Clear Blue Technologies International Inc.
Interim Management's Discussion & Analysis
Quarterly Highlights
For the three months ended March 31, 2019 and 2018

Dated: May 30, 2019

MANAGEMENT’S DISCUSSION & ANALYSIS IN CONNECTION WITH THE FINANCIAL STATEMENTS OF CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC. FOR THE FIRST QUARTER ENDED MARCH 31, 2019 AND 2018

This management’s discussion and analysis of the results of operations and financial condition (the "MD&A") of Clear Blue Technologies International Inc. ("Clear Blue" or "Company") should be read in conjunction with the interim consolidated financial statements of Clear Blue and the related notes thereto for the interim period ended March 31, 2019. This MD&A is presented as of May 30, 2019 and is current to that date unless otherwise stated. The financial information presented in this MD&A is derived from Clear Blue’s unaudited interim consolidated financial statements for the interim period ended March 31, 2019, prepared in accordance with IFRS.

Caution Regarding Forward Looking Information

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

An investment in securities of Clear Blue is speculative and subject to several risks including, without limitation, the risks discussed under the heading "Risk Factors" in Clear Blue's listing application dated July 12, 2018. Although Clear Blue has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this management's discussion and analysis, Clear Blue has made certain assumptions. Although Clear Blue believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this management's discussion and analysis are made as of the date of this management's discussion and analysis, and Clear Blue does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to Clear Blue or persons acting on its behalf are expressly qualified in their entirety by this notice.

Our Business

Clear Blue develops and sells "Smart Off-Grid" power solutions to 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. Under the Illumient brand, Clear Blue also sells solar and wind-powered outdoor lighting systems. Clear Blue provides ongoing power and energy delivery and management services with our Illumience service.

In July, 2018, Clear Blue Technologies Inc. ("CBTI"), completed a business combination with Dagobah Ventures Ltd. ("Dagobah"), pursuant to which Dagobah acquired all the issued and outstanding securities of CBTI (the "Transaction"). Under the terms of an amalgamation agreement among Dagobah, 2621388 Ontario Ltd. (a wholly-owned subsidiary of Dagobah) and CBTI, all the outstanding securities of CBTI were exchanged for equivalent securities of Dagobah on a one-for-one basis, such that former securityholders of CBTI continued as security holders of Dagobah. The Transaction constituted a reverse take-over ("RTO"), with the resulting issuer being named "Clear Blue Technologies International Inc.", also referred to herein as "Clear Blue" or the "Company".

How We Analyze and Report Our Results

Because our sales involve discrete projects with a wide range of order sizes, we experience high variability of results on a quarter to quarter basis. A trailing four-quarter ("TFQ") analysis therefore provides more relevant perspective on the progress and the potential growth of the Company. The table below presents the Company's trailing four-quarter financial results for the periods ending March 31, 2019 and March 31, 2018, respectively. The TFQ analysis is provided in addition to traditional quarterly and year-to-date analyses.

Financial Highlights

The first quarter is traditionally Clear Blue's lowest turnover quarter, and 2019's results are similar to those seen in 2018. Clear Blue achieved 60% TFQ revenue growth to March 31, 2019 year over year with an increase in gross margin from 4% to 25%. The Company continues to demonstrate that we are executing to plan and delivering on the promise of future growth.

	TFQ Ended Mar 31, 2019	TFQ Ended Mar 31, 2018	Change
Revenue	$ 3,771,965	$ 2,354,647	60%
Cost of sales	2,841,545	2,248,696	26%
Gross profit	930,420	105,950	778%
Gross margin %	25%	4%	548%
Operating expenses	6,162,952	3,604,795	71%
Operating loss	(5,232,532)	(3,498,845)	50%
Other expenses	(3,299,114)	(119,328)	2665%
Net loss and comprehensive loss	$ (8,531,647)	$ (3,618,173)	136%

The 71% growth in operating expenses and 2,665% growth in other expenses is a result of expanding sales activity into the new Telecom vertical and expansion to greater international markets, most notably Middle East and Africa, increased R&D, operations and finance expenses as well as non-recurring reporting issuer and going public costs in the amount of $3,616,742.

