



Clear Blue Technologies International Inc. Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Clear Blue Technologies International Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Express in Canadian Dollars)

	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		\$ 463,415	\$ 61,720
Accounts receivable and other receivables	6	1,601,132	2,809,879
Research and development tax credits receivable	7	122,000	796,890
Inventory	8	1,766,205	1,157,718
Prepaid expenses		124,804	61,518
Current portion of deferred costs	8	247,636	33,666
Total current assets		4,325,192	4,921,391
Non-current assets			
Long-term account receivable	6	311,107	—
Deferred costs	8	144,772	63,691
Property and equipment	9	242,158	323,414
Total assets		\$ 5,023,229	\$ 5,308,496
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13,17	\$ 1,374,605	\$ 2,263,877
Customer deposits and advanced billing	10	323,196	124,080
Short-term loans	11	753,836	889,339
Current portion of deferred revenue	10	423,436	242,400
Current portion of lease liability - office lease	9	95,845	88,947
Current portion of convertible debenture	13,17	72,100	81,100
Current portion of long-term debt	12	89,154	82,293
Total current liabilities		3,132,172	3,772,036
Non-current liabilities			
Deferred revenue	10	602,752	272,208
Lease liability	9	87,494	160,265
Royalty funding	14	375,000	375,000
Convertible debenture	13,17	518,572	519,938
Long-term debt	12	2,370,875	440,207
Total liabilities		7,086,865	5,539,654
Shareholder's Equity (Deficiency)			
Share capital	15	16,531,573	15,919,928
Reserves	15	4,476,815	4,476,158
Equity portion of convertible debenture	13	100,424	112,959
Accumulated deficit		(23,172,448)	(20,740,203)
Total shareholders' equity (deficiency)		(2,063,636)	(231,158)
Total liabilities and shareholders' equity (deficiency)		\$ 5,023,229	\$ 5,308,496

Nature of operations and going concern (note 1 & 2)

On behalf of the Board:

"Miriam Tuerk"
President

"Steve Parry"
Director

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

Clear Blue Technologies International Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2020 & 2019
(Unaudited - Express in Canadian Dollars)

	Three months ended September 30th		Nine months ended September 30th	
	2020	2019	2020	2019
Revenue	\$ 940,849	\$ 670,159	\$ 1,519,365	\$ 1,578,462
	—	—		
Cost of sales	565,254	405,825	922,068	1,082,487
Gross profit	375,595	264,334	597,297	495,975
Operating expenses				
Salaries, wages and benefits	421,805	283,267	967,435	1,188,943
Research and development	406,024	(298,848)	1,148,476	743,276
General and administrative	74,898	123,190	353,389	448,991
Government Subsidy	(301,876)	—	(610,960)	
Bad debt expense(recovery)	—	(151,905)	(195,394)	(151,905)
Stock-based compensation	95,664	104,042	200,725	195,360
Travel	3,975	32,649	88,616	189,827
Business development and marketing	142,264	53,144	371,218	443,343
Rent	41,762	58,482	138,739	160,691
Professional fees	57,967	(1,648)	207,761	196,427
Depreciation of property and equipment	32,987	37,125	99,586	101,793
Total operating expenses	975,470	239,498	2,769,591	3,516,746
Loss before other items	(599,875)	24,836	(2,172,294)	(3,020,771)
Other items				
Interest on long-term debt	(138,069)	(30,787)	(304,002)	(67,260)
Interest on royalty funding	(8,467)	(6,031)	(13,674)	(14,206)
Foreign exchange gain (loss)	(23,193)	6,117	59,669	(46,150)
Amortization of deferred financing fees	(648)	(648)	(1,944)	(1,944)
Net loss before taxes	(770,252)	(6,513)	(2,432,245)	(3,150,331)
Deferred tax recovery	—	—		
Net loss and comprehensive loss	(770,252)	(6,513)	(2,432,245)	(3,150,331)
Loss per share	(0.02)	(0.00)	(0.05)	(0.07)
Weighted average number of shares outstanding Basic and Diluted	48,022,520	45,742,806	46,980,317	42,973,196

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

Clear Blue Technologies International Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - Express in Canadian Dollars)

