

# **Clear Blue Technologies Inc.**

**Condensed Interim Financial Statements**

**Second Quarter 2018**

*(Presented in Canadian dollars)*

# Clear Blue Technologies Inc.

Condensed Interim Statements of Financial Position

As at June 30, 2018 and December 31, 2017

(Unaudited)

(Presented in Canadian dollars)

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	Note	June 30, 2018	December 31, 2017
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 448,876	\$ 396,601
Accounts receivable and other	4	1,725,966	1,088,512
Research and development tax credits receivable		570,983	634,478
Inventory		1,287,014	835,572
Prepaid expenses and deposits		38,704	38,993
Subscription receivable	4	-	451,972
		4,071,543	3,446,128
Long-term account receivable	4	241,018	319,801
Equipment		51,440	34,540
		\$ 4,364,001	\$ 3,800,469

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## Liabilities and shareholders' equity

### Current liabilities:

Accounts payable and accrued liabilities		\$ 1,400,051	\$ 1,993,015
Short-term loans	5	450,000	200,000
Share subscriptions pending	15	3,028,661	-
Current portion of deferred revenue		159,372	279,529
Current portion of capital lease obligation	6	4,311	4,100
Current portion of long-term debt	7	47,997	62,399
Derivative liability - warrants		62,627	65,745
		5,153,019	2,604,788
Deferred revenue		431,800	452,322
Capital lease obligation	6	1,148	3,358
Long-term debt	7	504,512	553,816
		6,090,479	3,614,284

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### Shareholders' equity (deficiency):

Share capital	8	6,582,760	6,484,855
Accumulated deficit		(9,411,238)	(7,380,483)
Contributed surplus		1,102,000	1,081,813
		(1,726,478)	186,185
		\$ 4,364,001	\$ 3,800,469

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Approved on behalf of the Board

"Miriam Tuerk"

Director

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

# Clear Blue Technologies Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

	Note	Three Months Ended		Six Months Ended	
		2018	2017	2018	2017
<b>Revenue</b>	14	\$ 1,697,696	\$ 147,134	\$ 2,022,512	\$ 409,804
<b>Cost of Sales</b>		<u>1,405,439</u>	<u>132,598</u>	<u>1,638,827</u>	<u>348,334</u>
		<u>292,257</u>	<u>14,536</u>	<u>383,685</u>	<u>61,470</u>
<b>Operating expenses</b>					
Salaries, wages and benefits		313,844	249,989	641,072	416,672
Research and development		392,137	249,951	668,233	516,505
General and administrative		100,801	177,185	238,538	466,388
Stock-based compensation	9	62,509	39,810	125,018	79,620
Travel		43,915	55,897	89,495	87,872
Business development and marketing		224,865	49,674	435,555	147,166
Rent		25,946	19,525	60,700	45,075
Professional fees		82,500	20,185	89,338	42,236
		<u>1,246,517</u>	<u>862,216</u>	<u>2,347,949</u>	<u>1,801,534</u>
<b>Loss before the undernoted items</b>		<b>(954,260)</b>	<b>(847,680)</b>	<b>(1,964,264)</b>	<b>(1,740,064)</b>
<b>Other income (expense)</b>					
Gain on derivative instruments		794	3,936	3,123	7,872
Interest	5,6,7	(15,336)	(10,633)	(52,034)	(21,984)
Foreign exchange loss		2,989	(370)	(6,153)	842
Depreciation of equipment		(5,854)	(2,731)	(10,131)	(5,000)
Amortization of deferred financing fees		(648)	(648)	(1,296)	(1,296)
		<u>(18,055)</u>	<u>(10,446)</u>	<u>(66,491)</u>	<u>(19,566)</u>
<b>Net loss and comprehensive loss</b>		<b>\$ (972,315)</b>	<b>\$ (858,126)</b>	<b>\$ (2,030,755)</b>	<b>\$ (1,759,630)</b>
Loss per share: basic and diluted	10	\$ (0.12)	\$ (0.13)	\$ (0.26)	\$ (0.26)
Weighted average number of common shares outstanding:		<u>7,960,008</u>	<u>6,790,398</u>	<u>7,928,717</u>	<u>6,653,884</u>

