

Clear Blue Technologies International Inc.

Condensed Interim Financial Statements

Third Quarter 2018

(Presented in Canadian dollars)

Clear Blue Technologies International Inc.
Condensed Interim Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 920,569	\$ 396,601
Accounts receivable and other	1,490,428	1,088,512
Research and development tax credits receivable	92,515	634,478
Inventory	1,579,034	835,572
Prepaid expenses	108,950	38,993
Other Receivable	479,656	451,972
	4,671,152	3,446,128
Non-current assets		
Long-term account receivable	241,018	319,801
Capitalized Development	620,327	–
Equipment	94,094	34,540
Goodwill	21,733,143	–
	\$ 27,359,734	\$ 3,800,469
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 831,222	\$ 1,993,015
Customer Deposits	1,808	–
Short-term loans	–	200,000
Current portion of deferred revenue	157,009	279,529
Current portion of capital lease obligation	2,161	4,100
Current portion of long-term debt	67,439	62,399
Derivative liability - warrants	–	65,745
	1,059,639	2,604,788
Non-current liabilities		
Deferred revenue	381,034	452,322
Capital lease obligation	2,267	3,358
Long-term debt	537,271	553,816
Total liabilities	1,980,211	3,614,284
Equity		
Share Capital	13,291,913	6,484,855
Accumulated deficit	(11,378,505)	(7,380,483)
Contributed surplus	23,466,115	1,081,813
	25,379,523	186,185
	\$ 27,359,734	\$ 3,800,469

Approved on behalf of the Board

Director

Clear Blue Technologies International Inc.
Condensed Interim Consolidated Statements of Comprehensive Income and Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenue	\$ 636,944	\$ 110,133	\$ 2,659,456	\$ 519,937
Cost of Sales	289,960	109,210	1,940,151	457,544
Gross Profit	346,984	923	719,305	62,393
Operating Expenses				
Sales and marketing	486,520	164,199	1,127,593	591,709
Operations	427,934	158,532	881,529	400,834
Research and development	104,453	239,954	864,454	1,057,836
General and administration	694,888	115,555	1,053,082	346,420
Stock-based compensation	62,509	36,455	187,527	119,430
Depreciation and Amortization	11,451	4,865	21,582	11,161
	1,787,755	719,560	4,135,767	2,527,390
Loss before the undernoted items	(1,440,771)	(718,637)	(3,416,462)	(2,464,997)
Foreign exchange gain (loss)	30,770	6,162	24,617	7,004
Gain on derivative instruments	62,627	3,936	65,750	11,808
Interest	(44,409)	(10,392)	(96,443)	(32,376)
	48,988	(294)	(6,076)	(13,564)
Net loss and comprehensive loss	(1,391,783)	(718,931)	(3,422,538)	(2,478,561)
Net loss per share				
Basic and diluted	(0.04)	(0.04)	(0.14)	(0.14)
Weighted average number of common shares outstanding				
Basic	33,032,866	18,040,123	24,981,015	17,701,771

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

Clear Blue Technologies Interational Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Number	Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2016	16,258,550	\$ 3,787,516	\$ 871,855	\$ (4,009,562)	\$ 649,809
Share issuance(net of issuance costs)	1,630,889	944,352	–	–	944,352
Stock based compensation	–	–	90,316	–	90,316
Net loss and comprehensive loss	–	–	–	(1,759,630)	(1,759,630)
Balance June 30, 2017	17,889,439	4,731,868	962,171	(5,769,192)	(75,153)
Share issuance(net of issuance costs)	2,850,559	1,752,987	–	–	1,752,987
Stock based compensation	–	–	119,642	–	119,642
Net loss and comprehensive loss	–	–	–	(1,611,291)	(1,611,291)
Balance December 31, 2017	20,739,998	6,484,855	1,081,813	(7,380,483)	186,185
Share issuance(net of issuance costs)	9,549,802	6,427,353	70,111	–	6,497,464
Stock based compensation	–	–	187,527	–	187,527
Net loss and comprehensive loss	–	–	–	(3,422,538)	(3,422,538)
PPA	4,560,549	356,000	21,733,143	(172,542)	21,916,601
OCE warrants	–	–	402,942	(402,942)	–
Option exercises	202,581	23,706	(9,421)	–	14,285
Balance at September 30, 2018	35,052,930	\$ 13,291,913	\$ 23,466,115	\$ (11,378,505)	\$ 25,379,523

