



Clear Blue Technologies International Inc. Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

Clear Blue Technologies International Inc. Consolidated Financial Statements

For the years ended December 31, 2024, and 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-5
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' (Deficiency)	8
Consolidated Statements of Cash Flows	9-10
Notes to the Consolidated Financial Statements	11-55

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Clear Blue Technologies International Inc.

Opinion

We have audited the accompanying consolidated financial statements of Clear Blue Technologies International Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' deficiency and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

knowing you.

Kreston GTA LLP is a partnership
registered in Ontario, Canada.

8953-8965 Woodbine Avenue
Markham, Ontario, L3R 0J9

66 Wellington Street
Aurora, Ontario, L4G 1H8

krestongta.com

An independent member of the
Kreston Global network

MEMBER OF THE
FORUM OF FIRMS

Key Audit Matter (continued)

Impairment assessment of intangible assets

Description of the Matter

As at December 31, 2024, included in the consolidated statement of financial position are intangible assets totalling nil (December 31, 2023: \$5.2 million) respectively, disclosed in Note 10 consolidated financial statements. The Company is required to perform impairment assessment of intangible assets with indefinite life annually. To perform impairment assessments, all intangible assets are allocated to the cash generating units ("CGUs"). An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of each CGU is based on the greater of fair value less costs to dispose and value in use. To determine recoverable amount, significant assumptions are used in projecting growth rates related to revenues, expenses, earning margins and discount rates in estimating and discounting future cashflows. As a result of this assessment, the Company recorded an impairment loss of \$4.3 million during the year ended December 31, 2024.

This impairment assessment was identified as a key audit matter because there is considerable estimation uncertainty related to the projections of future cash flows and other key assumptions used by management in the determination.

How the Key Audit Matter Was Addressed in the Audit

To address the key audit matter, we performed audit procedures that included, among others:

- Obtaining an understanding of internal controls over the Company's process for determining the fair value of CGU used in the impairment assessment. This included controls over management's development of the above-described assumptions used in the valuation model applied.
- Assessing the appropriateness of cash generating unit identified in accordance with IAS 36.
 - of those plans in their determination of the recoverability of intangible assets not yet available for use.
 - Evaluating the appropriateness of the Company's discounted cash flow model ("DCF") used to determine the recoverable amount of CGU including testing the mathematical accuracy thereof.
 - Testing the reasonableness of management's forecasted cash flows and earnings margins by comparing them to current and historical performance, current industry, market and economic trends.
 - Discussing with valuation experts the appropriateness of using a DCF model and range of discount rates.
 - Performing sensitivity analysis on significant assumptions used to evaluate the recoverable amount of the CGU that would result from changes in the assumptions.

Other Matter

The financial statements of the Company for the years ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 28, 2024.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Akil Pervez.

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
April 30, 2025

Clear Blue Technologies International Inc.

Consolidated Statements of Financial Position

As at December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Note	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash		\$ 339,905	\$ 534,451
Accounts receivable and other receivables	6	1,596,730	1,769,282
Research and development tax credits receivable	7	240,000	239,177
Inventory	8	3,086,648	3,485,956
Prepaid expenses and deposits		236,880	105,880
Current portion of deferred costs	8	139,644	92,815
Total current assets		5,639,807	6,227,561
Non-current assets			
Long-term accounts receivable and other receivables	6	—	145,882
Deferred costs	8	73,191	191,214
Property and equipment	9	105,212	230,263
Intangible assets	10	—	5,225,572
Total assets		5,818,210	12,020,492
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	2,241,334	3,086,965
Customer deposits and advanced billing	11	685,295	—
Short-term loans	12	750,000	1,015,833
Current portion of deferred revenue	11	414,938	363,824
Current portion of lease liability	9	64,132	95,641
Current portion of convertible debentures	14	—	—
Current portion of long-term debt	13	555,825	699,764
Total current liabilities		4,711,524	5,262,027
Non-current liabilities			
Deferred revenue	11	270,810	396,466
Lease liability	9	—	73,276
Royalty funding	15	—	375,000
Convertible debentures	14	—	3,388,394
Long-term debt	13	5,319,672	5,894,688
Due to Shareholder - non current		—	1,166,382
Total liabilities		10,302,006	16,556,233
Shareholders' Deficiency			
Share capital	16	31,246,323	24,371,608
Reserves	17	12,334,829	7,401,161
Equity portion of convertible debentures	14	—	918,611
Accumulated deficit		(48,064,948)	(37,227,121)
Total shareholders' deficiency		(4,483,796)	(4,535,741)
Total liabilities and shareholders' deficiency		\$ 5,818,210	\$ 12,020,492

Nature of operations and going concern (Note 1)

Commitments (Note 24)

Subsequent events (Note 28)

On behalf of the Board:

"Miriam Tuerk"

President and Director

"Mark Windrim"

Director

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

Clear Blue Technologies International Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2024	Year Ended December 31, 2023
Revenue		\$ 2,758,295	\$ 5,403,589
Cost of sales	8	1,408,503	2,932,244
Gross profit		1,349,792	2,471,345
Operating expenses			
Salaries, wages and benefits	18	1,028,658	1,832,804
Research and development	7	434,336	342,531
General and administrative		1,534,826	1,345,848
Bad debt (recovery) expense	6	(293,285)	26,571
Share-based compensation	17,18	212,366	256,107
Travel		134,376	224,365
Business development and marketing		321,618	348,580
Rent		145,682	143,299
Professional fees		494,177	520,697
Amortization of intangible assets	10	722,282	423,902
Depreciation of property and equipment	9	126,911	132,858
Total operating expenses		4,861,947	5,597,562
Loss before other (expenses) income		(3,512,155)	(3,126,217)
Write down of inventory	8	(494,163)	(255,929)
Interest income, net	6	121,728	17,413
Interest and accretion on convertible debenture	14	(914,665)	(843,781)
Interest on short-term loan and other charges	12	(453,326)	(213,740)
Interest on lease liability	9	(12,275)	(23,097)
Interest and accretion on long-term debt	13	(888,501)	(855,721)
Interest on royalty funding	15	(30,364)	(52,492)
Foreign exchange (loss) gain		(248,024)	86,066
Gain on disposal of asset		—	96
Acquisition expenses		—	(18,721)
Other income		31,448	139,911
(Loss) gain on debt modification and settlement (net)		(746,852)	120,078
Loss on lease termination		—	(48)
Impairment of intangible assets		(4,324,196)	—
Bargain purchase gain		—	565,897
Government grant		291,857	566,486
Net loss before taxes		(11,179,488)	(3,893,799)
Deferred tax recovery		153,314	—
Net loss and comprehensive loss		\$ (11,026,174)	\$ (3,893,799)
Loss per share	20	(0.089)	(0.033)
Weighted average number of shares outstanding			
Basic and Diluted		124,485,267	118,357,501

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

Clear Blue Technologies International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Reserves	Equity portion of convertible debenture	Accumulated defecit	Total shareholders' deficiency
Balance at December 31, 2023	124,021,237	\$ 24,371,608	\$ 7,401,161	\$ 918,611	\$ (37,227,121)	\$ (4,535,741)
Maturity of restricted share units	545,689	82,378	(82,378)	—	—	—
Reserve transferred on expired options	—	—	(188,347)	—	188,347	—
Issuance of convertible debentures	—	—	—	444,225	—	444,225
Share issuance - private placement	13,766,534	412,996	—	—	—	412,996
Shares for debt	50,992,663	1,610,279	—	—	—	1,610,279
Shares issued to convertible debenture holders	237,366,192	7,230,256	—	—	—	7,230,256
Shares issued against short term debt	3,429,333	108,294	—	—	—	108,294
Shares issued against loan from shareholder	33,156,800	1,047,047	—	—	—	1,047,047
Share issuance costs - cash	—	(30,510)	—	—	—	(30,510)
Share issuance costs - non cash	—	(25,856)	—	—	—	(25,856)
Warrants issued to convertible debenture holders	—	(3,558,197)	3,558,197	—	—	—
Warrants issued against debt	—	—	69,022	—	—	69,022
Broker warrants	—	(1,972)	1,972	—	—	—
Reversal of equity portion of convertible debentures	—	—	1,362,836	(1,362,836)	—	—
Share-based compensation	—	—	212,366	—	—	212,366
Net loss and comprehensive loss	—	—	—	—	(11,026,174)	(11,026,174)
Balance at December 31, 2024	463,278,448	\$ 31,246,323	\$ 12,334,829	\$ —	\$ (48,064,948)	\$ (4,483,796)

	Number of common shares	Share capital	Reserves	Equity portion of convertible debenture	Accumulated defecit	Total shareholders' deficiency
Balance at December 31, 2022	95,965,689	\$ 22,849,883	\$ 7,042,678	\$ 918,611	\$ (33,589,345)	\$ (2,778,173)
Share issuance - private placement	17,673,175	1,232,275	—	—	—	1,232,275
Shares for debt	5,861,393	317,145	—	—	—	317,145
Share issuance costs - cash	—	(68,961)	—	—	—	(68,961)
Warrants issued	—	(585,311)	585,311	—	—	—
Broker warrants	—	(21,109)	21,109	—	—	—
Advances from shareholder	—	159,665	—	—	—	159,665
Maturity of restricted share units	1,520,980	248,021	(248,021)	—	—	—
Share-based compensation	—	—	256,107	—	—	256,107
Reserve transferred on expired options	—	—	(256,023)	—	256,023	—
Shares issued for acquisition	3,000,000	240,000	—	—	—	240,000
Net loss and comprehensive loss	—	—	—	—	(3,893,799)	(3,893,799)
Balance at December 31, 2023	124,021,237	\$ 24,371,608	\$ 7,401,161	\$ 918,611	\$ (37,227,121)	\$ (4,535,741)

