024, 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 June 30, 2025	**Total**	**Year 1**	**Year 2 and Beyond**
Illumience / EaaS Deferred Revenue	803,059	459,650	343,409
Purchase Orders	3,432,540	3,073,375	359,164
Total Bookings	4,235,599	3,533,025	702,573

Revenue

For the three months and six months ended June 30, 2025, revenue increased to $1,133,996 (2024 - $1,014,690), a 12% increase and $2,185,257 (2024 - $1,823,243), a 20% increase, respectively, compared to the period ended June 30, 2024. As previously disclosed, 2024 revenue was significantly impacted by the factors that drove the Company's need to undertake a financial restructuring. There is typically seasonality in the Company's revenues where the majority of them often falls in the last two quarters of the fiscal year, and management believes that fiscal 2025 will be in line with this historical trend.

Revenue by Vertical

Clear Blue's revenue distribution by industry vertical for the three and six months ended June 30, 2025, and 2024 was:

	Three months ended June 30,			Six months ended June 30,		
Revenue by Vertical	2025	2024	Change	2025	2024	Change
Lighting	272,450	179,989	51%	765,327	309,667	147%
Telecommunications	846,930	833,392	2%	1,403,973	1,509,059	(7%)
Others	14,616	1,309	1017%	15,956	4,517	253%
Total revenue	1,133,996	1,014,690	12%	2,185,257	1,823,243	20%

The North American lighting vertical is beginning to see larger projects driven by power utilities and transportation departments. This market maturation, together with Clear Blue's new Senti All-In-One Solar light (introduced in 2024), is helping increase adoption for the Company's Lighting products in the North American Lighting market. This could be offset by the impact of tariffs and market uncertainties, and the Company is monitoring the U.S. market carefully. Telecommunications deliveries were relatively flat in the quarter. However, the sales funnel, bookings, and deliveries of telecom for the remainder of 2025 are expected to be stronger.

Cost of Sales and Gross Margin

Gross margin for Q2 2025 was 44% of sales, an increase from a gross margin of 24% in Q2 2024, and overall gross profit was $493,824 compared to $245,564 for Q2 2024, a 101% increase. For the six months ended June 30, 2025, gross margin was 48% of sales, increased from a gross margin of 32% with the comparative period of 2024. The overall gross profit increased to $1,045,425 from $583,903 in the comparable period, a 79% increase which was a result of previously disclosed factors in 2024.

Clear Blue Service Adoption & Recurring Revenue

Clear Blue provides an ongoing management service for all of the systems it sells. While other vendors sell power equipment, Clear Blue's focus is on energy performance. Energy performance, through Clear Blue's Energy as a Service offerings, is the key value proposition and differentiator of Clear Blue. This service model enables the Company to deliver on its brand promise in a way that no other Company in the world can do today. To monitor its progress in this area, Clear Blue tracks two key metrics:

- Number of units deployed:
  - In Q2 2025, Clear Blue deployed a net of 652 power units, for a total number of 15,486 units to Q2 2025. 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 18.8 million operating

days of site production data and more than 1 trillion cloud transactions, allowing the Company to build smarter and higher-performing products and services.

- Amount of Committed Ongoing Service Revenue:
    - Every unit sold by Clear Blue comes with an initial EaaS/Illumience service contract, typically for three years. At the end of the initial term, customers renew the service contract. As a result, Clear Blue carries a balance sheet item showing the amount of sold and paid service revenue that it will recognize over time. Tracking the growth of this item is a crucial metric for the Company's progress.

	Three months ended June 30,			Six months ended June 30,		
Revenue	**2025**	**2024**	**Change**	**2025**	**2024**	**Change**
Deferred Revenue - Opening	693,174	671,967	3%	612,920	760,290	(19%)
New Deferred Revenue bookings	289,733	96,278	201%	625,064	308,741	102%
Recurring Revenue delivered	(179,848)	(169,106)	6%	(434,925)	(469,892)	(7%)
Deferred Revenue - Closing	803,059	599,139	34%	803,059	599,139	35%

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 includes any offsets such as subsidies that the Company may have received.