Results of operations for the three months ended March 31, 2019 and 2018 are:

Results of Operations	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	
Revenue	$ 340,266	$ 324,816	5%
Cost of sales	233,999	233,388	0%
Gross margin	106,267	91,428	16%
	31%	28%	
Operating expenses	1,518,242	1,096,178	39%
Operating loss	(1,411,975)	(1,004,750)	41%
Other expenses	(55,884)	(53,690)	4%
Net loss and comprehensive loss	$ (1,467,859)	$ (1,058,440)	39%

Revenue

Clear Blue develops and sells integrated smart off-grid power solutions and ongoing remote power management services, designed to provide low-cost, centrally managed, reliable off-grid power systems for lighting, telecommunications, voice and data, security and IoT devices.

Clear Blue generates product revenue through the sale of our core smart off-grid controllers and systems including several optional accessories, electrical subsystems (including batteries, solar panels, wind turbines, cabling and lights) or full Illumient mechanical system solutions (including pole, lighting arms, solar panel arm, external battery/electronic cabinets). In addition, the Company generates recurring revenue through the provision of our ongoing remote (cloud-based) Illumience power and energy management services. Revenue received at the time of sale related to these services is deferred and recognized ratably over the contract term.

Clear Blue's revenue by category, for the three months ended March 31, 2019 and 2018, was:

	Three Months Ended Mar 31		TFQ Ended Mar 31	
Revenue by Category	**2019**	**2018**	**2019**	**2018**
Product Revenue				
Smart off-grid controllers and systems	$ 192,318	$ 104,545	$ 2,297,321	$ 1,196,582
Illumient smart off-grid lighting	114,016	189,411	1,340,667	1,150,789
Recurring Revenue – Illumience	33,931	30,860	133,976	100,288
Total Revenue	$ 340,266	$ 324,816	$ 3,771,965	$ 2,447,658
Number of units under management	3,712	2,667	3,712	2,667
Average Contract Size	$25,712	$14,826		

Clear Blue's revenue distribution by geography is:

	Three Months Ended Mar 31		TFQ Ended Mar 31	
Revenue by Geography	**2019**	**2018**	**2019**	**2018**
Canada	$ 83,774	$ 128,444	$ 1,060,872	$ 401,949
USA	95,847	109,262	899,304	670,725
MEA	97,769	78,206	1,677,257	1,267,988
Other	62,875	8,904	134,532	106,996
Total Revenue	$ 340,266	$ 324,816	$ 3,771,965	$ 2,447,658

Clear Blue's revenue distribution by industry vertical is:

	Three Months Ended Mar 31		TFQ Ended Mar 31	
Revenue by Vertical	**2019**	**2018**	**2019**	**2018**
Lighting	$ 114,016	$ 305,652	$ 3,361,226	$ 2,030,124
Telecommunications	81,298	1,389	252,483	385,064
Security/IoT/Other	144,951	17,775	158,215	32,471
Total Revenue	$ 340,266	$ 324,816	$ 3,771,965	$ 2,447,658

As mentioned previously, Q1 is historically a small and flat quarter. Revenue increased slightly by $15,450, a percentage increase of 5% for the three months ended March 31, 2019 compared year over year to 2018. The lighting vertical was down 63%, the telecom vertical posted a 5753%

revenue increase for three months ended March 31, 2019 year over year. The new vertical of Security/IoT/Other started to show some growth and posted a 715% increase YoY.

Regionally, the revenue was spread almost equally across all regions.

Cost of Sales and Gross Margin

Gross margin was $106,267 or 31%, up slightly at $106,267 or 16% for the three months ended March 31, 2019 compared to the same period in 2018. On a TFQ basis, gross margins increased by $824,470 or 778% yielding a Gross Margin percentage of 25% up from 4% during the previous equivalent TFQ period. Gross margins vary depending on the configuration of products sold, order size and location of sale. Product sales typically generate lower gross margins than recurring revenue. The cost of sales is greatly impacted by working capital, which increases the efficiency of supply chain management, procurement and inventory management. Clear Blue's investments in these areas have begun to yield results as can be seen by the gross margin result.

Operating Expenses

Operating expenses increased $422,064 or 39% for the three month period ended March 31, 2019 compared to the same period in 2018. On a TFQ basis, operating expenses increased by $2,558,157 or 71% – this increase was in large part the result of non-recurring costs related to the going public.

Operating & Net Loss

On a TFQ basis ended March 31, 2019, net loss increased 39% from $1,004,750 to $1,411,975. For the three months ended March 31, 2019, the Company recorded a net loss of $1,467,859, vs. $1,058,440 for the three months ended March 31, 2018.

Fund Raising – Equity Private Placement & Working Capital Line

During the quarter, the Company secured a $1.0 million revolving credit facility and a credit card facility of $150,000 to fund operating cash flow needs. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 1.5% and is secured by the assets of the Company.