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

Clear Blue Technologies International Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (11,026,174)	\$ (3,893,799)
Depreciation of property and equipment	126,911	132,858
Amortization of intangible assets	722,282	423,902
Share-based compensation	212,366	256,107
Foreign exchange loss (gain)	248,024	(86,066)
Bad debt (recovery) expense	(293,285)	26,571
Government grant	—	(566,486)
Interest income	(121,728)	(17,413)
Interest on short term debt	453,326	176,873
Interest on short-term debt (others)	—	36,867
Interest on long-term debt	888,501	344,117
Accretion of long term debt	—	511,604
Interest on royalty funding	30,364	52,492
Interest on convertible debenture	914,665	521,469
Accretion of lease liability	12,275	23,097
Accretion of convertible debenture	—	322,312
Write down of inventory	494,163	255,929
Deferred income tax expense	(153,314)	—
Gain on debt modification and settlement (net)	746,852	(120,078)
Gain on disposal of asset	—	96
Gain on lease termination	—	84
Impairment of intangible assets	4,324,196	—
Bargain purchase (loss)	—	(565,897)
Other income	(31,448)	—
Acquisition expenses	—	18,721
	(2,452,024)	(2,146,640)
Changes in non-cash working capital:		
Accounts receivables and other receivables	2,422,718	(866,737)
Research and development tax credits receivable	239,177	(54,177)
Inventory	(63,407)	(186,515)
Prepaid expenses and deposits	(131,000)	140,053
Accounts payable and accrued liabilities	(88,155)	334,580
Customer deposits and advanced billing	685,295	(18,240)
Due to shareholders	—	1,313,129
Deferred cost	71,194	—
Deferred revenue	(74,542)	94,429
	609,256	(1,390,118)
Interest received	—	17,413
Interest paid	(251,853)	(684,419)
Sale of shares withheld for payroll taxes	—	—
Cash provided by (used in) operating activities	357,403	(2,057,124)

Clear Blue Technologies International Inc.

Consolidated Statements of Cash Flows – (cont'd..)

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Financing activities		
Advances from shareholders	317,000	—
Repayment of advances from shareholders	(324,227)	—
Proceeds from short term loan	—	1,232,275
Proceeds from long-term loans	838,368	(37,747)
Debt issuance costs	—	—
Repayment of long-term loans	(270,270)	—
Proceeds from issuance of shares	—	1,831,956
Proceeds from issuance of convertible debentures	468,000	—
Convertible debentures - transaction costs	—	(306,535)
Share issuance costs	(14,549)	—
Repayment of lease liability	(117,059)	(122,189)
Cash provided by financing activities	897,263	2,597,760
Investing activities		
Additions to intangible assets	(2,617,328)	(3,074,761)
Receipt of other receivable	—	49,745
Addition to property and equipment	(1,859)	(34,647)
Proceed from SDTC grant	1,041,904	1,098,147
Proceeds from IRAP	128,071	746,929
Proceeds from OITC	—	239,177
Cash acquired from acquisition	—	115,895
Cash used in investing activities	(1,449,212)	(859,515)
Net decrease in cash during the year	(194,546)	(318,879)
Cash, beginning of the year	534,451	853,330
Cash, end of the year	\$ 339,905	\$ 534,451

Refer to Note 27 for supplement cash flow information.

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

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Clear Blue Technologies International Inc. (the “Company” or “CBLU”) was incorporated on November 11, 2014 under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the ticker symbol “CBLU”.

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

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

During the year ended December 31, 2024, the Company incurred a net loss in the amount of \$11,026,174 (year ended December 31, 2023 - \$3,893,799) and generated cash flows from operations of \$357,403 (year ended December 31, 2023 - \$2,057,124). At December 31, 2024, the Company had working capital of \$928,283 (December 31, 2023 – \$965,534) including cash of \$339,905 (2023 - \$534,451), 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 relies on these sources of funding as part of its planning and cash flow management. The Company has been advised that a significant grant payment, originally expected in early 2025, has been delayed until mid-2025. The Company has filed the claim for the associated milestone payment; however, no specific disbursement date has been confirmed. This delay had impacted the ability of the company to raise additional financing in the short term. As a result, underwent a financial restructuring in the latter part of 2024, whereby the Company was experiencing cash flow difficulties and delayed certain payments to suppliers. The Company was able to complete the aforesaid restructuring, which includes debt restructuring, conversion of debt and convertible debentures to equity and other steps to improve the Company's liquidity.

During the year ended December 31, 2022, the Company received an approval for a grant from Sustainable Development Technology Canada (“SDTC”) amounting to \$5,000,000 (Note 10) which is based on the completion of the project milestones. During the year ended December 31, 2024, the Company had received \$1,514,518 (2023 - \$1,098,147) on milestones completed. Additionally, the Company completed substantial work on upcoming milestone and therefore, accrued an amount of \$1,041,904 accordingly.

During the year ended December 31, 2022, the Company received an approval for a grant of \$750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). On March 22, 2024, the Company got approved for an additional IRAP grant of \$125,000 as an amendment to the original funding agreement and received \$125,000 during the year ended December 31, 2024 in connection with the grant.

During the year ended December 31, 2024, the Company received \$239,177 as Ontario Innovation tax credits pertaining to fiscal year 2023. Additionally, the Company performed substantial work on upcoming research and development project and therefore, accrued an amount of \$240,000 accordingly.

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.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern (cont'd...)

These consolidated 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 consolidated financial statements, adjustments might be necessary to the carrying amounts of assets and liabilities reported in the consolidated statement of financial position, and such adjustments could be material.

2. Basis of Presentation

For comparative purposes, the Company has reclassified certain immaterial items to conform with the current year's presentation.

Statement of compliance

The Company's consolidated financial statements (the "Financial Statements") have been prepared using IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), 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.

These consolidated financial statements were approved for issuance by the Company's Audit Committee and Board of Directors on April 30, 2025.

Basis of measurement

These consolidated 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 material 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

The Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and certain subsidiaries.

Basis of consolidation

The consolidated financial statements consolidate the parent company, Clear Blue Technologies International Inc., and its subsidiaries, Clear Blue Technologies Inc., Clear Blue Technologies Kenya Ltd., Clear Blue Technologies US Corp. and eSite Power Systems AB (including its wholly owned subsidiary, Flexenclosure Technologies Solutions Limited), 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 Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies

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

a. Revenue recognition

Revenue is measured based on the consideration specified in the related contract with the customer. The Company recognizes revenue when it transfers control of the product to the customer and persuasive evidence of an arrangement exists and collection is reasonably assured. Amounts invoiced but not yet earned are recorded as deferred revenue.

The Company enters into contracts with multiple performance obligations, such as the sale of solar or hybrid streetlight systems, the sale of power pack solutions for other IoT devices such as telecommunication systems, and the provision of ongoing energy management services.

For bundled contracts with multiple performance obligations, the Company accounts for the sale of individual products or services separately if they are distinct, meaning when the product or service is separately identifiable and has stand-alone value to the customer. The total arrangement consideration is allocated to each separate performance obligation plus the Company's targeted profit margin ("Target Margin") other than for ongoing energy management services revenue. Discounts from the Target Margin are allocated proportionately to all the performance obligations in the sales contract based on the expected cost of each performance obligation other than for ongoing energy management services revenue. For performance obligations related to ongoing energy management services, revenue is recognized rateably over the contract term.

Under Energy as a Service Contracts ("EaaS"), the Company promises to deliver a certain amount of power consistently over the term of the contract. This includes all equipment components for energy generation and service components for remote power management and monitoring. The two components are highly integrated in order to offer one single energy solution and are therefore bundled together as a single performance obligation. The revenue for EaaS is recognized rateably over the contract term and the costs associated to EaaS is deferred and recognized rateably in the same manner.

In certain situations, control transfers to the customer through a bill and hold arrangement when the following criteria are met:

- (i) There is substantive reason for the arrangement
- (ii) The equipment is separately identified as belonging to a customer
- (iii) The Company is no longer able to use the equipment or direct it to another customer; and
- (iv) The equipment is currently ready for physical transfer to the customer.

b. Inventory

Inventory is comprised of raw materials and finished goods. Inventory is stated at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Costs are those amounts incurred in bringing each product to its present location and condition. The cost of raw materials and finished goods are based on the supplier's cost-plus freight and duties.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete and sell the inventory. Inventory is recorded net of any obsolescence provisions estimated by management.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

c. Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Repair and maintenance expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized to write off the cost of property and equipment less its residual value over its useful life, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of loss and comprehensive loss.

Estimated useful lives for the principal asset categories are as follows:

- Computer and equipment: 3 years
- Furniture and fixtures: 5 years
- Plant and machinery: 5 years
- Leasehold improvements: lease term
- Right of use assets: shorter of useful life and lease term

d. Business combinations

The Company applies the acquisition method in accounting for business combinations by allocating the purchase price to the fair value of the assets acquired at the acquisition date, with any difference recognized as goodwill.

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of the consideration transferred to obtain control over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date. In some transactions, the acquirer will purchase the business for a bargain price (i.e. the acquirer pays less consideration than the total acquisition amount of the nets assets acquired). In such a situation, the goodwill will produce a negative balance and the acquirer will recognize a gain in profit and loss account as of the date of acquisition.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

e. Impairment of long-lived assets

Long-lived assets are comprised of property and equipment. The Company assesses, at each reporting date, whether there is an indication that a long-lived asset may be impaired. If any indication exists, the Company estimates the recoverable amount. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use.

Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statements of loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

f. Leases

At inception, the Company assesses whether a contract is, or contains, a lease. The assessment involves the exercise of judgment about whether the lease depends on a specified asset, whether the Company obtains substantially all of the economic benefits for the use of that asset during the lease term, and whether the Company has the right to direct the use of the asset. If the lease contains an extension option that the Company considers reasonably certain to be exercised, the term of the lease becomes the base lease plus renewal option, including any associated costs. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and a lease liability at the commencement date.

The right-of use asset is initially measured at cost, which includes the initial amount of the liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

f. Leases (cont'd...)

The measurement of lease liabilities includes the following types of lease payments:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- Amount expected to be payable under any residual value guarantees; and
- Exercise price of options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method.

Lease liabilities are remeasured in the following circumstances:

- If there is a change in the future lease payments resulting from a change in index or rate;
- If there is a change in the Company's estimation of the amount expected to be payable under a residual guarantee; and
- If the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

When the Company subleases a right-of-use asset, the Company classifies the sublease as an operating lease if the head lease is a short-term lease. Otherwise, the sublease is classified as a finance lease. When the sublease is classified as a finance lease, the lessor derecognizes the right-of-use asset pertaining to the head lease that it transfers to the sublessee, at the commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and may use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in sublease, and also records income relating to variable lease payments not included in the measurement of the net investment in the lease.

g. Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss. Current income tax expense represents the amount of income taxes payable based on tax law that is enacted or substantively enacted at the reporting date and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability is recognized for income tax payable, and a current tax asset is recognized for income tax paid but recoverable in respect of all periods to date.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

g. Income taxes (cont'd...)

The Company uses the deferred tax method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statements carrying amounts of assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of loss and comprehensive loss in the period in which the enactment or substantive enactment occurs. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h. Valuation of equity units issued

When the Company issues equity units that include both common shares and share purchase warrants, the proceeds from the issuance of equity units is allocated between the common shares and common share purchase warrants on a pro-rated basis using the relative fair values of common shares and common share purchase warrants. The fair value of the common shares is determined using the share price at the date of the issuance of the units. The fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

i. Share-based compensation

The Company applies the fair value method of accounting for Share-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option pricing model. Share-based compensation cost is recognized on a straight-line basis over the expected vesting period of the stock-based compensation. The Company estimates the number of stock options expected to vest at the grant date and revises the estimate if subsequent information indicates that the actual number of stock options to vest differs significantly from the original estimate. The Share-based compensation expense is recognized directly in the consolidated statements of loss and comprehensive loss over the vesting period, with the corresponding credit recorded to reserves. When stock options are exercised, the consideration and related reserves are recorded in share capital. When the stock options expire, associated reserve is transferred to accumulated deficit.

The fair value of Restricted Share Units ("RSUs") is determined using the closing market price of the Company's shares on grant date. The number of RSUs expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

j. Financial instruments

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition that are debt instruments depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value plus transactions costs. Accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the "SPPI test" and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets subsequently measured at amortized cost using the effective interest method ("EIR") and are subject to impairment test. Interest received is recognized as part of interest and other income. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the asset is derecognized, modified or impaired.

Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, other financial liabilities, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable and accrued liabilities, debt, convertible debentures, lease liabilities and royalty funding.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statements of loss and comprehensive loss.

Financial assets and liabilities that are subsequently measured at amortized cost include cash, accounts receivable and other receivables, long-term accounts receivable, accounts payable and accrued liabilities, short-term loans, debt, convertible debentures, lease liabilities and royalty funding.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

j. Financial instruments (cont'd...)

Impairment of financial assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired using a forward-looking expected credit loss ("ECL") model. Loss allowances will be measured on either of the following bases:

- i. 12-month ECLs which are ECLs that result from possible default events within 12 months after the reporting date (stage 1); and
- ii. Lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instrument (stage 2 and 3).

The Company applies the simplified approach to measuring expected credit losses which uses lifetime ECLs for all of its financial assets. For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the receivable and the present value of the estimated future cash flows, discounted using the effective interest rate.

Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity instrument is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound instrument is measured at amortized cost using the effective interest method. The equity component of a compound instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

Embedded derivatives

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in the consolidated statements of loss and comprehensive loss.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

k. Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which it operates. The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at the exchange rate in effect at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

l. Intangible assets arising from development

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Research expenditures and development expenditures that do not meet the criteria for capitalization are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development costs that are directly attributable to the design and testing of identifiable new product designs controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the project so that it will be available for use;
- Management intends to complete the project and use or sell the product;
- There is an ability to use or sell the product;
- It can be demonstrated how the project will generate probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the project are available; and
- The expenditure attributable to the project during its development can be reliably measured.

The Company capitalizes development costs for its Smart Off-Grid Technology (Note 10) developed for internal use. The Company capitalizes costs for its technology to be used internally during the development stage. This occurs when the preliminary project stage is complete, management authorizes and commits to funding the projects, and it is feasible that the projects will be completed, and the technology will perform the intended function. Capitalization of costs related to the technology project is ceased when it enters the post-implementation and operation stage. If different determinations are made with respect to the state of development of technology project, then the amount capitalized, and the amounts charged to expense for that project could differ materially.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

l. Intangible assets arising from development (cont'd)

Costs capitalized during the development stage consist of payroll and related costs for employees who are directly associated with, and who devote time to, a project to develop or implement the technology for internal use. The Company capitalizes the direct costs of materials and services, which generally include outside contractors. The Company does not capitalize any general and administrative costs, or costs incurred during the development stage related to training. Costs related to upgrades and enhancements to internal-use technology, if those upgrades and enhancements result in additional functionality, are capitalized.

The Company amortizes capitalized technology with respect to development projects for internal-use technology when the technology is ready for use. The capitalized technology development costs are generally amortized using the straight-line method over a three-year period. In determining and re-assessing the estimated useful life over which the cost incurred for the technology should be amortized, the Company considers the effects of obsolescence, technology, competition, and other economic factors. If different determinations are made with respect to the estimated useful life of the technology, the amount of amortization charged in a particular period could differ materially.

Intangible assets acquired from the acquisition (refer to Note 5) are recorded at cost less accumulated amortization. The annual amortization rates for straight line basis are as follows:

- eSite Brand: 4 years
- Intellectual property: 5 years.

m. Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those CGUs.

Where goodwill has been allocated to a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

n. Government grants

Government grants are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the grant. Grants that compensate the Company for expenses are recognized in the consolidated statements of loss and comprehensive loss with the same classification as the related expense and in the same period in which the expense is recognized. Alternatively, the company deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Gains from grants that compensate the Company through below market interest rate loans are presented separately on the consolidated statement of loss and comprehensive loss.

o. Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Changes in Accounting Standards

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1 Amendments – Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

IAS 1 Amendments – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

Changes in Accounting Standards (cont'd...)

New and Amended Accounting Pronouncements (cont'd...)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

IFRS S1 and IFRS S2 – Applicability from January 1, 2024

IFRS S1 requires companies to disclose material information on all sustainability related risks and opportunities that could reasonably be expected to affect their prospects. IFRS S2 sets out the requirements for climate-related disclosures. For risks and opportunities beyond climate, IFRS S1 directs companies to sources of guidance and requires companies to refer to and consider the industry based SASB Standards.

IFRS 16 Amendments – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – Leases (“IFRS 16”) relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

IAS 7 Amendments – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures. The amendments add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity’s liabilities, cash flows, and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2024, and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

IAS 21 Amendments – Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

3. Material Accounting Policies (cont'd...)

Changes in Accounting Standards (cont'd...)

Standards, Amendments and Interpretations Issued but not yet Adopted (cont'd...)

Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures. The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance (ESG)-linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at FVOCI and added disclosure requirements for financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued the new standard IFRS 18 – Presentation and Disclosure in Financial Statements that will replace IAS 1 – Presentation of Financial Statements. The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of Management Performance Measures (MPMs) in the financial statements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19 – Subsidiaries without Public Accountability: Disclosures. The new standard allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company assessed the impact of the amendments and determined there to be no material impact on the consolidated financial statements. The Company is assessing the impact to its subsidiaries.

Annual Improvements

In July 2024, the IASB issued IFRS Accounting Standards Annual Improvements – Volume 11, which clarifies wording, correcting minor consequences, oversights, or conflicts among requirements in the Standards. The amendments affect IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 7 – Financial Instruments: Disclosures, IFRS 9 - Financial Instruments, IFRS 10 - Consolidated Financial Statements, and IAS 7 - Statement of Cash Flows. These amendments will be effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Contracts Referencing Nature- dependent Electricity

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to nature-dependent electricity contracts, which are those that generate variable levels based on uncontrollable factors such as weather conditions. These amendments will be effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

4. Material 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) Business Combination

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

(iii) 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. All of the Company's operations and assets are located in Canada.

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.

Intangible assets acquired from the acquisition (refer to Note 5) are recorded at cost less accumulated amortization. The annual amortization rates for straight line basis are as follows:

- eSite Brand: 4 years
- Intellectual property: 5 years.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

4. Material Accounting Judgments, Estimates and Assumptions (cont'd...)

Estimates (cont'd...)