	Three months ended September 30th		Nine months ended September 30th	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating activities				
Net loss for the year	\$ (770,252)	\$ (6,513)	\$ (2,432,245)	(3,150,331)
Depreciation of property and equipment	32,987	37,125	99,586	101,793
Amortization of deferred financing fees	648	648	1,944	1,944
Stock-based compensation	95,664	104,042	200,725	195,360
Warrants issued as part of BDC loan issuance	1,810	—	1,810	—
Bad debt expense (recovery)	390,788	—	195,394	—
Gain on debt to shares transaction	(84,327)	—	(84,327)	—
Debt accretion	52,904	—	68,756	705
	(279,778)	135,302	(1,948,357)	(2,850,529)
Changes in non-cash working capital:	—	—	—	—
Accounts receivables and other receivable	(861,333)	(350,493)	702,246	183,727
R&D tax credits receivable	122,870	(881,001)	674,890	(916,040)
Inventory	(45,135)	338,485	(608,487)	(62,710)
Prepaid expenses	16,118	3,764	(63,286)	(4,172)
Accounts payable and accrued liabilities	199,308	193,855	(388,590)	96,262
Customer deposits	405,469	12,355	511,580	12,355
Deferred revenue	(208,884)	(4,071)	(295,051)	(14,239)
Cash used in operating activities	(651,365)	(551,804)	(1,415,055)	(3,555,346)
Financing activities				
Exercise of options	—	—	3,112	—
Proceeds from short-term loan	(216,146)	444,000	(135,503)	444,000
Receipt of share subscriptions	—	—	—	2,669,875
Share issue costs	—	—	—	(177,884)
Proceeds from sale of shares	110,180	—	110,180	—
Advance(Repayment) of long-term debt	17,421	(17,580)	1,923,163	(52,155)
Repayment of lease liability - computer equipment	—	(1,113)	—	(4,005)
Cash from financing activities	(88,545)	425,307	1,900,952	2,879,831
Investing activities				
Purchase of property and equipment	(36,029)	(18,403)	(84,203)	(74,457)
Cash used in investing activities	(36,029)	(18,403)	(84,203)	(74,457)
Net decrease in cash during the period	(775,939)	(144,900)	401,694	(749,972)
Cash, beginning of period	1,239,354	162,044	61,720	767,116
Cash, end of period	\$ 463,415	\$ 17,144	\$ 463,415	\$ 17,144

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

Clear Blue Technologies International Inc.

Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited - Express in Canadian Dollars)

	Note	Number of common shares	Share capital	Contributed surplus	Equity portion of convertible debenture	Accumulated deficit	Total shareholders' equity (deficiency)
Balance at December 31, 2018		35,063,304	14,506,319	3,077,011	-	(15,638,285)	1,945,045
Share issuance - private placement		10,679,500	1,672,197	997,678	-	-	\$ 2,669,875
Issuance costs - private placements		-	(258,588)	67,248	-	-	\$ (191,340)
Convertible debenture - equity portion, net of tax		-	-	-	112,959	-	\$ 112,959
Issuance costs - convertible debenture		-	-	13,473	-	-	\$ 13,473
Stock-based compensation		-	-	320,748	-	-	\$ 320,748
Net loss and comprehensive loss		-	-	-	-	(5,101,918)	\$ (5,101,918)
Balance at December 31, 2019		45,742,804	\$ 15,919,928	\$ 4,476,158	\$ 112,959	\$ (20,740,203)	\$ (231,159)
Exercise of options		-	33,061	(29,949)	-	-	\$ 3,112
Maturity of RSUs		-	178,986	(188,265)	-	-	\$ (9,279)
Conversion of debenture		-	62,901	16,334	(12,535)	-	\$ 66,700
Stock-based compensation		-	-	200,725	-	-	\$ 200,725
Debt to shares		-	336,698	-	-	-	\$ 336,698
Warrants issued as part of BDC loan		-	-	1,810	-	-	\$ 1,810
Net loss and comprehensive loss		-	-	-	-	(2,432,245)	\$ (2,432,245)
Balance at June 30, 2020 (unaudited)		45,742,804	\$ 16,531,573	\$ 4,476,815	\$ 100,424	\$ (23,172,448)	\$ (2,063,636)

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

1. Nature of Operations

Clear Blue Technologies International Inc. (formerly Dagobah Ventures Ltd.) (the “Company” or “CBLU”) was incorporated on November 11, 2014 under the laws of British Columbia, Canada.

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

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

2. Going Concern Uncertainty

The Company’s consolidated financial statements (the “Financial Statements”) have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine months ended September 30, 2020, the Company incurred a net loss in the amount of \$2,432,245 (nine month ending September 30, 2019 – \$3,150,331) and generated negative cash flows from operations of \$1,415,055 (nine month ending September 30, 2019 – \$3,555,346). At September 30, 2020, the Company had positive working capital of \$1,193,020 (December 31, 2019 - \$1,149,355) and cash of \$463,415 (December 31, 2019 - \$61,720), which is insufficient to fund operations for more than 12 months.

Historically, the Company has been able to raise sufficient funds to finance its operations through private placements and government grants. 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.

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

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

3. Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2019, and should be read in conjunction with those financial statements.

These condensed consolidated were approved for issuance by the Company's Audit Committee and Board of Directors on November 17, 2020.