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

Clear Blue Technologies International Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities				
Net loss for the period	\$ (1,009,783)	\$ (718,931)	\$ (3,040,538)	\$ (2,478,561)
Depreciation	9,507	6,161	19,638	11,161
Amortization of deferred financing fees	648	(1,296)	1,944	–
Non-cash interests	(2,581)	–	34,682	–
Stock based compensation	62,509	39,810	187,527	119,430
Gain on derivative instruments	(62,622)	7,877	(65,745)	5
Accounts receivable and other	195,309	363,729	(401,916)	698,860
Research and development tax credits receivable	478,468	229,088	541,963	66,566
Inventory	(292,020)	(148,707)	(743,462)	(270,299)
Capitalized R&D	(620,327)	–	(620,327)	–
Prepaid expenses and other current assets	(97,930)	137,037	(97,641)	146,218
Accounts payable and accrued liabilities	(766,229)	75,654	(1,359,193)	103,811
Deferred revenue	(53,129)	(17,573)	(193,808)	(162,288)
Cash provided by (used in) continuing operations	(2,158,180)	(27,151)	(5,736,876)	(1,765,097)
Financing activities				
Receipt of share subscriptions - Gross	3,374,043	908,218	6,854,676	1,306,832
Portion of issuance costs booked to share capital	(477,764)	–	(477,764)	–
Option exercises	(315,715)	–	14,285	–
Increase (Repayment) of short-term loans	80,000	–	–	–
Increase (Repayment) of long-term debt	15,575	137,409	(48,131)	137,409
Increase (Repayment) of capital lease obligation	(1,031)	(947,098)	(3,030)	(2,746)
Cash from (used in) financing activities	2,675,108	98,529	6,340,036	1,441,495
Investing activities				
Purchase of property and equipment, net	(52,161)	(14,176)	(79,192)	(24,382)
Cash from (used in) investing activities	(52,161)	(14,176)	(79,192)	(24,382)
Net increase (decrease) in cash during the period	464,767	57,202	523,968	(347,984)
Cash, beginning of period	455,802	91,471	396,601	496,657
Cash, end of period	\$ 920,569	\$ 148,673	\$ 920,569	\$ 148,673

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

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

1. Nature of operations

Clear Blue Technologies International Inc. (the "Company") continued under the laws of the Province of Ontario on July 12, 2018. The Company's shares are traded on the Toronto Venture Exchange under the ticker symbol CBLU. The Company develops and sells "Smart Off-Grid" power solutions and management services to power, control, monitor, manage, and proactively service solar and hybrid-powered systems such as street lights, security systems, telecommunications systems, emergency power, and IoT devices. The Company's head office is located at 30 Lesmill Road, Unit #7, Toronto, Ontario, Canada, M3B 2T6.

On July 13, 2018, Clear Blue Technologies Inc. ("CBTI") completed a transaction with Dagobah Ventures Ltd. ("DVL") whereby CBTI became a wholly-owned subsidiary of DVL. On completion of the Transaction, all the outstanding securities of the CBTI were exchanged for equivalent securities of DVL and DVL was renamed Clear Blue Technologies International Inc. the Resulting issuer. The Transaction constitutes a reverse take-over ("RTO") of the Resulting Issuer with the shareholders of CBTI obtaining control of the consolidated entity.

Under the purchase method of accounting, CBTI has been identified as the acquirer, and accordingly the Company is considered to be a continuation of CBTI with the net assets of DVL, as at the date of the RTO, deemed to be acquired by the CBTI. The consolidated financial statements for the quarter ended September 30, 2018 include the results of operations of DVL from July 13, 2018, the date of the RTO (Note 3). The comparative figures are those of CBTI.

2. Significant accounting policies

a. Basis of presentation

Statement of compliance

These condensed interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual financial statements.

The condensed interim financial statements should be read in conjunction with CBTI's annual audited financial statements for the year ended December 31, 2017.

The financial statements were approved for issuance by the Company's Board of Directors on November 28, 2018.

b. Basis of consolidation

The consolidated financial statements consolidate those of the parent company and all its subsidiaries as of the date that control was obtained over those subsidiaries.