(ii) Impairment of non-financial assets

Non-financial assets are reviewed for an indication of impairment at each consolidated statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for their intended use are tested for impairment at least annually, which also requires significant judgement. To determine the recoverable amount (value in use or fair value less cost to dispose of these assets), management estimates expected future cash flows from the asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows using a discounted cash flow model. In the process of measuring expected future cash flows for intangible and tangible assets not yet available for their intended use, management makes assumptions about future operating results using the estimated forecasted prices obtained from various market sources. These key assumptions relate to future events and circumstances. The actual results will vary and may cause adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example, new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected growth of the market for different renewable energy products (demand), b) selling prices which have an impact on revenues and margins (pricing), c) the discount rate associated with new processes and products.

(iii) Share-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 Share-based compensation and issuance related costs, respectively.

(iv) 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.

(v) 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.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

4. Material Accounting Judgments, Estimates and Assumptions (cont'd...)

Estimates (cont'd...)

Recoverability of accounts receivable (cont'd...)

Accounts receivables 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 account's 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. As at December 31, 2024, management has determined that ECL was \$4,987 (2023 - \$68,356).

(vi) 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.

(vii) 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.

(viii) COVID-19

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.

(ix) Changes in Accounting Standards

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current - In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

5. Acquisition

On January 18, 2023, the Company completed its acquisition of eSite Power Systems AB (“eSite”), a company incorporated under the laws of Sweden, specializing in telecom site power management systems. The Company acquired control through obtaining 100% voting equity interest and the policy making decision powers in eSite in order to expand their product portfolio.

Upon closing of the Acquisition, the Company issued 3,000,000 common shares to the shareholders of eSite. The transaction was accounted for as a business combination and has been accounted for by applying the acquisition method. Transaction costs of \$18,721 were expensed with respect to the above acquisition. The Company recorded revenue of \$51,057 and a net loss of \$850,197 in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023, as a result of the acquisition. If the acquisition had occurred as at January 1, 2023, revenue and the net loss in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023 remains same since there was no transactions until date of acquisition.

In accordance with IFRS, the Company has recognized a bargain purchase gain amounting to \$565,897 in the statement of loss and comprehensive loss. The fair value of the total purchase consideration on the closing date was compared with the total fair value of the assets (tangible and intangible) and liabilities acquired. The resulting amount was recorded as a bargain purchase gain as follows:

	December 31, 2024
Purchase consideration:	
Shares issued:	
3,000,000 shares @ 0.08 per	\$ 240,000
Total purchase consideration	240,000
Tangible Assets	
Cash and cash equivalent	115,895
Current assets	809,114
Property and equipment	15,796
Other assets	1,631
Liabilities assumed	(451,379)
Total Tangible Assets	491,057
Intangible Assets	
eSite Brand	104,440
Intellectual property	210,400
Total Intangible Assets	314,840
Bargain purchase gain	565,897

The bargain purchase gain was a result of the eSite owners selling to a strategic buyer in order to grow the eSite business and allow the eSite owners to participate in the combined company after the acquisition.

The additional information disclosure for the acquired receivable:

Accounts Receivable	December 31, 2024
The fair value of the receivables	\$ 178,542
The gross contractual amounts receivable; and	\$ 178,542
The best estimate at the acquisition date of the contractual cash flows not expected to be collected.	—
Other Receivable	
December 31, 2024	
The fair value of the receivables	\$ 13,537
The gross contractual amounts receivable; and	\$ 13,537
The best estimate at the acquisition date of the contractual cash flows not expected to be collected.	—

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

6. Accounts Receivable and Other Receivables

	December 31, 2024	December 31, 2023
Accounts receivable, net	\$ 447,994	\$ 1,392,603
Harmonized sales taxes and Value added tax receivable	38,946	92,118
Feddev - Job and Growth Fund (ii)	—	200,477
SDTC receivable (iv)	1,041,904	—
Miscellaneous tax refund receivable / (payable)	67,886	—
Loan receivable (i) and (ii)	—	229,966
Less:		
Long-term loan receivable - (i)	—	(145,882)
Total	\$ 1,596,730	\$ 1,769,282

- (i) On January 22, 2020, a loan agreement was executed to allow a customer to settle the receivable amounting to US\$309,910 in 60 equal consecutive monthly installments of US\$6,181 beginning on April 1, 2020. The loan receivable has an interest rate is 7.3% per annum and matures on June 30, 2025. As at December 31, 2024, the carrying value of the loan receivable amounts to \$Nil. During the year ended December 31, 2024, the Company earned interest of \$16,724 (US \$12,209) (2023 - \$17,413 (US \$13,164)).
- (ii) On June 22, 2022, the Company signed a \$4,000,000 interest free loan facility with Federal Economic Development Agency for Southern Ontario (“Feddev”) (refer to Note 13) under the Jobs and Growth Fund. As at December 31, 2024, the loan is fully disbursed and therefore, has no further claims pending (December 31, 2023 - \$200,477).
- (iii) On December 5, 2023, a loan agreement was executed to allow a customer to settle the receivable amounting to US\$394,7841 as per following schedule beginning on December 18, 2023:
- Month 1-3, a payment of US\$6,500 each,
 - Month 4-6, a payment of US\$10,000 each, and
 - Month 7-24, a payment of US\$19,222.69 each

The loan receivable has an interest rate is 11% per annum and matures on November 1, 2025. As at September 30, 2024, the carrying value of the loan receivable amounts to \$514,643 of which \$26,631 relates to long-term portion. During the year ended December 31, 2024, the Company earned interest of \$105,004 (US \$76,656) (2023 – \$ Nil (US \$Nil)) respectively.

- (iv) During the year ended December 31, 2023, the Company received an approval for a grant from Sustainable Development Technology Canada (“SDTC”) amounting to \$5,000,000 (Note 10) which is based on the completion of the project milestones. As at December 31, 2024, the Company had received \$1,514,518 on milestones completed. Additionally, the Company completed substantial work on upcoming milestone and therefore, accrued an amount of \$1,041,904 accordingly.

During the year ended December 31, 2024, the Company recorded bad debts recovery of \$293,285 (2023 – bad debt expense of \$26,571).

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

7. Research and Development Tax Credits Receivable

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

	December 31, 2024	December 31, 2023
Ontario Innovation tax credits	\$ 240,000	\$ 239,177
Total	\$ 240,000	\$ 239,177

Included in research and development expense was an offset of \$2,796,422 (2023 - \$2,689,872) in government grants and credits.

8. Inventory

	December 31, 2024	December 31, 2023
Raw materials	\$ 1,568,026	\$ 1,181,804
Finished goods	1,518,622	2,304,152
Total	\$ 3,086,648	\$ 3,485,956

Inventory included in cost of sales amounted to \$1,210,878 (December 31, 2023 - \$2,491,442).

The Company recognizes deferred costs which all relate to the Company's EAAS revenue stream. The costs will be recognized as services are being rendered. During the year ended December 31, 2024, the Company wrote down \$494,163 (2023 - \$255,929), in obsolete inventory.

9. Property and Equipment

	Computer and equipment	Furniture and fixtures	Leasehold improvement	Right-of-use Assets	Total
Balance as of December 31, 2022	\$ 187,332	\$ 13,567	\$ 51,275	\$ 288,487	\$ 540,661
Additions	15,808	5,198	13,641	—	34,647
Acquired	—	—	—	15,796	15,796
Disposals	—	(51)	—	(9,292)	(9,343)
Balance as of December 31, 2023	203,140	18,714	64,916	294,991	581,761
Additions	769	—	1,090	—	1,859
Balance as of December 31, 2024	203,909	18,714	66,006	294,991	583,620

Accumulated Depreciation

Balance as of December 31, 2022	132,978	8,377	51,275	26,570	219,200
Depreciation	24,215	1,275	3,481	103,887	132,858
Disposals	—	(15)	—	(546)	(561)
Balance as of December 31, 2023	157,193	9,637	54,756	129,911	351,497
Depreciation	25,172	884	1,366	99,489	126,911
Balance as of December 31, 2024	\$ 182,365	\$ 10,521	\$ 56,122	\$ 229,400	\$ 478,408

Net book value as at:

December 31, 2023	\$ 45,947	\$ 9,077	\$ 10,160	\$ 165,080	\$ 230,263
December 31, 2024	\$ 21,544	\$ 8,193	\$ 9,884	\$ 65,591	\$ 105,212

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

Lease Liability

A reconciliation of the carrying amount of the lease liability to December 31, 2024 is as follows:

Balance as of December 31, 2022		\$	260,911
Addition			
Acquired			15,796
Lease payments			(122,189)
Lease interest			23,097
Lease termination / cancellation			(8,698)
Balance as of December 31, 2023			168,917
Lease payments			(117,059)
Lease interest			12,275
Balance as of December 31, 2024		\$	64,132
		December 31, 2024	December 31, 2023
Current portion of lease liability	\$	64,132	\$ 95,641
Long term portion of lease liability		—	73,276
Total	\$	64,132	\$ 168,917

Maturity analysis – contractual undiscounted cash flows:

2025		\$	66,277
Total undiscounted future lease payments		\$	66,277

As management terminated one of the leases, the lease liability amounting to \$8,746 and right-of-use assets amounting to \$8,698 (cost less accumulated depreciation) was disposed of resulting in a loss on termination of lease amounting to \$48 that was recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023.

The Company did not have any short-term leases or leases of low-value assets included in the consolidated statement of loss and comprehensive loss for the years ended December 31, 2024 and 2023.