Basis of measurement

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

Functional and presentation currency

These Interim Financial Statements are presented in Canadian dollars, which is the Company's, and its subsidiaries, functional and presentation currency.

Basis of consolidation

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

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

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

4. Significant Accounting Policies

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

a. Newly adopted accounting standards

i) IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16") which will replace IAS 17, Leases. The Company adopted IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors.

The Company selected the modified retrospective transition approach. The Company also elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease under IAS 17, Leases or IFRIC 4, Determining Whether an Arrangement Contains a Lease.

Upon adoption of the new standard, the Company recognized a lease liability at the present value of the remaining lease payments discounted using an incremental annual borrowing rate of 10%. The Company will measure each right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid payments recognized in the December 31, 2018, consolidated financial statements. As a result, the Company recognized additional right-of-use assets and lease liabilities of approximately \$334,000 (Note 9), as of January 1, 2019.

ii) IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23") sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings;
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's Financial Statements were not affected by the adoption of IFRIC 23. The Company applied the requirements of the standard with full retrospective application with no restatement of comparative periods.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

(i) Determination of functional currency

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

(ii) Segment disclosures

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

Estimates

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

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

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

(ii) Stock-based compensation

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

(iii) Deferred income taxes

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

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

(iv) Recoverability of accounts receivable

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

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

(v) Recoverability of inventory

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

(vi) Royalty funding

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

6. Accounts Receivable and Other Receivables

	September 30, 2020	December 31, 2019
Accounts receivable, net	1,469,377	2,549,042
Harmonized sales taxes receivable	39,560	248,046
Miscellaneous tax refund receivable	18,903	12,791
Term accounts receivable (i), net	384,399	-
Less:		
Long-term accounts receivable (i)	(311,107)	-
Total	1,601,132	2,809,879

(i) On January 22, 2020, a loan agreement was executed to allow a customer to pay off the receivable in 60 equal consecutive monthly installments of \$6,180.69 USD beginning on April 1, 2020. The effective interest rate is 7.3% per annum and the loan matures on June 30, 2025. As a result, the long-term portion of the loan receivable was reclassified to long-term accounts receivable. The Company's entire long-term accounts receivable relates to this transaction.

7. Research and Development Tax Credits Receivable

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

	September 30, 2020	December 31, 2019
Scientific Research and Experimental Development tax credits	\$ 120,000	\$ 269,534
Industrial Research Assistance Program	2,000	192,844
Ontario Innovation tax credits	-	307,512
Total	\$ 122,000	\$ 796,890

8. Inventory

	September 30, 2020	December 31, 2019
Raw materials	\$ 679,198	\$ 316,882
Finished goods	1,087,007	840,836
Total	\$ 1,766,205	\$ 1,157,718

Inventory included in cost of sales amounted to \$922,068 (September 30, 2019 – \$1,082,487).

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

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

9. Property and Equipment

	Computer and equipment	Furniture and fixtures	Leasehold improvements	Right-of-use Assets	Total
Balance as of December 31, 2018	116,198	10,304	29,618	-	156,120
Additions	19,876	-	-	333,919	353,795
Disposals	(32,178)	(2,752)	-	-	(34,930)
Balance as of December 31, 2019	\$ 103,896	\$ 7,552	\$ 29,618	\$ 333,919	\$ 474,985
Additions	19,149	-	-	-	19,149
Disposals	(15,681)	-	-	-	(15,681)
Balance as of September 30, 2020	\$ 107,364	\$ 7,552	\$ 29,618	\$ 333,919	\$ 478,453
Accumulated Depreciation					
Balance as of December 31, 2018	43,342	4,388	3,130	-	50,860
Depreciation	38,831	1,510	4,231	91,069	135,641
Disposals	(32,178)	(2,752)	-	-	(34,930)
Balance as of December 31, 2019	\$ 49,995	\$ 3,146	\$ 7,361	\$ 91,069	\$ 151,571
Depreciation	26,978	1,133	3,173	68,301	99,585
Disposals	(14,861)	-	-	-	(14,861)
Balance as of September 30, 2020	\$ 62,112	\$ 4,279	\$ 10,534	\$ 159,370	\$ 236,295
Net book value as at:					
December 31, 2018	\$ 72,856	\$ 5,916	\$ 26,488	\$ -	\$ 105,260
December 31, 2019	\$ 53,901	\$ 4,406	\$ 22,257	\$ 242,850	\$ 323,414
September 30, 2019	\$ 45,252	\$ 3,273	\$ 19,084	\$ 174,549	\$ 242,158

Lease Liability – Office Lease

A reconciliation of the carrying amount of the lease liabilities recognized on the initial adoption of IFRS 16 to September 30, 2020 is as follows:

	September 30, 2020
Initial adoption	\$ 333,919
Lease payments	(196,309)
Lease interest	45,729
September 30, 2020	\$ 183,339
Current portion of lease liability	\$ 95,845
Long term portion of lease liability	\$ 87,494

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2020
(Unaudited - Expressed in Canadian dollars)

9. Property and Equipment (cont'd...)

Maturity analysis – contractual undiscounted cash flows:

Fiscal 2020	\$	27,466
Fiscal 2021		109,865
Fiscal 2022		73,243
Total undiscounted future lease payments	\$	238,041

The Company did not have any short-term leases or leases of low-value assets included in the statement of loss and comprehensive loss for the period ended September 30, 2020.