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

Profit or loss and other comprehensive income 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 Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

c. Use of estimate

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgements that affect the amount reported in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. Actual results may differ from these estimates.

d. Revenue recognition

IFRS 15 - Revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

e. Business combination

Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. During the year quarter ended September 30, 2018, the Company's reverse takeover transaction (Note 3) were recorded as asset acquisitions.

f. Inventory valuation

Management estimates the net realizable values ("NRV") of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market driven changes that may affect future selling prices.

g. Newly adopted accounting standard

IFRS 9, Financial Instruments, ("IFRS 9") was issued by the IASB as a complete standard in July 2014, including the requirements previously issued related to the classification and measurement of financial assets and liabilities, with additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company retrospectively adopted this standard on the effective date of January 1, 2018 resulting in a reclassification of financial assets previously classified as loans and receivables to financial assets at amortized cost. However, there was no impact to the measurement of these financial assets and adoption of this standard did not have any impact on the Company's net earnings (loss).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

3. Reverse Takeover Transaction

On November 30, 2017, CBTI entered into a non-binding letter of intent with Dagobah Ventures Ltd. ("DVL") pursuant to which DVL will acquire all of the issued and outstanding securities of CBTI (the "Transaction") and apply for a listing on the TSX Venture Exchange (the "Exchange"). Upon completion, the transaction will constitute a reverse take-over of DVL (the "Resulting Issuer") by CBTI.

On February 16, 2018 CBTI and DVL entered into an amended and binding letter of intent with regards to the Transaction. Under the terms of the agreement, the Transaction is expected to be effected by way of a reverse triangular amalgamation under the laws of Ontario. 2621388 Ontario Ltd. ("DVL Subco"), a wholly-owned subsidiary of DVL, is expected to be merged with and into CBTI. The separate corporate existence of DVL Subco will cease and CBTI will be the surviving corporation and will be wholly-owned by the Resulting Issuer.

On July 13, 2018, DVL completed the transaction with CBTI, with the Resulting Issuer being renamed "Clear Blue Technologies International Inc." Pursuant to the terms of the Transaction, All of the outstanding securities of CBTI were exchanged for equivalent securities of the Resulting Issuer on a one-for-one basis (following a subdivision of CBTI's common shares on a 2.63452:1 basis), such that former securityholders of CBTI continued as securityholders of the Resulting Issuer. As a result, 30,289,804 common shares of the Resulting Issuer were issued to former shareholders of CBTI, including 8,569,000 Resulting Issuer common shares issued pursuant to its previously-announced private placement completed on February 22, 2018 and March 14, 2018.

As a result of the completion of the Transaction, there are: (i) 34,850,353 common shares of the Resulting Issuer; (ii) 5,589,598 common share purchase warrants of the Resulting Issuer; (iii) 2,762,812 options to purchase common shares of the Resulting Issuer; and (iv) 597,205 compensation options of the Resulting Issuer.

In accordance with IFRS 3, the substance of the transaction was a reverse takeover ("RTO") of a non-operating company. The transaction does not constitute a business combination since DVL does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition with CBTI being identified as the acquirer (legal subsidiary) and DVL being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to the shareholders of CBTI. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The equity consideration issued for the reverse takeover was approximately \$25.0 million and the net assets acquired at fair value was as follows:

Current assets	\$	5,837,779
Fixed assets		51,440
Other assets		441,018
Current liabilities		(1,927,746)
LT liabilities		(1,135,635)
Share capital		(14,663,817)
Retained earnings (opening Jul 12, 2018)		11,396,961
Net assets	\$	<u>3,266,856</u>

The difference between the consideration and the net assets acquired was recognized as Goodwill of approximately \$21.7 million.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

4. Accounts receivable and other and subscription receivable

Included in accounts receivable and other as at September 30, 2018 is:

	September 30, 2018	December 31, 2017
Trade Receivable	1,490,556	954,800
Harmonized sales taxes receivable	479,656	383,312
Government grants receivable	92,515	44,583
Long-term accounts receivable	241,018	395,794
Less:		
Allowance for doubtful accounts	(128)	(370,176)
Total	2,303,617	1,408,313

In determining the collectability of a trade or other receivable, the Company performs a risk analysis by considering the type and age of the outstanding receivable and the creditworthiness of the customer. If an account is deemed uncollectible, an allowance for doubtful account is recognized. The Company also engages a third party export credit agency Export Development Canada ("EDC") to ensure the collectability and recoverability of selected accounts that are deemed at risk.