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

# Clear Blue Technologies Inc.

## Condensed Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated deficit	Total
<b>Balance as at December 31, 2016</b>		<b>6,171,352</b>	<b>\$ 3,787,516</b>	<b>\$ 871,855</b>	<b>\$ (4,009,562)</b>	<b>\$ 649,809</b>
Share issuances (net of issuance costs)	8	619,046	944,352	-	-	944,352
Stock-based compensation		-	-	90,316	-	90,316
Net loss and comprehensive loss		-	-	-	(1,759,630)	(1,759,630)
<b>Balance as at June 30, 2017</b>		<b>6,790,398</b>	<b>4,731,868</b>	<b>962,171</b>	<b>(5,769,192)</b>	<b>(75,153)</b>
<b>Balance as at December 31, 2017</b>		<b>7,872,401</b>	<b>\$ 6,484,855</b>	<b>\$ 1,081,813</b>	<b>\$ (7,380,483)</b>	<b>\$ 186,185</b>
Share issuances (net of issuance costs)	8	87,607	97,905	(104,831)	-	(6,926)
Stock-based compensation		-	-	125,018	-	125,018
Net loss and comprehensive loss		-	-	-	(2,030,755)	(2,030,755)
<b>Balance as at June 30, 2018</b>		<b>7,960,008</b>	<b>6,582,760</b>	<b>1,102,000</b>	<b>(9,411,238)</b>	<b>(1,726,478)</b>

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

# Clear Blue Technologies Inc.

## Condensed Interim Statements of Cash Flows

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

	Note	Three Months Ended		Six Months Ended	
		2018	2017	2018	2017
<b>Cash flows used in operating activities:</b>					
Net loss		\$ (972,315)	\$ (858,126)	\$ (2,030,755)	\$ (1,759,630)
Depreciation of equipment		5,854	2,731	10,131	5,000
Amortization of deferred financing fees		648	648	1,296	1,296
Non-cash interest	7	15,336	-	37,263	-
Stock-based compensation	9	62,509	39,810	125,018	79,620
Gain on derivative instruments		(794)	(3,936)	(3,123)	(7,872)
		(888,762)	(818,873)	(1,860,170)	(1,681,586)
Changes in non-cash working capital:					
Accounts receivable and other		(1,034,458)	79,761	(597,225)	335,131
Research and development tax credits receivable		(211,544)	(222,806)	63,495	(162,522)
Inventory		28,238	(121,592)	(451,442)	(121,592)
Prepaid expenses and deposits		42,374	9,181	289	9,181
Accounts payable and accrued liabilities		288,230	270,340	(592,964)	28,157
Deferred revenue		(124,077)	66,123	(140,679)	(144,715)
		(1,899,999)	(737,866)	(3,578,696)	(1,737,946)
<b>Cash flows from financing activities:</b>					
Receipt of share subscriptions pending (net of transaction costs)	15	451,972	398,614	3,480,633	398,614
Advances of short-term loans	5	-	-	330,000	-
Repayments of short-term loans		(40,000)	-	(80,000)	-
Repayments of long-term debt	7	(48,059)	99,870	(63,706)	85,707
Issuance of common shares (net of issuance costs)	8	(7,000)	(426,975)	(6,926)	944,352
Repayments of capital lease obligation	6	(1,013)	892	(1,999)	-
		355,900	72,401	3,658,002	1,428,673
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment		(1,042)	(5,000)	(27,031)	(10,206)
<b>Change in cash</b>		<b>(1,545,141)</b>	<b>(670,465)</b>	<b>52,275</b>	<b>(319,479)</b>
Cash, beginning of period		1,994,017	847,643	396,601	496,657
<b>Cash, end of period</b>		<b>\$ 448,876</b>	<b>\$ 177,178</b>	<b>\$ 448,876</b>	<b>\$ 177,178</b>

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

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

*(Unaudited)*

*(Presented in Canadian dollars)*

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## 1. Nature of operations

Clear Blue Technologies Inc. (the "Company") was incorporated under the laws of the Province of Ontario on September 8, 2011. The Company's shareholders are individuals, private corporations and partnerships. The Company's principal business activity is the development and selling of integrated smart off-grid power solutions including ongoing remote power management services. The Company's head office is located at 30 Lesmill Road, Unit #7, Toronto, Ontario, Canada, M3B 2T6.

## 2. Basis of Presentation

### Statement of Compliance

These condensed interim financial statements were prepared following the same accounting policies and methods of computation as the audited annual financial statements for the year ended December 31, 2017. They 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 the 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 August 28, 2018.

### Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies.

### Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 3. Significant accounting policies

### 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).

## 4. Accounts receivable and other and subscription receivable

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

	June 30, 2018	December 31, 2017
Trade receivables (standard terms)	\$ 2,096,142	\$ 954,800
Harmonized sales taxes receivable	438,468	383,312
Government grants receivable	132,515	44,583
Long-term accounts receivable	241,018	395,794
Less:		
Long-term receivable	(241,018)	(319,801)
Allowance for doubtful accounts	(370,176)	(370,176)
Total	\$ 2,296,949	\$ 1,088,512

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 5. Short-term loans

<b>Balance - December 31, 2017</b> <sup>(i)</sup>	<b>200,000</b>
Issuance of promissory note - Dagobah Ventures Ltd <sup>(ii)</sup>	80,000
Issuance of promissory note - Andy Keith <sup>(iii)</sup>	250,000
Repayment of promissory note - Dagobah Ventures Ltd <sup>(ii)</sup>	(80,000)
<b>Balance - June 30, 2018</b>	<b>450,000</b>

- (i) 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. Closing of the transaction is subject to the satisfaction of customary closing conditions and the Company completing a private placement equity financing.