10. Customer Deposits and Deferred Revenue

Customer Deposits

Customer deposits of \$323,196 pertain to the sale of solar or hybrid streetlight systems and power pack solutions that are paid by customers and billed by the Company in advance.

Deferred revenue

Deferred revenue is comprised of ongoing energy management services paid in advance by customers:

	September 30, 2020	December 31, 2019
Deferred revenue	\$ 1,026,188	\$ 514,608
Less: Current portion	423,436	242,400
	\$ 602,752	\$ 272,208

The deferred revenue is amortized to profit or loss on a straight-line basis over the life of the related contract. As at September 30, 2020, expected revenue to be recognized over the term of the contracts are as follows:

2020	138,124
2021	375,734
2022	324,291
2023	188,039
Total	1,026,188

11. Short-term Loan

In 2019, the Company obtained a \$1 million revolving credit facility. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 1.5%, is due on demand, and is secured by the assets of the Company. The outstanding balance as of September 30, 2020 is \$753,836 (2019 – \$889,339). The Company incurred interest expense related to its short-term loan of \$30,674 during the nine months ended September 30, 2020 (2019 - \$nil).

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

12. Long-term Debt

	September 30, 2019	December 31, 2019
(i) Eastern Ontario Futures Development Corporations Networks Inc.	\$ 213,055	\$ 232,308
(ii) Federal Economic Development Agency of Southern Ontario	284,475	295,809
(iii) BDC	1,966,173	-
	\$ 2,463,703	\$ 528,117
Less:		
Current portion	89,154	82,293
Deferred financing fees	3,673	5,617
	\$ 2,370,875	\$ 440,207

- (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 of the assets of the Company. For the nine months ended September 30, 2020, the Company recognized interest expense of \$16,311 (2019 – \$21,090).
- (ii) Federal Economic Development Agency of Southern Ontario non-interest-bearing loan, repayable in monthly installments beginning January 1, 2019, and maturing on December 1, 2023. 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 consolidated statement of financial position at its fair market value of \$251,608 and is being accreted (through interest expense) back to its face value over the term of the loan. For the nine months ended September 30, 2020, the Company recognized interest expense of \$19,590 (2019 – \$20,165).
- (iii) BDC Loan \$5 million loan facility. The loan has a 5-year term and consists of an initial period of interest-only payments through August 15, 2022, and a subsequent period commencing on September 15, 2022, of principal and interest payments, culminating in a balloon payment at the end of the term. Subject to meeting certain financial milestones, the Company has the option to draw down an additional \$3 million in \$1 million tranches. The loan is secured against the assets of Clear Blue and each of Clear Blue's subsidiaries and carries a variable base interest rate per annum of 7.5%. In addition to the cash interest, a non-compounding payment in kind ("PIK") interest of up to 9.5% per annum will accrue, depending upon various factors. For the nine months ended September 30, 2020, the Company recognized interest expense of \$128,829 (2019 – \$nil).

In connection with the BDC loan facility, the Company agreed to issue an aggregate of 72,100 common share purchase warrants ("Warrants") of the Company to certain existing debenture holders of the Company as compensation to enter into postponement agreements in favor of BDC. Each Warrant will be exercisable for one common share of the Company for a period of 18 months following the date of issuance at an exercise price of \$0.50 per common share. All Warrants proposed to be issued by the Company will be subject to a statutory four-month hold period per applicable securities legislation. The issuance of the Warrants is subject to approval from the TSX Venture Exchange.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

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

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

2020	\$ 68,197
2021	285,197
2022	648,655
2023	1,228,929
2024	801,764
2025	619,138
Total	\$3,651,879

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

13. Convertible Debenture

On November 1, 2019, the Company issued 10% convertible notes in the principal amount of \$811,000. The convertible notes mature on November 1, 2022, and are convertible at any point prior to maturity, at the option of the noteholders, into units comprised of: (i) one common share of the Company (each, a "Common Share"); and (ii) one-half of one Common Share purchase warrant (each whole warrant being a "Warrant"). Each Convertible Debenture is convertible into that number of units computed on the basis of the principal amount of the Convertible Debentures divided by the conversion price of \$0.20 per unit. Each Warrant entitles the holder thereof to purchase one Common Share of the Company (each a "Warrant Share") until November 1, 2022 at a price of \$0.35 per Warrant Share (subject to adjustment in certain circumstances). Interest on the principal amount outstanding is calculated and payable semi-annually in June and December each year and shall be first payable on December 31, 2019.