10. Intangible Assets

Below is a continuity of internally generated Smart Off-Grid Technology:

Cost			
Balance as of December 31, 2023		\$	6,005,187
Additions			2,617,328
Government Grant			(2,796,422)
Balance as of December 31, 2024			5,826,093
Accumulated Amortization			
Balance as of December 31, 2023			779,615
Addition			722,282
Impairment during the year			4,324,196
Balance as of December 31, 2024		\$	5,826,093
Net book value as at:			
December 31, 2023		\$	5,225,572
December 31, 2024		\$	—
Additional FS Note:			
Intangible not yet available for use			
December 31, 2024		\$	—
December 31, 2023		\$	4,623,206

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

10. Intangible Assets (cont'd...)

Impairment

Management evaluated indicators of potential impairment of intangible assets as of December 31, 2024. Based on this assessment and an impairment analysis performed by an independent valuation consultant, management concluded that indicators of impairment were present.

For the year ended December 31, 2024, management determined that the carrying amount of intangible assets exceeded their value in use ("VIU"). As a result, an impairment loss of \$4,324,196 was recognized in the consolidated statement of profit or loss for the year ended December 31, 2024.

Adjustment of Government Grants

The Company received an approval of a government grant of \$5,000,000 from SDTC in 2023. During the year ended December 31, 2024, the Company had received \$1,514,518 (2023 - \$1,098,147) on milestones completed. Additionally, the Company completed substantial work on upcoming milestone and therefore, accrued an amount of \$1,041,904 accordingly.

The Company received an approval for a grant of \$750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) in 2023. On March 22, 2024, the Company got approved for an additional IRAP grant of \$125,000 as an amendment to the original funding agreement (refer to Note 26). During the year ended December 31, 2024, the Company has received \$Nil (2023 - \$746,929) in connection with the grant.

During the year ended December 31, 2024, the Company received \$239,177 as Ontario Innovation tax credits pertaining to fiscal year 2023. Additionally, the Company performed substantial work on upcoming research and development project and therefore, accrued an amount of \$240,000 accordingly.

As at December 31, 2024, intangible assets included \$Nil (2023 - \$4,623,206) of intangibles assets not yet available for use.

11. Customer Deposits and Advanced Billing and Deferred Revenue

Customer Deposits and Advanced Billing

Customer deposits and advance billing of \$685,295 (2023 - \$Nil), pertain to the sale of solar or hybrid streetlight systems and power pack solutions that were paid by customers and billed by the Company in advance.

Deferred Revenue and Government Grant

Deferred revenue is comprised of ongoing energy management services paid in advance by customers and a grant received from the government:

	December 31, 2024	December 31, 2023
Deferred revenue	\$ 685,748	\$ 760,290
Less: Current portion	414,938	363,824
	\$ 270,810	\$ 396,466

The deferred revenue is amortized to the consolidated statements of loss and comprehensive loss on a straight-line basis over the life of the related contract. The deferred government grant is amortized to the consolidated statements of loss and comprehensive loss based on completion of milestones over the life of the grant.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

11. Customer Deposits and Advanced Billing and Deferred Revenue (cont'd...)

As at December 31, 2024, expected revenue to be recognized over the term of the contracts are as follows:

2025	\$	414,938
2026 and thereafter		270,810
Total	\$	685,748

12. Short-term Loans

In 2019, the Company obtained a \$1,000,000 revolving credit facility, amended to \$750,000 starting August 31, 2022. The credit facility bears interest at a rate equivalent to the bank's prime lending rate plus 3%, is due on demand, and is secured by the assets of the Company. Subsequent to year end, the company was able to replace the credit facility and entered into a series of agreements with a financial institution to take over the banking facility with a structured package comprising equity, royalty payments, and a term loan (note 28),

The outstanding balance as of December 31, 2024, is \$750,000 (2023 - \$750,000). The Company incurred interest expense related to its short-term loan of \$427,475 during the year ended December 31, 2024 (2023 - \$75,575).

During the year ended December 31, 2022, the Company entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022 to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified by the TSX that the application was time barred and therefore, the extension was not granted. Consequent to the reclassification, the accretion expense has been accelerated to bring the loan to its face value (refer to Note 14).

During the quarter ended June 30, 2024, the Company entered into convertible debenture agreements amounting to \$174,000 and reclassified the short-term loan to convertible debentures (refer Note 14). Interest accrued amounting to \$11,047 was recorded for the year ended December 31, 2024 in the statement of loss and comprehensive loss.

Hence, the outstanding balance for the short-term loan as at December 31, 2024, is \$Nil (2023 - \$265,833), post conversion of remaining balance amounting to \$102,880 to shares [Refer Note 16 (viii)].

13. Long-term Debt

	December 31, 2024	December 31, 2023
(i) Federal Economic Development Agency of Southern Ontario - Investing in Business Innovation	\$ 70,727	\$ 160,874
(ii) Business Development of Canada	2,994,718	3,256,780
(iii) Federal Economic Development Agency of Southern Ontario - Jobs and Growth Fund	2,345,061	2,533,398
(iv) Loan from Navigo Invest AB	—	263,400
(v) Convertible debentures issued in November 2019	—	380,000
(vi) Loan from Eric Woerner	—	—
(vii) SOFII loan	456,938	—
(viii) Convertible debentures issued in November 2021	8,053	—
	5,875,497	6,594,452
Less:		
Current portion	555,825	699,764
	\$ 5,319,672	\$ 5,894,688

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

- (i) 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 was amended, as a result of the COVID-19 pandemic, on June 8, 2020 to: (i) extend the maturity date to December 1, 2024; (ii) defer monthly instalments from April 1, 2020 to September 1, 2020; (iii) reduce monthly instalments to \$2,000 from October 1, 2020 to December 31, 2020; and (iv) adjust the monthly installments to \$3,000, \$5,000, \$8,000 and \$14,000 for the years 2021 through 2024, respectively, with a final month payment of \$15,000. 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 with an effective interest rate of 9.54% per annum.

On December 20, 2024, the Company amended the terms of the loan as follows:

- Extending the maturity date from December 31, 2024 to December 31, 2027;
- Revising monthly principal installments of \$1,000 from January 01, 2025 to December 31, 2026;
- Revising monthly principal installments of \$5,000 from January 01, 2027 to November 30, 2027;
- Final payment revised to \$112,000 on March 15, 2031.

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of liability component of \$70,727 was determined using a market rate of 9.54%. As a result of revaluation, the Company recorded a gain on modification of debt amounting to \$16,954 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

For the year ended December 31, 2024, the Company recognized interest expense of \$9,791 (2023 - \$18,609), respectively.

- (ii) Business Development of Canada (“BDC”) loan of \$3,000,000 under a total facility of \$5,000,000. The loan facility was set to mature on January 15, 2025 and consists of interest-only monthly payments through June 15, 2023, monthly principal payments of \$86,207 and interest payments from July 15, 2023 upto and including January 15, 2025 (or earlier date if the loan facility is not fully drawn) and a balloon payment at the end of the term. The loan is secured against the assets of the Company and carries an annual interest rate of BDC Capital Floating Base Rate plus 2.95%. In addition to the cash interest, a non-compounding payment in kind (“PIK”) interest of up to 9.5% per annum will accrue and be payable at the end of the term. The PIK interest rate will be reduced by 0.5% (to 9.0%) when the Company reaches a trailing 12 months of EBITDA greater than \$1,000,000, and a further 0.5% (to 8.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$3,000,000. On August 15, 2021, the Company drew down an additional tranche of \$1,000,000 resulting in a cumulative drawdown of \$3,000,000 as at December 31, 2023 (2022 - \$3,000,000). On April 3, 2023, the Company cancelled the unavailed portion of \$2,000,000 from the total facility of \$5,000,000, resulting in a total facility of \$3,000,000 and reduction of the balloon payment to \$1,362,067, payable on January 15, 2025.

On July 15, 2023, the Company amended the terms of BDC loan as follows:

- Extending the maturity date from January 15, 2025 to July 15, 2026;
- Revising monthly principal installments of \$30,000 from July 15, 2023 to June 15, 2024;
- Revising monthly principal installments of \$40,000 from July 15, 2024 to June 15, 2025;

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

- Revising monthly principal installments of \$50,000 from July 15, 2025 to June 15, 2026;
- Increasing final balloon payment from \$1,362,067 to \$1,473,793;
- PIK interest rate of 9.5% will be reduced by 1% (to 8.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$Nil, and a further 1% (to 7.5%) when the Company reaches a trailing 12 months of EBITDA greater than \$1,000,000, and
- Scheduled repayment of PIK interest amounting to \$763,000 accrued until June 15, 2023 as follows:
 - Conversion of \$343,000 into 4,900,000 shares at \$0.05 per share resulting in a gain of \$98,000; and
 - Repayment of \$155,000, \$100,000 and \$165,000 in March 2024, March 2025 and July 2026 respectively.

On November 15, 2023, the Company amended the repayment terms of PIK Interest as follows:

- Scheduled repayment of PIK interest amounting to \$763,000 accrued until June 15, 2023 as follows:
 - Repayment of \$77,500 in March 2024, \$77,500 in September 2024, \$50,000 in March 2025, \$50,000 in September 2024 and \$165,000 in July 2026.

As the present value of the cash flows under the revised debt instrument differed by less than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was not substantially modified which resulted in modification accounting. Upon amendment, the fair value of liability component of \$ 3,534,991 was determined using a market rate of 22%. As a result of revaluation, the Company recorded a loss on modification of debt amounting to \$225,471 for the year ended December 31, 2023 within gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

On July 29, 2024, the Company amended the loan agreement to defer six-monthly installments amounting to \$240,000, due from July 2024 to December 2024. to the end of the loan term on July 15, 2026.