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. DVL has not demanded repayment as the date of these financial statements and it is expected that the payable will be eliminated via the reverse takeover transaction.

- (ii) On January 18, 2018, the Company received \$80,000 from DVL by way of an unsecured interest-free demand promissory note and is subject to the same demand terms as described in (i) above. In the six months ending June 30, 2018, the Company repaid \$80,000 of the outstanding balance to DVL.
- (iii) On February 5, 2018, the Company received \$250,000 from Andy Keith, a director of the Company at the time of issuance, by way of an unsecured interest-bearing demand promissory note, provided, however that demand may only be made from and after 90 days after the date of issuance. The note bears interest at the rate of 25% annually, compounded monthly with a minimum charge of three months interest from the date of issuance. The Company has the right to prepay the whole or any part of the balance outstanding without notice, bonus or penalty, subject to the minimum interest requirement. Mr. Keith resigned as a director on April 11, 2018. During the six month period ended June 30, 2018, the Company recognized interest expense of \$25,832 (2017 – \$Nil) in relation to its this loan. The note and accrued interest was repaid in the third quarter of 2018.



# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

## 6. Capital lease obligation

	June 30 2018	December 31 2017
Computer hardware bearing interest at 10.08%, payable in monthly blended principal and interest installments of \$389, maturing on September 30, 2019	\$ 5,459	\$ 7,458
Less: current portion	4,311	4,100
	\$ 1,148	\$ 3,358

The capital lease is secured by the leased hardware and as at June 30, 2018, the Company had future minimum lease payments related to the obligation under capital lease as follows:

2018	\$ 2,333
2019	3,500
Less: imputed interest	(374)
Total	\$ 5,459

During the six month period ended June 30, 2018, the Company recognized interest expense of \$334 (2017 – \$526) in relation to its capital lease obligation.

## 7. Long-term debt

	June 30 2018	December 31 2017
(i) Eastern Ontario Futures Development Corporations Network Inc.	\$ 343,722	\$ 375,410
(ii) Federal Economic Development Agency for Southern Ontario	279,839	251,608
	623,561	627,018
Less:		
Current portion	68,309	62,399
Deferred financing fees	9,506	10,803
	\$ 545,746	\$ 553,816

- (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 six month period ended June 30, 2018, the Company recognized interest expense of \$18,117 (2017 – \$21,120) in relation to its capital lease obligation.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 7. Long-term debt (continued)

- (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 six months ended June 30, 2018, the Company recognized non-cash interest expense related to this loan in the amount of \$12,468 (2017 – \$3,852).

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

2018	\$	33,305
2019		95,797
2020		115,315
2021		147,620
2022		167,686
Thereafter		186,591
<b>Total</b>	<b>\$</b>	<b>746,314</b>

## 8. Share capital

	Number	Amount
<b>Balance, December 31, 2017</b>	<b>7,872,401</b>	<b>\$ 6,484,855</b>
Shares issued - private placement	14,706	25,000
Exercise of stock options	72,901	104,905
Issuance costs	-	(32,000)
<b>Balance, June 30, 2018</b>	<b>7,960,008</b>	<b>\$ 6,582,760</b>

During the six month period ended June 30, 2018 the Company issued:

- (i) 14,706 Class A common shares valued at \$25,000 as payment for transaction costs; and
- (ii) 72,901 Class A common shares at \$0.001/share for cash consideration of \$73 and the transfer of \$104,831 from contributed surplus to share capital in respect of stock option exercises.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 9. Stock-based compensation

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 grant with expiry dates ranging from May 2024 to October 2027. Below is a continuity of stock options outstanding:

	<b>June 30, 2018</b>
<b>Stock options outstanding - beginning of period</b>	<b>1,121,606</b>
Stock options issued	-
Stock options exercised	(72,901)
<b>Stock options outstanding - end of period</b>	<b>1,048,705</b>

569,709 options were vested and exercisable as at June 30, 2018 (December 31, 2017 – 452,660).

For the six months ended June 30, 2018, the Company recognized \$125,018 (2017 – \$119,430) of stock-based compensation.

## 10. 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:

	<b>June 30, 2018</b>
Stock options	<b>1,048,705</b>
Warrants	<b>104,766</b>
Total	<b>1,153,471</b>

## 11. Capital risk management

Capital is comprised of the Company's shareholders' equity (deficiency) and any debt it may issue. At June 30, 2018, the Company's shareholders' deficit was \$1,726,478 (December 31, 2017 – \$186,815) and the Company's debt was \$1,007,968 (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 six month period ended June 30, 2018.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 11. Capital Risk Management (Continued)

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.