Upon initial recognition, the Company allocated the proceeds between the components based on the fair value of the debt and the residual to the equity component. Transaction costs were allocated proportionally to the liability and equity components. The fair value of the liability component of \$592,849, net of transaction costs of \$51,195, was determined using a market rate of 20%. The value of the equity component amounted to \$112,959, net of transaction costs of \$13,271, and deferred taxes of \$40,726.

The transaction costs totaling \$64,466, as described above, comprised of finders' fees amounting to \$50,993 and 89,950 share purchase warrants issued to finders with a fair value of \$13,473. Each warrant entitles the holder for one common share at an exercise price of \$0.35 until November 1, 2019.

During the period ending September 30, 2020, \$90,000 of the convertible debenture was converted into 450,000 Common Shares and 225,000 Warrant Shares. As of September 30, 2020, the outstanding balances associated with the convertible debenture were as follows:

Liability component of debenture	\$ 601,038
Accretion	38,309
Interest	54,075
Interest payable recorded in AP and accrued liabilities	(36,050)
Fair value of the debenture converted	(66,700)
Balance	\$ 590,672
Less: current portion	72,100
	<u>\$ 518,572</u>

14. Royalty Funding

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

Grenville is entitled to a royalty of 1.125% ("Royalty Percentage") of the Company's revenues, in perpetuity, unless partially or fully extinguished through the exercise of repurchase rights as described below. Under the terms of the agreement, the Company has the following options to extinguish its royalty payment obligation to Grenville:

- a) The Company may extinguish 50% of the Royalty Percentage by paying \$750,000 to Grenville during the period from November 12, 2017 to November 17, 2017 (the "Initial Repurchase Right"). In November 2017, the Company amended its agreement with Grenville to extend this right to the earlier of June 30, 2018, or within 30 days of the date on which the Company becomes a publicly listed company on a recognized exchange. This right expired on June 30, 2018 and was not exercised by the Company;

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

14. Royalty Funding (cont'd...)

- b) Because the Initial Repurchase Right was not exercised, the Company may extinguish 50% of the Royalty Percentage by paying \$1,125,000 during the period from November 12, 2020, and November 17, 2020 (the "Subsequent Repurchase Right");
- c) If the Company has not exercised the Subsequent Repurchase Right, the Company may extinguish 100% of the Royalty Percentage at any point after November 12, 2023, by paying \$1,875,000 to Grenville (the "Final Repurchase Right");
- d) If the Company exercises the Subsequent Repurchase Right, the Company may extinguish the remaining 50% of the Royalty Percentage under the same terms as the Final Repurchase Right, except that the buyout amount is \$750,000 instead of \$1,875,000.

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

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

The Company incurred interest expense related to its royalty funding of \$10,494 for the nine months ended September 30, 2020 (2019 – \$14,206).

15. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.

During the nine months ended September 30, 2020, the Company issued:

- (i) 2,013,161 common shares as a result of the settlement of shares for debt transaction
- (ii) 1,176,653 common shares as a result of the maturity of shares of Restricted Share Units ("RSU")
- (iii) 450,000 common shares as a result of the conversion of \$90,000 convertible debt;
- (iv) 62,242 common shares for cash consideration of \$3,112 and the transfer of \$29,949 from contributed surplus to share capital in respect of stock option exercises.

During the year ended December 31, 2019, the Company issued:

- (i) 10,679,500 common shares at \$0.25 per unit for gross proceeds of \$2,669,875 in relation to a private placement. Each unit is comprised of one share and one share purchase warrant exercisable for one common share at \$0.50 for three years. The Company determined the fair value of shares and warrants issued using the relative fair value method. The fair value of the shares and warrants amounted to \$1,672,197 and \$997,678, respectively.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

16. Equity-based Settlements

a. Options

Under the Company's stock option plan, the Company may, at its discretion, grant stock options to its directors, officers, and employees. The options vest over periods ranging from upon issuance to four years. All of the options expire 10 years from the date of the grant.

Below is a continuity of stock options outstanding. On July 13, 2018, the stock options were subdivided on a 2.63452:1 basis. All references to stock options reflect this subdivision.

Stock options outstanding – December 31, 2018	3,575,011
Stock options issued during year	487,002
Stock options forfeited during year	(506,421)
Stock options outstanding – December 31, 2019	3,555,592
Stock options exercised during the nine months	(62,242)
Stock options granted during the nine months	389,355
Stock options forfeited during the nine months	(816,136)
Stock options outstanding – September 30, 2020	3,066,549

As at September 30, 2020, 2,146,865 (2019 – 2,344,522) options were vested and exercisable. For the nine months ended September 30, 2020, the Company recognized \$70,265 (2019 – \$ 171,495) of stock-based compensation expense in relation to its stock option plan.