5. Short-term loans

	September 30, 2018	December 31, 2017
Short-term loans	–	200,000
Total	–	200,000

On November 30, 2017, the Company entered into a letter of intent with Dagobah Ventures Ltd ("DVL"). Under the agreement, DVL will acquire all the issued and outstanding securities of the Company and apply for a listing on the TSX Venture Exchange, which will constitute a reverse takeover transaction of DVL. In connection with the execution of the letter of intent, the Company received \$200,000 from DVL by way of an unsecured interest-free demand loan, provided however, that demand may only be made by DVL from and after the date on which the letter of intent is terminated being the earlier of: (i) the date of execution of a definitive agreement; (ii) February 28, 2018; and (iii) the date the contemplated transaction is rejected by the Securities Exchange and all recourse or rights of appeal have been exhausted.

On July 13, 2018, the Company completed the reverse takeover transaction of Resulting Issuer (Note 3) upon successfully being listed on the TSX Venture Exchange. The payable is eliminated via the reverse takeover transaction.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

6. Long-term debt

	September 30, 2018	December 31, 2017
(i) Eastern Ontario Futures Development Corporation Networks Inc.	327,277	375,410
(ii) Federal Economic Development Agency of Southern Ontario	284,123	251,608
	\$ 611,401	\$ 627,018
(i) Eastern Ontario Futures Development Corporation Networks Inc.	70,031	62,399
	\$ 543,536	\$ 564,619

- 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, maturing on September 30, 2022. The loan is secured by a general security agreement against all the assets of the Company. During the nine-month period ended September 30, 2018, the Company recognized interest expense of \$26,573 (2017 – \$21,120) in relation to its capital lease obligation.
- ii. Federal Economic Development Agency for Southern Ontario non-interest-bearing loan, repayable in monthly installments beginning January 1, 2019 and maturing on December 1, 2023. Monthly installments are \$2,000, \$3,000, \$5,000, \$8,000 and \$15,000 for the years 2019 through 2023, respectively, with a final month payment of \$19,000. The face value of the loan is \$400,000. It was initially recorded on the 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. For the nine months ended September 30, 2018, the Company recognized non-cash interest expense related to this loan in the amount of \$18,918 (2017 – \$9,740).

7. Share capital

a. Share capital transactions

Upon completion of the RTO transaction (Note 3) as of July 13, 2018, there are: 34,850,353 common shares of the Resulting Issuer consisting the following:

	Number	Amount
Balance, July 13, 2018		
Share Split 2.63452:1	20,970,800	\$ 18,596,427
Private Placement	9,319,000	\$ 6,220,115
DVL opening balance	4,560,549	\$ 183,458
	34,850,349	25,000,000

In the nine months ended September 30, 2018, 202,581 stock options were exercised and 202,581 additional shares were issued (2017 – nil). As of September 30, 2018, the number of shares outstanding is 35,052,932 (December 31, 2017 – 20,739,998).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

b. Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors. The stock option activity is as follows:

	Nine Months ended September 30, 2018	
	Number of Options	Weighted average exercise price
Balance at beginning of the period	2,714,075	\$ 0.41
Granted	200,000	\$ 0.62
Forfeited	-	\$ -
Exercised	202,581	\$ 0.07
Balance at end of the period	2,711,494	\$ 0.45
Balance exercisable at end of the period	1,453,173	\$ 0.39

The following table summarizes information about the share options as at September 30, 2018:

Exercise Price (CAD)	Number of Options Outstanding	Weighted Average Remaining Life (years)	Number of Options Exercisable
0.0500	144,796	5.59	144,796
0.2581	349,165	6.69	349,165
0.3075	126,367	7.59	126,367
0.5048	1,654,576	8.49	670,199
0.5238	236,590	7.20	162,646
0.6200	200,000	4.93	-
	2,711,494		1,453,173

c. Warrants

On February 22, 2018 and March 14, 2018, the Company completed the equity financing by way of a brokered private placement in two tranches which resulted in the issuance of 8,569,000 subscription receipts. Each subscription receipt was automatically be converted one CBLU common share and one half of one CBLU common share purchase warrant upon completion of the RTO transaction (Note 3) on July 13, 2018. Each share purchase warrant will entitle the holder thereof to purchase one common share of Clear Blue at a price of C\$1.50 per common share for a period of 24 months following the closing of the private placement.