## 12. 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):

	June 30, 2018	December 31, 2017
Cash	\$ 202,730	\$ 235,676
Accounts receivable	\$ 997,357	\$ 1,088,653
Accounts payable and accrued liabilities	\$ 693,283	\$ 683,955

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 \$51,000 at June 30, 2018 (December 31, 2017 – \$66,000) due to the fluctuation and this would be recorded in the statements of comprehensive income.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 12. Financial instruments (continued)

### 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 53% at June 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.

### 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 June 30, 2018, the Company had a working capital deficiency of \$1,081,476 (December 31, 2017 – positive working capital of \$841,340).

Contractual maturities of the Company's capital lease obligation and long-term debt are outlined in Notes 6 and 7 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.

## 13. Commitments

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

2018	35,587
2019	<u>47,450</u>
<b>Total</b>	<b><u>\$ 83,037</u></b>

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

Subsequent to the quarter end, the Company entered into an agreement with a third-party consultant (the "Consultant") for the provision of ongoing management services. The agreement confirmed a verbal arrangement made previously and is effective for the period from January 1, 2017 to December 31, 2019. Under the terms of the agreement, the consideration that the Consultant receives is contingent on the Company being listed on a publicly traded-exchange (contingent on completion of a "go public transaction"). If the Company successfully completes its go public transaction then the Consultant is entitled to receive a number of common shares of the Company with a market value equal to the estimated fair value of the ongoing management services, which is \$600,000.

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 14. 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:

	Three Months Ended Jun 30,	
	2018	2017
Canada	\$ 522,256	\$ 62,754
USA	239,349	10,934
Africa	928,915	73,446
Other	7,176	-
	<b>\$ 1,697,696</b>	<b>\$ 147,134</b>

# Clear Blue Technologies Inc.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

(Unaudited)

(Presented in Canadian dollars)

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## 15. Reverse Takeover Transaction

On November 30, 2017, the Company 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 the Company (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 by the Company with the resulting company ("Resulting Issuer") to be renamed as the parties may reasonably agree upon and as is acceptable to the Exchange.

On February 16, 2018 the Company 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 the Company. The separate corporate existence of DVL Subco will cease and the Company will be the surviving corporation and will be wholly-owned by the Resulting Issuer.

To facilitate the Transaction, the Company will undergo a split of its outstanding common shares on the basis of post-split 2.63 common shares for each one pre-split common share of Clear Blue prior to the completion of the Transaction. All the outstanding common shares of the Company (excluding the Clear Blue common shares to be issued on the conversion of the subscription receipts (as described below)) will then be exchanged for 25,000,000 common shares of DVL. In addition, all the outstanding convertible securities of Clear Blue (including share purchase warrants and stock options) will, subject to the rules of the Exchange, be exchanged for convertible securities of the Resulting Issuer based on a 1:1 ratio and on the same economic terms and conditions as previously issued. Closing of the Transaction is subject to the satisfaction of customary closing conditions and the Company completing a private placement equity financing.

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 at a price of \$0.80 per subscription receipt for aggregate gross proceeds to the Company of \$6,855,200. Each subscription receipt will automatically be converted immediately prior to the closing of the transaction into a Clear Blue unit comprised of one Clear Blue common share and one half of one Clear Blue common share purchase warrant. 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. Each Clear Blue common share and share purchase warrant issued in the private placement will automatically be converted into Resulting Issuer common shares and Resulting Issuer warrants upon the completion of the Transaction.

50% of the gross proceeds from the private placement (the "Escrowed Proceeds") are currently being held in escrow until the satisfaction of certain escrow release conditions, including confirmation that all conditions precedent to the transaction, other than the release of the Escrowed Proceeds, have been satisfied. The remaining 50% of proceeds, net of expenses and fees (\$3,028,661) have been paid to the Company.

The Company has filed its preliminary listing application with the Exchange and is awaiting preliminary approval of the application. On June 14, 2018, a special shareholders meeting approved (i) the amalgamation of the Company and DVL Subco, pursuant to the provisions of the *Business Corporations Act* (Ontario) and the terms of an amalgamation agreement dated April 25, 2018 among the Company, DVL and DVL Subco; and (ii) the split of the issued and outstanding common shares of the Company on the basis that 1 common share shall become 2.63452 common shares.

# **Clear Blue Technologies Inc.**

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2018 and 2017

*(Unaudited)*

*(Presented in Canadian dollars)*

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## **16. Subsequent Events**

On July 13, 2018, the Company completed the Transaction with DVL and DVL Subco. The Resulting Issuer name was changed to Clear Blue Technologies International Inc. It's trading symbol on the TSX Venture is CBLU. On the same day, all the remaining Escrowed Proceeds was released to the Company.