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

	September 30, 2020
Expected option life (years)	2 – 7
Volatility	71% – 126%
Forfeiture rate	0% – 50%
Risk-free interest rate	0.36% – 2.30%
Dividend yield	–

Clear Blue Technologies International Inc.

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(Unaudited - Expressed in Canadian dollars)

16. Equity-based Settlements (cont'd...)

a. Options (cont'd...)

Options outstanding and exercisable at September 30, 2020, were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of options	Number of options exercisable	Weighted average exercise price
\$0.05	2024-05-02	3.59	56,209	56,209	\$0.05
\$0.13	2025-05-29	4.66	100,000	50,000	\$0.13
\$0.16	2024-09-12	3.95	457,668	114,417	\$0.16
\$0.16	2025-09-30	5.00	99,334	-	\$0.16
\$0.17	2025-05-29	4.66	177,334	-	\$0.17
\$0.26	2025-04-20	4.56	247,394	247,394	\$0.26
\$0.26	2025-06-30	4.75	94,242	94,242	\$0.26
\$0.31	2026-04-30	5.58	117,018	117,018	\$0.31
\$0.49	2023-11-26	3.16	388,000	192,250	\$0.49
\$0.50	2026-04-30	5.58	889,831	889,831	\$0.50
\$0.50	2027-10-31	7.09	202,929	148,914	\$0.50
\$0.52	2025-12-11	5.20	236,590	236,590	\$0.52
Total			3,066,549	2,146,865	\$0.37

Options outstanding and exercisable at December 31, 2019, were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of options	Number of options exercisable	Weighted average exercise price
\$0.05	2024-05-02	4.3	144,796	144,796	\$0.05
\$0.16	2024-09-12	4.7	487,002	-	\$0.16
\$0.26	2025-04-20	5.3	247,394	247,394	\$0.26
\$0.26	2025-06-30	5.5	101,771	101,771	\$0.26
\$0.31	2026-04-30	6.3	126,367	126,367	\$0.31
\$0.49	2023-11-26	3.9	388,000	127,000	\$0.49
\$0.50	2026-04-30	6.3	921,445	806,217	\$0.50
\$0.50	2027-10-31	7.8	305,022	179,371	\$0.50
\$0.52	2025-12-11	6.0	236,590	236,590	\$0.52
\$0.80	2020-07-13	0.5	597,205	597,205	\$0.80
Total			3,555,592	2,566,711	\$0.46

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

16. Equity-based Settlements (cont'd...)

b. Warrants

In Q1 2020, 225,000 shares of warrants were issued as a result of a conversion of \$90,000 convertible debenture. Each Warrant entitles the holder to purchase one Common Share of the Company until November 1, 2022 at a price of \$0.35 per Warrant Share. In Q3 2020, 72,100 shares of warrants were issued to the convertible debenture holders (Note 13). Each Warrant entitles the holder to purchase one Common Share of the Company until March 28, 2022 at a price of \$0.50 per Warrant Share.

In Q1 2019, the Company completed equity financing by way of a brokered private placement in three tranches which resulted in the issuance of 10,679,500 subscription receipts. Each subscription receipt was automatically converted into one common share and one share purchase warrant. Additionally, the Company issued 719,565 share purchase warrants to the brokers as part of issuance costs. Each share purchase warrant entitles the holder thereof to purchase one common share at \$0.50 per common share for a period of 36 months following the closing of the private placement.

The Company issued 89,950 warrants in connection with its convertible debt issuance (Note 13).

As of December 31, 2018, there were 5,533,789 warrants outstanding, including 4,284,500 warrants from the private placements and 1,029,089 warrants issued to Ontario Centres of Excellence ("OCE"). The OCE warrants were issued on July 13, 2018 to settle warrants issued May 5, 2014 as part of a convertible debenture which were classified as a derivative liability. The difference between the carrying amount of the derivative liability extinguished and the consideration paid of \$488,336 has been recognized in the consolidated statements of loss and comprehensive loss in the amount of \$422,591.