	Three months ended June 30,				Six months ended June 30,			
Operating expenses	**2025**	**2024**	**Difference**	**Change**	**2025**	**2024**	**Difference**	**Change**
Salaries, wages and benefits	397,657	510,362	(112,705)	-22%	754,572	921,441	(166,869)	-18%
Research and development	51,151	(152,499)	203,650	-134%	84,817	436	84,381	19353%
General and administrative	249,230	362,685	(113,455)	-31%	536,820	601,452	(64,632)	-11%
Share-based compensation	2,972	53,849	(50,877)	-94%	5,944	107,698	(101,754)	-94%
Travel	13,061	17,276	(4,215)	-24%	45,414	37,929	7,485	20%
Business development and marketing	83,831	12,903	70,928	550%	193,587	36,729	156,858	427%
Rent	28,143	36,969	(8,826)	-24%	67,032	75,847	(8,815)	-12%
Professional fees	144,842	101,623	43,219	43%	206,639	228,718	(22,079)	-10%
Amortization of Intangible Assets	—	180,570	(180,570)	-100%	—	361,141	(361,141)	-100%
Depreciation of property and equipment	24,439	37,988	(13,549)	-36%	52,982	72,319	(19,337)	-27%
Total operating expenses	995,326	1,161,726	(166,400)	-14%	1,947,807	2,443,710	(495,903)	-20%

Operating expenses for the three months ended June 30, 2025, were $995,326, a decrease of 14% compared to $1,161,726 in the same period in 2024. For the six months ended June 30, 2025, operating expenses were $1,947,807, down 20% from $2,443,710 in the prior year period. The decrease reflects the Company's cost management initiatives and restructuring activities completed in late 2024 and early 2025.

For the quarter ended June 30, 2025:

- Salaries, wages and benefits decreased by $112,705 compared to Q2 2024 due to workforce optimization and reduced headcount following restructuring actions.
- Research and development increased by $203,650 compared to the prior year. This variance is primarily due to a Q2 2024 adjustment of $152,935, when the Company capitalized year-to-date R&D costs as intangible assets, resulting in a negative R&D

expense in that period. Excluding this adjustment, underlying R&D spending in Q2 2025 is broadly consistent with management's strategy to maintain focused investment in product innovation.
- General and administrative decreased by $113,455, mainly due to lower overhead and corporate expenses as cost-control initiatives took effect.
- Share-based compensation declined significantly, reflecting fewer option grants compared to 2024.
- Business development and marketing increased by $70,928, primarily due to higher agent and commission fees, which are directly tied to revenue in Q2 2025. This increase reflects the variable nature of these costs and their alignment with revenue growth.
- Professional fees increased by $43,219, primarily driven by legal, accounting and audit costs associated with financing and corporate activities.
- Amortization of intangible assets decreased to nil, as intangible assets were fully amortized in 2024.

For the six-months ended June 30, 2025:

- Operating expenses declined by $495,903 compared to the prior year, consistent with management's restructuring and cost reduction efforts, reducing salary, wages and benefits by $166,879.
- The largest reductions were in general and administrative by $64,632 and Share-based compensation $101,754.
- Research and development expenses shows a material increase year-over-year. However, this is largely attributable to the Q2 2024 capitalization adjustment as noted above. Excluding that adjustment, underlying R&D spend is stable and aligned with ongoing development in smart off-grid and software initiatives.
- Business development and marketing increased by $156,858, again reflecting higher agent and commission fees in line with revenue growth.

Other Expenses

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

Net Loss

	Three months ended June 30,				Six months ended June 30,			
	2025	2024	Difference	Change	2025	2024	Difference	Change
Net loss and comprehensive loss	(365,337)	(1,380,164)	1,014,827	74%	(384,898)	(2,548,972)	2,164,074	85%

For the three and six months ended June 30, 2025, Net Loss of $363,337 (2024 - $1,380,164), a 74% improvement and $384,898 (2024 - $2,548,972), an 85% improvement, respectively. This was mostly due to the improved profitability of the business as well as a one-time gain of $632,083 on the restructuring of debt.

Inventory

As of June 30, 2025, the Company's inventory mix is comprised of 35% finished goods and 65% raw materials. Management is working with its suppliers to deliver just in time inventory for sales orders. However, the industry continues to tackle long lead times and supply chain issues.

The Company's inventory now also includes its new Micro and Pico/Senti products.

	June 30, 2025	December 31, 2024	Change
Raw materials	1,808,903	1,568,026	15.4%
Finished goods	959,108	1,518,622	(36.8%)
Total	2,768,011	3,086,648	(10.3%)

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.