In addition, the Company closed three private placement equity raise tranches for total cash consideration of $2,669,875 representing 10,679,500 units. Under the terms of the offering, each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant will be exercisable at a price of $0.50 per share for a period of 36 months following the closing and will be subject to accelerated expiration if the 10-day volume weighted average trading price of the Company's common shares is, at any time, greater than $0.80 per share.

With the Company having successfully completed a private placement and securing a $1 million operating line from a Schedule 1 Canadian bank, the Company intends to continue to optimize input costs through supply chain management and higher volume purchasing. Additionally, as the Company's technology and product have matured and have been validated, the Company has started engineering cost reductions to the cost of manufacturing the product, thus improving margins.

Liquidity and Capital Management

The Company's objectives when managing capital are:

- To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- To provide sustained growth and value by increasing equity; and
- To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company has financed its operations to date through the issuance of common shares and a $1,000,000 revolving credit facility. The Company continues to seek capital through various means including the issuance of securities.

As of March 31, 2019, the Company had working capital of $3,973,272 compared to working capital of $2,714,660 as of December 31, 2018. The Company's working capital needs fluctuate due to multiple projects that place variable demands on resources and timing of expenditures. The Company anticipates receiving cash proceeds from future revenue, the exercise of options and warrants, and private placements; however, the Company cannot predict the timing or amount of additional options and warrants that may be exercised, if any.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and the success of Clear Blue’s Smart Off-Grid. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

Related Party Transactions

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

Remuneration to key management was as follows:

	March 31, 2019	March 31, 2018
Salaries and benefits, including bonuses	$ 176,000	$ 148,000
Stock-based compensation	16,000	13,000
Total	$ 192,000	$ 161,000

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 at March 31, 2019 includes short-term amounts owing to a shareholder of the Company for reimbursement of business expenses totaling $179,824 (December 31, 2018 – $263,706).

The Chief Financial Officer participated in the private placement that closed on February 22, 2019. The Chief Financial Officer purchased 40,000 units for $10,000.

Disclosure of Outstanding Share Data

Clear Blue Technologies International Inc. common shares trade on the TSX Venture Exchange under the symbol “CBLU”. The Company is authorized to issue an unlimited number of common shares without par value. On May 30, 2019 there were 45,742,806 common shares issued and outstanding, 3,575,011 stock options outstanding with a weighted average exercise price of $0.49 expiring between 2020 and 2027, 15,742,813 warrants outstanding with a weighted average exercise price of $0.58 expiring between 2019 and 2025.

Outlook

Clear Blue develops and sells "Smart Off-Grid" power solutions to 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. Under the Illumient brand, Clear Blue also sells solar and wind-powered outdoor lighting systems. Clear Blue provides ongoing power and energy delivery and management services with our Illumience service.

We compete in a marketplace where most competitors focus on large, on-grid systems and where we hold a first mover advantage due to the early commercial deployment of our systems in more than 35 countries.

Management expects continued robust growth, as Clear Blue expands exclusive partnerships within the telecom vertical, and with current expansion into the new market of South America.

With Clear Blue now able to demonstrate proven performance, long system life and ease of installation and operation, the adoption of our Smart Off-Grid systems is accelerating. While Solar lighting has been around for many years, it is only now where the performance and cost ratios have made them viable on main streets (not just in parks) and in northern climates (not just in Florida). Management expects this trend will continue to support revenue growth in 2019 and beyond.

In 2018, Clear Blue’s Q3 and Q4 revenue was 46% of the year's total because of a very strong q2. However, in 2017 Half 2 was 86% of the year's revenue. and in 2016, Half 2 was approximately 83% of the year's revenue. We expect 2019 to be more in line with 2017 and 2016.

The Company expects to continue to see variable quarterly revenue due to the variance in size and timing of new contracts and market expansion rates. Management's longer-term goal and strategy is to mitigate revenue variability through continued diversification into a balanced blend of developed and emerging markets, as well as to increase the recurring portion of our revenue.

With a proven track record and demonstrable references of the benefit of Clear Blue's patented technology, the company is also focussed on getting to positive cash flow and profitability as part of the next stage of growth. Management is also taking a number of steps to grow our recurring revenue and service base strongly to deliver on the potential of investments to date. These steps will yield a strong return and benefit both to Clear Blue's shareholders as well as our customers and other stakeholders.