The following is a summary of changes in share purchase warrants from December 31, 2018 to September 30, 2020:

Share purchase warrants - December 31, 2018	5,533,789
Granted during year	11,489,015
Expired during year	(1,190,041)
Share purchase warrants - December 31, 2019	15,832,763
Granted during the nine months	297,100
Expired during the nine months	(4,310,582)
Share purchase warrants - September 30, 2020	11,819,281

Warrants outstanding and exercisable at September 30, 2020 were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of Warrants	Weighted average exercise price
\$0.35	2022-11-01	2.09	314,950	\$0.35
\$0.50	2022-02-22	1.40	4,300,240	\$0.50
\$0.50	2022-03-22	1.47	6,403,825	\$0.50
\$0.50	2022-03-28	1.49	767,100	\$0.50
\$0.50	2024-07-11	3.78	17,209	\$0.50
\$0.58	2025-02-11	4.37	15,957	\$0.58
		Total:	11,819,281	\$0.50

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

16. Equity-based Settlements (cont'd...)

c. Warrants (cont'd...)

Warrants outstanding and exercisable at December 31, 2019, were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of Warrants	Weighted average exercise price
\$0.05	2020-03-13	0.20	26,082	\$0.05
\$0.50	2024-07-11	4.53	17,209	\$0.50
\$0.50	2022-02-22	2.15	4,300,240	\$0.50
\$0.50	2022-03-22	2.22	6,403,825	\$0.50
\$0.50	2022-03-28	2.24	695,000	\$0.50
\$0.35	2022-11-01	2.84	89,950	\$0.35
\$0.58	2025-02-11	5.12	15,957	\$0.50
\$1.50	2020-02-22	0.15	2,196,312	\$1.50
\$1.50	2020-03-14	0.20	2,088,188	\$1.50
Total:			15,832,763	\$0.58

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

	September 30, 2020
Expected warrant life (years)	1-3
Volatility	109%-115%
Risk-free interest rate	0.25% – 1.89%
Dividend yield	—

c. Restricted Share Units ("RSU")

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

On September 12, 2019, the Company granted 1,176,653 RSUs with each RSU vesting on February 1, 2020 to its employees, consultants, officers, and directors. On May 29, 2020 1,176,653 RSUs were matured and converted into common shares.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

16. Equity-based Settlements (cont'd...)

Restricted Share Units ("RSU") (cont'd...)

On November 25, 2019, the Company granted 24,000 RSUs to its director with each RSU vesting on November 25, 2020.

On September 30, 2020, the Company granted 15,000 RSUs to an employee with each RSU vesting on May 29, 2021.

On June 30, 2020, the Company granted 24,000 RSUs to its directors with each RSU vesting on June 30, 2021.

On May 29, 2020 1,176,653 RSUs were matured and converted into common shares. 365,880 RSUs were granted as part of shares for debt transaction. Each RSU vests on Feb 1, 2021. 951,000 RSUs were granted to its directors and employee with each RSU vesting on May 29, 2021.

Total stock-based compensation related to RSUs during the nine months ended Sept 30, 2020 was \$130,459 (2019 - \$nil).

Each vested RSU entitles the holder to receive one common share of the Company by delivering an exercise notice in accordance with the Company's 2019 Omnibus Equity Incentive Compensation Plan.

The fair value of all RSUs granted was based on the stock price at the date of grant. As of September 30, 2020, there were 1,379,880 RSUs outstanding.

17. Related Party Transactions

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

Remuneration to key management was as follows:

	September 30, 2020	September 30, 2019
Salaries and benefits, including bonuses	\$ 308,250	\$ 422,000
Stock-based compensation	152,005	18,000
Total	\$ 460,255	\$ 440,000

The remuneration related to stock-based compensation in the table above represents the entire fair value of the stock options issued to key management during each year which will be recognized as expense over the related vesting periods.

Accounts payable and accrued liabilities as of September 30, 2020, includes short-term amounts owing to shareholders of the Company for reimbursement of business expenses totaling \$194,053 (December 31, 2019 - \$526,161).

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

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18. 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, 2020	December 31, 2019
Stock options	3,066,549	3,555,592
Warrants	11,747,181	15,742,813
RSUs	1,379,880	1,176,653
Total	16,193,610	20,475,058

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

19. Capital Risk Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. At September 30, 2020, the Company's shareholders' equity was \$(2,063,636) (December 31, 2019 – \$(231,158)) and the Company's debt was \$4,362,876 (December 31, 2019 – \$2,637,089).

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 months ended September 30, 2020.

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.

20. Financial Instruments

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

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

As at September 30, 2020, the Company's financial instruments consist of cash, accounts receivable and other receivables, long-term accounts receivable, accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding. The fair values of cash, accounts receivable and other receivables, long-term accounts receivable, accounts payable and accrued liabilities, long-term debt, and royalty funding approximate their carrying values due to their nature.

Clear Blue Technologies International Inc.

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

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

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

(i) Market risk

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

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's long-term debt is subject to fixed interest rates and the risk of fluctuating future cash flows resulting from changes in market interest rates is limited.