As of September 30, there were 5,589,598 warrants outstanding, including 4,284,500 shares from the private placements. During the nine months ended September 30, 2018, no warrants were exchanged for common shares (2017 – nil).

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

d. Stock-based compensation

During the three and nine months ended September 30, 2018, the Company recorded share-based compensation of \$62,509 (2017 – \$39,810) and \$187,652 (2017 – \$119,430).

For the nine months ended September 30, 2018 there were 200,000 stock options granted. The Black-Scholes Pricing Model was used to estimate the fair value of the share options using the following assumptions on the grant date of the options:

Grant Date	Sep 4, 2018
Stock Price at Grant Date	\$0.6000
Exercise Price	\$0.6200
Expected Life in Years	5
Annualized Volatility	41.05%
Annual Rate of Quarterly Dividends	0.00%
Discount Rate - Bond Equivalent Yield	2.16%

8. 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:

	September 30, 2018
Stock Options	2,711,494
Warrants	5,589,598
Total	8,301,092

9. Capital risk management

Capital is comprised of the Company's shareholders' equity (deficiency) and any debt it may issue. At September 30, 2018, the Company's shareholders' equity was \$25,496,375 (December 31, 2017 – \$186,815 deficit) and the Company's debt was \$609,138 (December 31, 2017 – \$823,673).

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 nine month period ended September 30, 2018.

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 not subject to any externally imposed capital requirements.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

10. Financial instruments

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.

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 risk such as equity price. The Company's exposure to other price risk is low. Financial instruments affected by market risk include accounts receivable, capital lease obligations and accrued liabilities, and long-term debt.

(i) 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 and capital lease obligations are subject to fixed interest rates and the risk of fluctuating future cash flows resulting from changes in market interest rate is limited.

(ii) 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 revenue 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):

	September 30, 2018	December 31, 2017
Cash	101,922	235,676
Accounts receivable	777,819	1,088,653
Accounts payable and accrued liabilities	176,268	683,955
Total	1,056,009	2,008,284

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 could change by approximately \$70,000 at September 30, 2018 (December 31, 2017 – \$66,000) due to the fluctuation and this would be recorded in the statements of comprehensive income.

Concentration of credit risk

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 52% at September 30, 2018 (December 31, 2017 – three customers represented 77%) of the Company's accounts receivable balance. The Company performs credit assessments of potential customers and insures its accounts receivable where appropriate. Regular credit assessments are performed of customer's accounts receivable balances and allowances for potentially uncollectable accounts are provided where appropriate.

Clear Blue Technologies International Inc.

Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2018 and 2017
(Unaudited)
(Presented in Canadian dollars)

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, short-term loans, capital lease obligation, and long-term debt by ensuring sufficient cash is on hand from cash flows from operations and financing from investors. As at September 30, 2018, the Company had a positive working capital of \$3,728,364 (December 31, 2017 – positive working capital of \$841,340). Contractual maturities of the Company's long-term debt and lease commitments are outlined in Notes 6 and 10 to the Condensed Interim Financial Statements, respectively. Other financial liabilities, including accounts payable and accrued liabilities and short-term loans, have maturities within 12 months of the Company's period end.

11. Commitments and contingencies

The Company has entered into a lease agreement for its premises with estimated minimum annual payments as follows:

2018	28,872
2019	76,991
Total	\$ 105,862

The Company is committed to pay Grenville Strategic Royalty Corp equal to 1.125% of its annual revenue unless the buyout options are exercised.

12. 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, United States of America ("USA"), and Africa, as well as other areas.

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

Revenue by Geography	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2018	2017	2018	2017
Canada	\$ 228,954	\$ 71,212	\$ 892,262	\$ 201,374
USA	311,867	16,734	643,944	79,317
Africa	85,573	–	1,076,004	83,875
Other	10,550	22,187	47,246	155,371
Total Revenue	\$ 636,944	\$ 110,133	\$2,659,456	\$ 519,937