On December 03, 2024, the Company amended the terms of BDC loan as follows:

- BDC Capital to accrue principal interest and monthly fee retroactively from June 16, 2024, to April 15, 2025.
- All accrued principal and interest and monthly fees to paid on April 15, 2025.

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of liability component of \$ 2,678,050 was determined using a market rate of 21%. As a result of revaluation, the Company recorded a gain on modification of debt amounting to \$438,329 for the year ended December 31, 2024 within gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

Subsequent to year end, on March 25, 2025, the Company amended the loan agreement to extend the maturity of the term loan and amend the principal repayments over the revised term (note 28).

For the year ended December 31, 2024, the Company recognized interest expense of \$596,666 (2023 - \$569,128).

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

- (iii) Federal Economic Development Jobs and Growth Fund, non-interest-bearing loan received based on completion of milestones beginning from June 22, 2022, to March 31, 2024, repayable in monthly installments beginning April 15, 2025 and maturing on March 15, 2031. The face value of the loan is \$3,762,239. It was initially recorded on the consolidated statement of financial position at its fair market value of \$1,415,395. The original face value and the additional disbursement during the year ended December 31, 2023 of \$1,373,414 are being accreted (through interest expense) back to its face value over the term of the loan with an effective interest rate of 10% per annum.

On July 26, 2024, the Company amended the terms of the loan as follows:

- Revising monthly principal installments of \$15,000 from April 15, 2025, to March 15, 2026;
- Revising monthly principal installments of \$20,000 from April 15, 2026, to March 15, 2027;
- Revising monthly principal installments of \$40,000 from April 15, 2027, to March 15, 2028;
- Revising monthly principal installments of \$60,000 from April 15, 2028, to March 15, 2029;
- Revising monthly principal installments of \$90,000 from April 15, 2029, to March 15, 2030;
- Revising monthly principal installments of \$108,000 from April 15, 2030, to February 15, 2031; and
- Final payment revised to \$112,000 on March 15, 2031.

As the present value of the cash flows under the revised debt instrument differed by less than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was not substantially modified which resulted in modification accounting. Upon amendment, the fair value of liability component of \$ 2,840,989 was determined using a market rate of 8.75%. As a result of revaluation, the Company recorded a loss on modification of debt amounting to \$74,641 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

On December 20, 2024, the Company amended the terms of the loan as follows:

- Revising monthly principal installments of \$Nil from April 15, 2025, to March 15, 2026;
- Revising monthly principal installments of \$1,000 from April 15, 2026, to December 15, 2026;
- Revising monthly principal installments of \$5,000 from January 15, 2027, to December 15, 2027;
- Revising monthly principal installments of \$15,000 from January 15, 2028, to December 15, 2028;
- Revising monthly principal installments of \$30,000 from January 15, 2029, to December 15, 2029;
- Revising monthly principal installments of \$40,000 from January 15, 2030, to December 15, 2030;
- Revising monthly principal installments of \$50,000 from January 15, 2031, to December 15, 2032;
- Revising monthly principal installments of \$60,000 from January 15, 2033, to June 15, 2034;
- Revising monthly principal installments of \$70,000 from July 15, 2034, to February 15, 2035;
- Final payment revised to \$71,000 on March 15, 2035.

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of liability component of \$ 2,345,061 was determined using a market rate of 7.45%. As a result of revaluation, the Company recorded a gain on modification of debt amounting to \$599,916 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

For the year ended December 31, 2024, the Company recognized interest expense of \$217,599 (2023 - \$256,683), respectively.

- (iv) eSite Power Systems AB received a loan of \$248,000 in two tranches of \$99,200 (Tranche 1) and \$148,800 (Tranche 2) from Navigo Invest AB on August 23, 2023. The terms of lending are as follows:

For Tranche 1 amounting to \$99,200

- Repayment due date is December 31, 2025;
- Interest rate is 11%;
- Quarterly interest payments through December 31, 2025;
- Monthly principal repayments of \$4,126 from the last day of January 2024 to December 2025; and
- Remaining outstanding amount is to be paid as a lumpsum (including interest) on December 31, 2025.

For Tranche 2 amounting to \$148,800

- Repayment due date is June 30, 2024;
- Interest rate is 11%;
- Quarterly interest payments through June 30, 2024;
- The outstanding amount is to be paid as lumpsum (including interest) on June 30, 2024.

On September 23, 2024, the Company entered into a debt conversion and exchange agreement to convert the balance of all amounts owed by eSite Power Systems AB into convertible debentures. Pursuant to the agreement, long-term loan has been reclassified to convertible debenture (refer Note 14). Hence, the outstanding balance for long term loan as on December 31, 2024 is \$Nil (\$263,400).

For the year ended December 31, 2024, the Company recognized interest expense \$13,828 (2023 - \$10,688), respectively.

- (v) During the year ended December 31, 2022, the Company entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022 to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified that TSX application was time barred and the extension was not granted. Therefore, the November 2019 convertible debentures were reclassified to short term (Note 12) and long term loans. Consequent to the reclassification, the accretion expense has been accelerated to bring the loan to its face value (refer to Note 14). A portion of the convertible debenture holders agreed to waive their demand rights until January 2025 with an outstanding balance as at December 31, 2023 of \$380,000 being recorded as long-term loans.

During the quarter ended September 30, 2024, the Company entered into convertible debenture agreements amounting to \$380,000 and reclassified the long-term loan to convertible debentures (refer Note 14). Hence, the outstanding balance for long term loan as on December 31, 2024, is \$Nil (2023 - \$380,000).

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

- (vi) The Company received loans of \$150,000 and USD 45,000 during the period ended June 30, 2024 at following terms:
- Repayment due date is February 21, 2027;
 - Interest rate is 12% payable at the end of 3-year term; and
 - Issuance of 300,000 warrants subject to TSX approval and valid for 3 years at strike price of \$0.10 each (refer to Note 16).

For the year ended December 31, 2024, the Company recognized interest expense of \$ 21,777 (2023 - \$Nil).

On December 31, 2024, the Company issued 7,615,533 units at \$0.03 per unit for proceeds of \$ 228,466 for the settlement of debts. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026. Refer Note (17) As a result of settlement of debt, the Company recorded an exchange gain of \$4,286 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

- (vii) The Company received loan of \$500,000 from Southern Ontario Fund for Investment in Innovation ("SOFII") at following terms:
- Interest rate of 14%
 - Monthly installments amounting to \$9,370 beginning on August 30, 2024 to June 30, 2031
 - Final payment of \$8,466 on July 30, 2031, being the maturity date

On December 19, 2024, the Company amended the terms of the loan as follows:

- Interest rate of 12%, calculated and payable monthly beginning from January 01, 2025;
- Interest only charged from January 1, 2025 to December 31, 2025;
- Interest accrued from January 1, 2025 to June 30, 2025 will be due on June 30, 2025;
- Monthly interest payments only begin from July 30, 2025 till December 31, 2025;
- Monthly instalments of blended principal and interest of \$9,650.67 from January 1, 2026 till November 30, 2031; and
- Final payment of \$9,346.43 on December 31, 2031, being the maturity date

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of liability component of \$456,938 was determined using a market rate of 13.99%. As a result of revaluation, the Company recorded a gain on modification of debt amounting to \$53,162 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

For the year ended December 31, 2024, the Company recognized interest expense of \$28,840 (2023 - \$Nil).

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

(viii) On December 30, 2024, the Company entered into an agreement with the convertible debenture holder (issued in November 2021) to settle and extinguish the convertible debentures through the issuance of 268,429 common shares in the capital of the Company at a deemed price of \$0.03 per common share and 268,429 warrants to purchase common shares at an exercise price of \$0.05 per common share. Due to the reclassification, the accretion expense has been accelerated to bring the loan to its face value (refer to Note 14). As on December 31, 2024, the TSX regulatory approval was pending, and 268,429 shares have not been issued. Therefore, the convertible debenture related to these shares were reclassified to current portion of long-term loans. The outstanding balance for long term loan as on December 31, 2024, is \$8,053 (2023 - \$Nil).

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

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

2025	1,198,888
2026	2,419,160
2027	237,824
2028	295,808
2028 and thereafter	4,098,120
Total	\$ 8,249,800

14. Convertible Debentures

• Issued in October and November 2021

On November 15, 2021, the Company issued 10% convertible notes in the principal amount of \$4,334,000. The convertible notes mature on October 27, 2025, 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 \$0.40 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.60 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 48 months following the initial Closing Date; and (ii) the date specified in any Warrant Acceleration Notice. Interest on the principal amount outstanding is calculated and payable semi-annually in June and December each year and was first payable on June 30, 2022.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$1.20.

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 \$3,064,921, net of transaction costs of \$166,964, was determined using a market rate of 20%. The value of the equity component amounted to \$1,042,745, net of transaction costs of \$56,902, and deferred taxes of \$276,327.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

14. Convertible Debentures (cont'd...)

• Issued in October and November 2021 (cont'd...)

The transaction costs totaling \$223,866, as described above, comprised of finders' fees amounting to \$131,180 and 319,200 share purchase warrants issued to finders with a fair value of \$41,403 and other costs of \$51,283. Each share purchase warrant entitled the holder to one common share at an exercise price of \$0.40 until October 27, 2025. The share purchase warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 4.0 years, risk-free rate of 1.28%, dividend yield of 0% and volatility of 109%.

On September 20, 2023, the Company amended the terms of the 10% unsecured convertible debentures issued in November 2021 as follows:

- Extending the maturity date of the Debentures from October 27, 2025 to October 27, 2026;
- Decreasing the conversion price of convertible debentures from \$0.40 to \$0.15;
- Decreasing the exercise price of the common share purchase warrants forming part of the units issuable on conversion of the Debentures from \$0.60 per common share to \$0.25 per common share; and
- Extending the terms of warrant from 48 months to 60 months.