Adjusted EBITDA and Adjusted EBITDA Reconciliation

Result of Operations	Three months ended June 30, 2025	Three months ended June 30, 2024	Change	Six months ended June 30, 2025	Six months ended June 30, 2024	Change
Revenue	1,133,996	1,014,690	12%	2,185,257	1,823,243	20%
Cost of sales	640,172	769,126	(17%)	1,139,832	1,239,340	(8%)
Gross profit	493,824	245,564	101%	1,045,425	583,903	79%
Gross margin %	44%	24%		48%	32%	
Operating expenses	995,326	1,161,726	(14%)	1,947,807	2,443,710	(20%)
Operating loss	(501,502)	(916,162)	(45%)	(902,382)	(1,859,807)	(51%)
Other items	136,165	(464,002)	(129%)	517,484	(689,165)	(175%)
Net loss and comprehensive loss	(365,337)	(1,380,164)	(74%)	(384,898)	(2,548,972)	(85%)
Interest, taxes and depreciations	266,824	629,581	(58%)	529,035	1,298,327	(59%)
EBITDA	(98,513)	(750,583)	(87%)	144,137	(1,250,645)	(112%)
Stock based compensation	2,972	53,849	(94%)	5,944	107,698	(94%)
Government funding	—	(24,528)	(100%)	—	(290,640)	(100%)
Gain on modification of debt	(129,893)	—	100%	(761,976)		100%
Non-IFRS Adjusted EBITDA	(225,434)	(721,262)	(69%)	(611,895)	(1,433,587)	(57%)

For the three and six months ended June 30, 2025, Adjusted EBITDA improved by 69% and 57%, respectively. The improvement in Adjusted EBITDA was mainly driven by the increase in revenues and in gross profit, and the reduction in overall operating expenses.

Summary of Quarterly Results

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

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Total Revenue	1,133,996	1,051,261	565,755	369,297	1,014,690	808,553	2,115,750	2,273,377
Recurring revenue	179,848	164,519	186,683	102,686	169,106	300,786	200,772	195,315
Gross margin	44%	52%	51%	46%	24%	42%	58%	37%
EBITDA	(98,513)	242,650	(6,301,553)	(908,725)	(750,583)	(500,062)	(401,330)	67,243
Adjusted EBITDA	(225,434)	(386,461)	(1,052,312)	(857,230)	(721,262)	(712,325)	(285,411)	33,187
Debt	6,224,820	5,833,545	6,625,497	14,950,107	13,410,113	13,033,715	12,540,061	11,381,131
Cash	526,823	128,971	339,905	219,669	1,054,616	384,435	534,451	1,086,050
Total assets	5,229,849	5,703,737	5,818,210	11,706,488	12,840,421	11,566,801	12,020,492	12,190,809
Working Capital	1,423,357	1,684,904	928,283	916,526	1,283,170	1,181,520	965,534	1,396,676
Common shares outstanding	78,801,919	77,213,075	77,213,075	20,761,154	20,748,863	20,745,197	20,670,206	20,652,845
Cumulative units deployed	15,486	14,834	14,070	13,964	13,964	13,596	13,208	12,187
Days of cumulative operating data collected	24,198,631	22,785,533	21,421,346	20,058,801	18,812,965	17,541,670	16,301,034	15,095,804

Disclosure of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. On June 30, 2025, there were:

- 78,601,964 common shares outstanding.
- 1,285,289 stock options outstanding with a weighted average exercise price of $7.08 expiring between 2025 and 2029,
- 61,335,954 warrants outstanding with a weighted average exercise price of $3.84 expiring between 2025 and 2028

Fundraising & Other Share Activities

Transactions during the six months ended June 30, 2025, are as follows:

- The number of outstanding shares were reduced from 463,278,450 to 77,213,075 on the basis of one (1) post-consolidation share for every six (6) pre-consolidation shares, effective April 11, 2025 (the "Effective Date"). No fractional Common Shares were issued in connection with the consolidation. Additionally, the exercise or conversion price and the number of Common Shares issuable under any of the Company's outstanding convertible securities were proportionately adjusted as a result of the consolidation.
- On March 31, 2025, the Company's revolving credit facility of $750,000 bearing interest at a rate equivalent to the bank's prime lending rate plus 3%, due on demand, and secured by the assets of the Company was replaced by a series of agreements.
  - Debt-to-Equity Conversion: $250,000 was converted into 1,388,889 post-consolidation equity units, each consisting of one common share (issued at $0.18) and one warrant (exercise price of $0.30, expiring in 24 months).
  - Royalty Agreement: $250,000 of the outstanding revolving credit facility, plus 66,114 of other payables were converted into a 15-year royalty obligation of 0.75% on consolidated gross revenues, capped at $750,000.
  - Secured Term Loan: $250,000 of the outstanding revolving facility, together with an additional disbursement of $125,000 was combined into a new $375,000 secured term loan (12% annual interest, payable quarterly), with $100,000 maturing on the earlier of (i) receipt by the Borrower of the Ontario Innovation Tax Credit ("OITC") grant or (ii) August 30, 2025 and remaining balance of $275,000, 12 months from the closing date.