(iii) Foreign currency risk

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

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

	September 30, 2020	December 31, 2019
Cash	\$ 207,207	\$ 53,051
Accounts receivable and other receivables	1,820,549	2,685,646
Accounts payable and accrued liabilities	223,549	1,226,002

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 \$180,430 at September 30, 2020 (December 31, 2019 – \$151,000) due to the fluctuation and this would be recorded in the consolidated statements of loss and comprehensive loss.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

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

(iii) Concentration of credit risk and economic dependence

The Company is exposed to credit risk with respect to the collectability of its customer accounts receivable. Credit risk is concentrated as three customers represented 69% at September 30, 2020 (December 31, 2019 – three customers represented 68%) of the Company's accounts receivable balance. The Company performs credit assessments of potential customers and ensures its accounts receivable where appropriate. Regular credit assessments are performed of customers' accounts receivable balances and allowances for potentially uncollectible accounts receivable are provided where appropriate. The following table provides information about the exposure to credit risk for accounts receivable as at September 30, 2020:

Current (not past due)	\$ 463,765
0 – 30 days past due	548,780
31 – 60 days past due	-
61 – 90 days past due	5,479
Over 90 days past due	438,268
Total	<u>\$ 1,456,292</u>

The Company is also exposed to economic dependence risk with respect to its sources of revenue. For the nine months ended Sept 30, 2020, four customers represented 64% (December 31, 2019 – five customers represented 68%) of its total revenue.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk resulting from its accounts payable and accrued liabilities, long-term debt, convertible debentures, and royalty funding by ensuring sufficient cash is on hand from cash flows from operations and financing from investors. As of September 30, 2020, the Company's current assets exceeded its current liabilities by \$1,193,020 (December 31, 2019 – \$1,149,355).

Contractual maturities of the Company's long-term debt are outlined in Note 12 to the consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities have maturities within 12 months of the Company's year-end.

21. Commitments and Contingencies

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

2020	\$ 27,466
2021	109,865
2022	73,243
Total	<u>\$ 210,574</u>

The Company is committed to pay Grenville annually an amount equal to 1.125% of its annual revenue unless the buyout options are exercised (see Note 14).

Clear Blue Technologies International Inc.

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22. Segment Information

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

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

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

	September 30, 2020	September 30, 2019
Canada	\$ 395,782	\$ 183,220
USA	794,182	618,530
MEA	321,955	153,800
Other	7,446	622,912
Total	\$ 1,519,365	\$ 1,578,462

23. Government Grants

During the nine months ended September 30, 2020, the Company received government grants in response to the COVID-19 pandemic. For the Company's subsidiaries, the Canada Emergency Wage Subsidy (CEWS) became available for eligible businesses as of March 15, 2020. This program provides a salary subsidy to allow employers to retain employees during the COVID-19 pandemic. It provides employers with wage subsidies up to \$847/ week/ employee. Clear Blue Technologies Inc. has received government support through their Rent Subsidy program starting in September, for the amount of \$9,155. Clear Blue Technologies Inc. have applied for this program for consecutive periods since its release.

Method of Presentation

The Company has chosen to present the government grants as deduction against salaries, wages and benefits on the consolidated statement of the comprehensive loss.

Nature and Extent of amounts recognized and benefits received

Summary of amounts recognized are as follows:

2020 April 15 10% Temporary Wage Subsidy for Employers	\$ 25,000
CEWS for period ended Apr 11	96,975
CEWS for period ended May 9	89,426
CEWS for period ended June 6	97,682
CEWS for period ended July 4	97,399
CEWS for period ended August 1	96,649
CEWS for period ended August 29	98,673
Rent Subsidy	9,155
Total	\$ 610,960

Unfulfilled Conditions

The Company has met all conditions in regards to recognition of the government grants.

Clear Blue Technologies International Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited - Expressed in Canadian dollars)

24. Subsequent Events

On October 29, 2020, Clear Blue announced its first roll-out for Orange in Cameroon, in partnership with NuRAN. NuRAN and Clear Blue will provide Rural Telecommunications systems and ongoing operational services in Cameroon to Orange S.A. (NYSE: ORAN), one of the world's largest mobile network operators. Clear Blue will provide its Smart Off-Grid solar-powered telecom solution as part of the 'Network-as-a-Service' ('NaaS') project. Phase 1 roll-out across 120 sites will take 12 months, commencing in Q4 2020.

On November 17, 2020, the Company also announced the signing of a contract to sell 400 telecoms systems to a major telecom infrastructure operator in Africa ([link](#)). With over 1,000 systems in inventory built in anticipation of this sale, the Company is in a position to deliver 30% of the systems in Q4 2020 and the remainder in Q1 2021 for an aggregate of approximately \$5 million over the two quarters, at similar margins to its typical sales. The operator has advised that it plans 2,000 systems over the next two years. Each order will be a separate decision and purchase order from the customer.