As the present value of the cash flows under the new debt instrument differed by less than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was not substantially modified which resulted in modification accounting. Upon amendment, for the convertible debentures issued on October 27, 2021 and November 15, 2021, the fair value of the liability component of \$1,173,475 and \$2,239,171 was determined using a market rate of 22.57% and 20.54%, respectively. As a result of revaluation, the Company recorded gain on modification of convertible debentures issued on October 27, 2021 and November 15, 2021 amounting to \$94,046 and \$152,018, respectively, for the year ended December 31, 2023 gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

• Issued in November 2019

On November 01, 2022, the Company amended the terms of the 10% unsecured convertible debentures issued on November 01, 2019, as follows:

- Extending the maturity date of the Debentures from November 1, 2022, to November 1, 2024;
- Increasing the interest rate under the Debentures from 10% to 12% per annum; and
- Decreasing the exercise price of the common share purchase warrants forming part of the units issuable on conversion of the Debentures from \$0.35 per common share to \$0.32 per common share.

As the present value of the cash flows under the new debt instrument differed by more than 10% from the present value of the remaining cash flows under the terms of the original debt instrument, it was determined that the debt was substantially different which resulted in extinguishment accounting. Upon amendment, the fair value of the liability component of \$587,155, was determined using a market rate of 20%. The value of the equity component, net of deferred taxes was \$39,576. As a result of revaluation, the Company recorded gain on modification of convertible debentures of \$44,226 for the year ended December 31, 2022, within gain on debt modification and settlement (net) on the statement of loss and comprehensive loss.

In the year 2022, the Company had entered into an agreement with the convertible debenture holders (issued in November 2019) to extend the maturity date from November 1, 2022, to November 1, 2024 and was pending TSX regulatory approval. During the year ended December 31, 2023, the Company was notified that TSX application was time barred and therefore the extension was not granted and the Company recategorized these convertible debentures to loan repayable (refer to Note 12 and 13).

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

14. Convertible Debentures (cont'd...)

- **Issued in May 2024**

On May 30, 2024, the Company issued 14% convertible notes in the principal amount of \$1,282,000. The convertible notes mature on May 30, 2027, 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 \$0.10 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.15 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 36 months following the initial Closing Date; and (ii) the date specified in any Acceleration Notice. Interest on the principal amount outstanding is calculated annually and accrued until maturity. The debentures and accrued interest is payable in cash on May 30, 2027.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$0.25.

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 \$931,595, net of transaction costs of \$2,550, was determined using a market rate of 24%. The value of the equity component amounted to \$346,905, net of transaction costs of \$950, and deferred taxes of \$91,930. The transaction costs totaling \$3,500, as described above, pertains to professional fees.

- **Issued in August 2024**

On August 3, 2024, the Company issued 14% convertible notes in the principal amount of \$194,000. The convertible notes mature on August 2, 2027, 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 \$0.10 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.15 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 36 months following the initial Closing Date; and (ii) the date specified in any Acceleration Notice. Interest on the principal amount outstanding is calculated annually and accrued until maturity. The debentures and accrued interest is payable in cash on August 2, 2027.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$0.25.

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 \$141,411 was determined using a market rate of 24%. The value of the equity component amounted to \$52,589 and deferred taxes of \$13,936.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

14. Convertible Debentures (cont'd...)

- **Issued in September 2024**

On September 20, 2024, the Company issued 14% convertible notes in the principal amount of \$60,578. The convertible notes mature on September 19, 2027, 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 \$0.10 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.15 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 36 months following the initial Closing Date; and (ii) the date specified in any Acceleration Notice. Interest on the principal amount outstanding is calculated annually and accrued until maturity. The debentures and accrued interest is payable in cash on September 19, 2027.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$0.25.

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 \$44,157 was determined using a market rate of 24%. The value of the equity component amounted to \$16,421 and deferred taxes of \$4,352.

- **Issued in September 2024 – Navigo Invest AB and Shareholders**

On September 25, 2024, the Company issued 14% convertible notes in the principal amount of \$670,000. The convertible notes mature on September 24, 2027, 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 \$0.10 per unit. Each Warrant will be exercisable to acquire one Common Share at an exercise price of \$0.15 per Common Share, subject to adjustment in certain events, until the date that is the earlier of: (i) 36 months following the initial Closing Date; and (ii) the date specified in any Acceleration Notice. Interest on the principal amount outstanding is calculated annually and accrued until maturity. The debentures and accrued interest is payable in cash on September 24, 2027.

The Company has the right to require the Convertible Debenture holder to convert the principal outstanding on these debentures into units at the conversion price if, for any 10 consecutive days, the VWAP of the Common Shares on TSX-V is greater than \$0.25.

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 \$488,376 was determined using a market rate of 24%. The value of the equity component amounted to \$181,624 and deferred taxes of \$48,130.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

14. Convertible Debentures (cont'd...)

• Convertible Debentures Converted to Shares

During the year ended December 31, 2024, the Company entered into an agreement with the convertible debenture holders (issued in October 2021, November 2021, June 2024, August 2024 and September 2024) to settle and extinguish the convertible debentures through the issuance of 237,366,192 common shares in the capital of the Company at a deemed price of \$0.03 per common share and 214,045,854 warrants to purchase common shares at an exercise price of \$0.05 per common share. Due to the reclassification, the accretion expense has been accelerated to bring the loan to its face value.

As on December 31, 2024, the TSX regulatory approval was pending on one of the convertible debenture holders agreements (issued in November 2021), and 268,429 shares have not been issued. Therefore, the convertible debenture related to these shares were reclassified to current portion of long-term loans. Hence, the outstanding balance for long term loan as on December 31, 2024, is \$8,053 (2023 - \$Nil).

As a result of settlement, the Company recorded a loss on extinguishment of convertible debentures amounting to \$1,243,798 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

Upon conversion of convertible debentures to shares the equity portion of convertible debentures have been moved to reserves amounting to \$1,362,836 with the consolidated statements of changes in shareholders' equity (deficiency).

As at December 31, 2024, the outstanding balances associated with the convertible debenture were as follows:

	December 31, 2024	December 31, 2023
Liability component of debenture	\$ 3,388,394	\$ 3,907,851
Addition	1,605,539	—
Accretion	214,009	322,312
Interest	700,656	521,469
Interest paid	—	(236,082)
Interest recorded in accounts payable and accrued liabilities	(611,818)	(272,457)
Converted to shares	(6,540,578)	—
Loss (gain) on debt extinguishment	1,243,798	(246,064)
Reclass to short-term loans	—	(608,635)
Balance	—	3,388,394
Less: Current portion	—	—
	\$ —	\$ 3,388,394

15. 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 which can be extinguished by paying \$1,875,000 to Grenville (the "Final Repurchase Right").

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.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

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.

On December 18, 2024, the Company entered into an agreement to settle and extinguish the royalty funding debt through the issuance of 29,166,667 common shares in the capital of the Company at a deemed price of \$0.03 per common share and 29,166,667 warrants to purchase common shares at an exercise price of \$0.05 per common share. Pursuant to the agreement, the debt amounting to \$875,000 has been reclassified to common shares at the value of \$583,333 and warrants at the value of \$338,333. As a result of settlement, the Company recorded a loss on extinguishment of royalty funding debt amounting to \$46,667 for the year ended December 31, 2024, on the statement of loss and comprehensive loss.

For the year ended December 31, 2024, the Company incurred interest expense related to its royalty funding amounting to \$30,364 (2023 - \$52,492).

16. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value.

Transactions during the year ended December 31, 2024

- (i) On January 2, 2024, the Company issued 399,942 common shares valued at \$53,992 pursuant to the maturity of RSU's. 159,977 common shares valued at \$11,199 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (ii) On January 9, 2024, the Company issued 72,000 common shares valued at \$5,400 pursuant to the maturity of RSU's. 28,800 common shares valued at \$2,016 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (iii) In connection to receipt of loan on February 22, 2024, the Company issued 300,000 warrants valued at \$11,806 and each is exercisable for one common share at \$0.10 per share until February 21, 2027. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 3 years, risk-free rate of 3.97%, dividend yield of 0% and volatility of 99.19%.
- (iv) On September 1, 2024, the Company issued 12,498 common shares valued at \$3,999 pursuant to the maturity of RSU's. 4,998 common shares valued at \$351 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (v) On September 30, 2024, the Company issued 61,249 common shares valued at \$18,987 pursuant to the maturity of RSU's. 24,499 common shares valued at \$1,715 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

16. Share Capital

Transactions during the year ended December 31, 2024 (cont'd...)

- (vi) On December 31, 2024, the Company completed a private placement through issuance of 13,766,534 units at \$0.03 per unit for proceeds received of \$15,000, amount recorded under subscription receivable amounting to \$72,996 and remaining balance of \$325,000 was adjusted against due to shareholders. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at \$261,567 and \$151,429 respectively, using the relative fair value method.

In connection with private placement, the company issued share issuance cost of \$15,960 (allocated to shares \$10,108 and warrants \$5,852 respectively) and issued 170,234 broker warrants valued at \$1,972. Each broker warrant is exercisable for one common share at \$0.05 per share until December 21, 2026. The stand-alone value of share purchase warrants and broker warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%.