Transactions during the year ended December 31, 2024, are as follows:

- On January 2, 2024, the Company issued 399,942 common shares valued at $53,992 pursuant to the maturity of RSU's. 159,977 common shares valued at $11,199 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- On January 9, 2024, the Company issued 72,000 common shares valued at $5,400 pursuant to the maturity of RSU's. 28,800 common shares valued at $2,160 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- 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%.
- On September 1, 2024, the Company issued 12,498 common shares valued at $3,999 pursuant to the maturity of RSU's. 4,998 common shares valued at $351 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

- On September 30, 2024, the Company issued 61,249 common shares valued at $18,987 pursuant to the maturity of RSU's. 24,499 common shares valued at $1,715 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

- On December 31, 2024, the Company completed a private placement through issuance of 13,766,534 units at $0.03 per unit for proceeds received of $15,000, amount recorded under subscription receivable amounting to $72,996 and remaining balance of $325,000 was adjusted against due to shareholders. 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 $0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at $261,567 and $151,429 respectively, using the relative fair value method.

  In connection with private placement, the Company issued share issuance cost of $15,960 (allocated to shares $10,108 and warrants $5,852 respectively) and issued 170,234 broker warrants valued at $1,972. Each broker warrant is exercisable for one common share at $0.05 per share until December 21, 2026. 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 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%.

- On December 31, 2024, the Company issued 237,366,192 units at $0.03 per unit for the settlement of convertible debentures. 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 $0.05 per share until December 21, 2026, except for those held by the management / directors of the Company. The common shares and share purchase warrants were valued at $4,747,324 and $2,482,932 respectively, using the relative fair value method. The Company recognized loss of $1,243,798 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

  In connection with the above issuance, the Company issued share issuance cost of $14,550 (allocated to shares $9,559 and warrants $4,991respectively). The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%.

- On December 31, 2024, the Company issued 3,429,333 units at $0.03 per unit for the settlement of convertible debenture converted to short-term loan. 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 $0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at $68,587 and $39,707 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The Company recognized loss of $5,414 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

- On December 31, 2024, the Company issued 33,156,800 units at $0.03 per unit for the settlement of shareholder loan. 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

$0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at $663,136 and $383,911 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The Company recognized loss of $52,343 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

- On December 31, 2024, the Company issued 50,992,663 units at $0.03 per unit for the settlement of debts. 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 $0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at $1,019,853 and $590,426 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The Company recognized loss of $46,667 and $542,233 in the consolidated statement of loss and comprehensive loss pertaining to the settlement of royalty funding debt and other supplier debts respectively.

  In connection with the above issuance, the Company issued share issuance cost of $25,856.

- In connection to the settlement of debt, the Company issued 5,961,200 warrants valued at $69,022 and each is exercisable for one common share at $0.05 per share until December 21, 2026. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The Company recognized gain of $109,883 in the consolidated statement of loss and comprehensive loss pertaining to the settlement of the debt.

Liquidity and Capital Resources

The Company's cash balance increased to $526,823 as of June 30, 2025, from $339,905 as of December 31, 2024. Available cash continues to be tightly managed by the Company.

The Company has been approved for a government grant of $5,000,000 from NRC IRAP Green Fund. As at date the Company has received $4,500,000 (December 31, 2024 - $3,177,461) on milestones completed.

During the year ended December 31, 2024, the Company received $239,177 as Ontario Innovation tax credits pertaining to fiscal year 2023. Additionally, the Company performed substantial work on upcoming research and development project and therefore, accrued an amount of $320,000 accordingly.

Historically, the Company has been able to raise sufficient funds to finance its operations through private placements and government grants. The Company relies on these sources of funding as part of its planning and cash flow management.

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 (refer Caution Regarding Forward-Looking Information on page 3).

Related Party Transactions

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

Remuneration to key management was as follows:

	June 30, 2025	June 30, 2024
Salaries and benefits	117,318	250,000
Stock-based compensation	-	68,523
Total	$117,318	$318,523

Management has undertaken numerous measures in order to assist the Company in managing its operating expenses and liquidity, 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 June 30, 2025, amounts owing to key management in connection with reimbursement of business expenses and deferred salaries was $38,618 (December 31, 2024 - $10,005).

