

Clear Blue Technologies International Inc.
Management's Discussion & Analysis
For the Second Quarter Ended June 30, 2018 and 2017

DATED: AUGUST 28, 2018

**MANAGEMENT'S DISCUSSION & ANALYSIS
IN CONNECTION WITH THE FINANCIAL STATEMENTS OF
CLEAR BLUE TECHNOLOGIES INTERNATIONAL INC.
FOR THE SECOND QUARTER ENDED JUNE 30, 2018 AND 2017**

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 financial statements of Clear Blue and the related notes thereto for the interim period ended June 30, 2018. This MD&A is presented as of August 28, 2018 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 financial statements for the interim period ended June 30, 2018, 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.

Overview

Clear Blue develops and sells a "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.

Because of the seasonal nature of the Company's revenue, a trailing four-quarter ("TFQ") analysis provides insight in the growth trajectory and progress of the Company. The table below presents the Company's trailing four-quarter financial results for the periods ending June 30, 2018 and June 30, 2017, respectively.

	Trailing 4 Quarters Ended Jun 30, 2018	Trailing 4 Quarters Ended Jun 30, 2017	% Change
Revenue	\$ 3,934,480	\$ 1,345,683	192%
Cost of Sales	3,369,763	1,186,114	184%
Gross Margin	564,717	159,569	254%
Operating Expenses and Other Income (Expenses)	4,186,673	2,889,157	45%
Net Loss and Comprehensive Loss	\$ (3,621,956)	\$ (2,729,588)	33%

June 30, 2018 TFQ achieved 192% revenue growth over June 30, 2017 TFQ with an increase in gross margin from 12% to 14%. The growth in expenses is a result of expanding sales activity into the new Telecom vertical, the addition of sales and technical resources focused on the Telecom Infra Project – founded by Facebook, and expansion to greater international markets, most notably Middle East and North Africa.

Results of operations for the three and six months ended June 30, 2018 and 2017 are summarized below:

Results of Operations	Three Months Ended		% Change	Six Months Ended		% Change
	Jun 30, 2018	Jun 30, 2017		Jun 30, 2018	Jun 30, 2017	
Revenue	\$ 1,697,696	\$ 147,134	1054%	\$ 2,022,512	\$ 409,804	394%
Cost of Sales	1,405,439	132,598	960%	1,638,827	348,334	370%
Gross Margin	292,257	14,536	1911%	383,685	61,470	524%
Gross Margin %	17%	10%		19%	15%	
Operating Expenses	1,246,517	862,216	45%	2,347,949	1,801,534	30%
Operating Loss	(954,260)	(847,680)	13%	(1,964,264)	(1,740,064)	13%
Other Income (Expenses)	(18,055)	(10,446)	73%	(66,491)	(19,566)	240%
Net Loss and Comprehensive Loss	\$ (972,315)	\$ (858,126)	13%	\$ (2,030,755)	\$ (1,759,630)	15%

Revenue

Clear Blue generates product revenue through the sale of its 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 its ongoing remote (cloud-based) Illumience power 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 June 30, 2018 and 2017, was:

Revenue by Category	Three Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2017
Product Revenue		
Smart off-grid controllers and systems	\$ 935,600	\$ 53,084
Illumient smart off-grid lighting	734,629	76,583
Recurring Revenue – Illumience	27,467	17,467
Total Revenue	\$ 1,697,696	\$ 147,134
Number of units under management	3,247	1,363
Average Contract Size	\$79,544	\$14,566

Clear Blue's revenue distribution by geography is:

Revenue by Geography	Three Months Ended Jun 30, 2018		Three Months Ended Jun 30, 2017	
Canada	\$522,256	31%	\$62,754	43%
USA	239,349	14%	10,934	7%
Africa	928,915	55%	73,446	50%
Other	7,176	0%	–	–%
Total Revenue	\$1,697,696		\$147,134	

Clear Blue's revenue distribution by industry vertical is:

Revenue by Vertical	Three Months Ended Jun 30, 2018		Three Months Ended Jun 30, 2017	
Lighting	\$1,581,822	93%	\$104,764	71%
Telecommunications	114,748	7%	37,393	26%
Security/IoT/Other	1,126	0%	4,977	3%
Total Revenue	\$1,697,696		\$147,134	

Revenue increased \$1,550,562, a percentage increase of 1054% for the three months ended June 30, 2018 compared year-over-year quarter to 2017 as the Company continues to expand its market and customer base, particularly through increased sales in the telecommunications vertical. The Company's largest order in its history was secured in the first quarter of 2018 and the majority of the order shipped to the customer

in this second quarter. This order also strengthened the Company's presence in the African solar off-grid lighting marketplace.

The Company expects to continue to see variable quarterly revenue due to the variance in size and timing of new contracts as markets and new customer development continues.

Cost of Sales and Gross Margin

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. The Company has had limited working capital available, restricting its ability to manage input costs through supply chain management and higher volume purchasing, which has resulted in lower gross margins. The Company's gross margin increased in June 30, 2018 TFQ compared to June 30, 2017 TFQ. During the second quarter of 2018, the Company has improved its gross margin percentage from 10% to 17%.