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.

Subsequent events

The Company has evaluated subsequent events through August 27, 2025, which is the date the condensed interim consolidated financial statements were issued and determined the following significant events to report.

On July 22, 2025, the Company appointed Mr. Greg Ross to the Board of Directors. Mr. Ross is an award-winning investment executive bringing over 35 years of senior management experience across North American insurance and asset management companies.

Also on the same day, the Company entered into a service agreement to provide investor relations services. The agreement provides for a monthly fee of $3,500 plus applicable taxes and expenses, on a month-to-month basis, and may be terminated by either party with 30 days' written notice.

In connection with the agreement, the Company granted 80,000 stock options. The options were granted on July 22, 2025, at an exercise price of $0.09 per share, vest in quarterly instalments over 12 months, and expire after five years.

Risks and Uncertainties

Our results of operations could be adversely affected by economic and political conditions globally and the effects of these conditions on our customers' businesses and levels of business activity.

Economic and political events in the past 20 months have altered the landscape in which companies operate in a variety of ways. Although the interest rates have started to decrease, the historically higher interest rates have resulted in an increase in the cost of borrowing for us, our customers, our suppliers, and other companies relying on debt financing, and it will take time for the decrease in interest rates to take affect.

World events, such as the Russian invasion of Ukraine and the resulting economic sanctions, have impacted the global economy, including by exacerbating inflationary and other pressures. In addition, the threat of a wider war in the Middle East after the Hamas terrorist attacks on Israel could affect oil prices and have other effects on the global economy. Both crises have potentially far-reaching impacts on energy and food markets and global trade.

An escalating war in the Middle East, prolonged inflationary conditions, high and/or increased interest rates, additional sanctions or retaliatory measures related to the Russia-Ukraine crisis, or other situations, could further negatively affect international. At this time, the extent and duration of these economic and political events and their effects on the economy and the Company are impossible to predict, but the impact on the Company's business could be material.

Liquidity risk

As of June 30, 2025, the Company had working capital surplus of $1,423,357. The Company plans to convert its significant inventory into cash receivables, realize its assets, increase revenues and gross profit margins, and drawdown on the interest free loan from FedDev Ontario as well as additional grant advances from NRC Novated Project Funding Agreement (formerly SDTC). 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 $31,137 as at June 30, 2025.

(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 quarter ended June 30, 2025, the Company incurred a net loss in the amount of $384,898 (June 30, 2024 - $2,548,972) and generated negative cash flows from operations of $867,426 (June 30, 2024 - $(127,912)). At June 30, 2025, the Company had working capital surplus of $1,423,357 (year ended December 31, 2024 – $928,283) including cash of $526,823 (year ended December 31, 2024 - $339,905).

Historically, the Company has successfully funded its operations through private placements and government grants, which continue to play a central role in its financial planning and cash flow management. Although the associated milestone claim has been submitted, the delay in funding temporarily constrained the Company's ability to raise additional financing, leading to short-term cash flow challenges in late 2024. In response, the Company completed a financial restructuring that included debt renegotiation, the conversion of debt and convertible debentures to equity, and other liquidity-enhancing measures. The restructuring has since been completed, and together with the expected grant funding, the Company is now better positioned to support its operations and pursue its strategic objectives.

During the year ended December 31, 2022, the Company received an approval for a grant from National Research Council of Canada (NRC IRAP Green Fund), formerly known as Sustainable Development Technology Canada ("SDTC") amounting to $5,000,000, which is based on the completion of the project milestones. As at June 30, 2025, the Company had received $4,500,000 (December 31, 20204 - $3,177,461) on milestones completed.

During the year ended December 31, 2022, the Company received an approval for a grant of $750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). On March 22, 2024, the Company got approved for an additional IRAP grant of $125,000 as an amendment to the original funding agreement. As at June 30, 2025, the Company had fully received $875,000 (December 31, 2024 - $875,000) in connect with grant.

During the year ended December 31, 2024, the Company received $239,177 as Ontario Innovation tax credits pertaining to fiscal year 2024. Additionally, the Company performed substantial work on upcoming research and development project and therefore, accrued an amount of $320,000 accordingly.

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 twelve months ended December 31, 2024, 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 "Risks and Uncertainties" 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 including Trade Tariffs

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.