- (vii) On December 31, 2024, the Company issued 237,366,192 units at \$0.03 per unit for the settlement of convertible debentures. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026, except for those held by the management / directors of the Company. The common shares and share purchase warrants were valued at \$4,747,324 and \$2,482,932 respectively, using the relative fair value method. The company recognized loss of \$1,243,798 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

In connection with the above issuance, the company issued share issuance cost of \$14,550 (allocated to shares \$9,559 and warrants \$4,991 respectively). The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%.

- (viii) On December 31, 2024, the Company issued 3,429,333 units at \$0.03 per unit for the settlement of convertible debenture converted to short-term loan. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at \$68,587 and \$39,707 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The company recognized loss of \$5,414 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

- (ix) On December 31, 2024, the Company issued 33,156,800 units at \$0.03 per unit for the settlement of shareholder loan. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at \$663,136 and \$383,911 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The company recognized loss of \$52,343 in the consolidated statement of loss and comprehensive loss due to the settlement of this debt.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

16. Share Capital

Transactions during the year ended December 31, 2024 (cont'd...)

- (x) On December 31, 2024, the Company issued 50,992,663 units at \$0.03 per unit for the settlement of debts. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.05 per share until December 21, 2026. The common shares and share purchase warrants were valued at \$1,019,853 and \$590,426 respectively, using the relative fair value method. The stand-alone value of share purchase warrants is valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The company recognized loss of \$46,667 and \$542,233 in the consolidated statement of loss and comprehensive loss pertaining to the settlement of royalty funding debt and other supplier debts respectively.

In connection with the above issuance, the company issued share issuance cost of \$25,856.

- (xi) In connection to the settlement of debt, the Company issued 5,961,200 warrants valued at \$69,022 and each is exercisable for one common share at \$0.05 per share until December 21, 2026. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 2.0 years, risk-free rate of 2.93%, dividend yield of 0% and volatility of 150.73%. The company recognized gain of \$109,883 in the consolidated statement of loss and comprehensive loss pertaining to the settlement of the debt.

Transactions during the year ended December 31, 2023

- (i) On January 10, 2023, the Company issued 178,502 common shares valued at \$39,870 pursuant to the maturity of RSU's. 59,027 common shares valued at \$5,017 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (ii) On January 19, 2023, the Company issued 3,000,000 common shares at a value of \$240,000 for the acquisition of eSite pursuant to a share purchase and sale agreement (refer Note 5).
- (iii) On January 24, 2023, the Company completed a private placement for the second tranche through issuance of 17,673,175 units at \$0.07 per unit for proceeds of \$1,232,275 and 961,393 units for settlement of \$72,145 in debt. Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at \$0.12 per share until December 21, 2027. The common shares and share purchase warrants were valued at \$735,187 and \$569,233 respectively, using the relative fair value method.

In connection with private placement, the company issued share issuance cost of \$68,961 and issued 340,018 broker warrants valued at \$21,109. Each broker warrant is exercisable for one common share at \$0.07 per share until December 21, 2027. The stand-alone value of share purchase warrants and broker warrants were valued using the Black-Scholes valuation model with the following assumptions: expected life of 5.0 years, risk-free rate of 3.07%, dividend yield of 0% and volatility of 116%.

- (iv) In connection to services provided for merger and acquisition research and assistance, on June 1, 2023, the Company issued 360,000 warrants values at \$16,078 and each is exercisable for one common share at \$0.06 per share until May 31, 2028. The stand-alone value of warrants was valued using the Black-Scholes valuation model with the following assumptions: expected life of 5.0 years, risk-free rate of 3.41%, dividend yield of 0% and volatility of 116%.
- (v) On June 30, 2023, the Company issued 1,164,148 common shares valued at \$139,698 pursuant to the maturity of RSU's. 465,660 common shares valued at \$23,283 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

16. Share Capital (cont'd...)

Transactions during the year ended December 31, 2023 (cont'd...)

- (vi) On July 15, 2023, the Company amended its existing loan agreement with BDC (refer to Note 13) and issued 4,900,000 common shares at a value of \$245,000 for settlement of accrued interest amounting to \$343,000 until June 30, 2023.
- (vii) On September 29, 2023, the Company issued 74,164 common shares valued at \$25,120 pursuant to the maturity of RSU's. 29,664 common shares valued at \$1,187 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.
- (viii) On November 3, 2023, the Company issued 104,166 common shares valued at \$43,333 pursuant to the maturity of RSU's. 41,666 common shares valued at \$1,875 were withheld by the Company for settlement of payroll taxes on behalf of the RSU holders.

Treasury Shares

As at December 31, 2024, the Company holds 233,913 (December 31, 2023 – 233,913) treasury shares.

17. Reserves

a. Options

Under the Company's stock option plan, the Company may, at its discretion, grant stock options to its directors, officers, and employees. Unless specified within the option agreement, all stock options vest equally over 4 years. All stock options have a maximum term of 7 years from the date of the grant.

Below is a continuity of stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Stock options outstanding - December 31, 2023	9,742,282	\$ 1.23
Stock options exercised	—	—
Stock options issued	20,000	0.09
Stock options forfeited	(1,507,579)	(0.14)
Stock options outstanding - December 31, 2024	8,254,703	\$ 1.18

For the year ended December 31, 2024, the Company recognized \$207,818 (2023 - \$164,562) of share-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:

	December 31, 2024	December 31, 2023
Expected option life (years)	5	5
Volatility	119%	116%-118%
Risk-free interest rate	3.36%	2.88% - 4.33%
Dividend yield	—	—

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

17. Reserves (cont'd...)

a. Options (cont'd...)

Options outstanding and exercisable at December 31, 2024 were comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of options	Number of options exercisable
\$ 0.52	20-Apr-25	0.30	247,394	247,394
1.65	29-May-25	0.41	201,334	189,375
0.77	30-Jun-25	0.50	94,242	94,242
0.32	30-Sep-25	0.75	6,667	6,254
0.52	11-Dec-25	0.95	236,590	236,590
1.08	02-Jan-26	1.01	36,000	36,000
3.45	30-Apr-26	1.33	933,083	933,083
4.76	31-Aug-26	1.67	229,467	201,441
1.12	17-Nov-26	1.88	11,900	8,944
0.50	31-Oct-27	2.83	13,172	13,172
0.56	31-Dec-27	3.00	1,163,020	1,163,020
0.24	31-Jan-28	3.08	300,000	137,500
2.16	31-May-28	3.42	1,631,834	1,295,876
0.06	07-Aug-28	3.60	40,000	30,000
0.04	27-Sep-28	3.74	900,000	450,000
0.59	31-Dec-28	4.00	2,190,000	2,190,000
\$ 0.09	04-Jan-29	4.01	20,000	—
Total			8,254,703	7,232,889

b. Share purchase warrants

The following is a summary of changes in share purchase warrants from to December 31, 2023 to December 31, 2024:

	Number of Warrants	Weighted Average Exercise Price
Share purchase warrants - December 31, 2022	36,380,797	\$ 0.23
Granted	19,334,586	0.12
Expired	(7,648,317)	(0.53)
Share purchase warrants - December 31, 2023	48,067,066	\$ (0.14)
Granted	321,822,708	0.04
Expired	(525,091)	(0.50)
Share purchase warrants - December 31, 2024	369,364,683	\$ (0.60)

Share purchase warrants outstanding and exercisable at December 31, 2024 are comprised of the following:

Exercise price	Expiry date	Remaining contractual life (years)	Number of Warrants
\$1.09	11-Feb-25	0.12	15,957
\$0.08	29-Apr-25	0.33	5,822,554
\$0.08	20-May-25	0.38	3,843,782
\$0.01	31-Dec-26	2.00	321,522,708
\$0.07	21-Feb-27	2.14	300,000
\$0.07	21-Dec-27	2.97	18,525,096
\$0.06	24-Jan-28	3.07	18,974,586
\$0.04	31-May-28	3.42	360,000
Total			369,364,683

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

17. Reserves (cont'd...)

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.

Transactions during the year ended December 31, 2023

- On January 4, 2023, the Company granted 72,000 RSUs to directors. The RSU's vest on January 3, 2024.
- On May 1, 2023, the Company granted 20,000 RSU's to an employee. The RSU vests on April 30, 2024. The said RSU's were subsequently forfeited.

The fair value of all RSUs granted was based on the share price at the date of grant. As of December 31, 2024, there were \$Nil (2023 – 600,272) RSUs outstanding. For the year ended December 31, 2024, the Company recognized \$4,548 (2023 - \$91,545) respectively, of share-based compensation expense in relation to the RSUs.

18. 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:

	December 31, 2024	December 31, 2023
Salaries and benefits, including bonuses	\$ 347,623	\$ 640,952
Share-based compensation	134,903	155,452
Total	\$ 482,526	\$ 796,404

The remuneration related to share-based compensation in the table above represents the fair value of the stock options and RSUs issued and vested to key management during each year.

As of December 31, 2024, amounts owing to key management in connection with reimbursement of business expenses, deferred salaries, and convertible debentures was \$10,005 (2023 - \$387,128). The Company has obtained advances from shareholders and key management during the year ended December 31, 2024 (refer to Note 19).

19. Due to Shareholders

As of December 31, 2023, the Company obtained interest-free and unsecured advances from shareholders and key management amounting to \$1,313,130 which have been fair valued at inception using a discount rate of 12% amounting to \$1,153,464. The shareholders have confirmed in writing not to demand repayment within next 12 months and hence, these advances have been disclosed as other long-term liabilities. The day-one gain of \$159,665 has been recorded as share capital and accretion expenses amounting to 12,918 has been recorded during the year ended December 31, 2023, which will be accreted as interest expenses over the term of the loan.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

19. Due to Shareholders (cont'd...)

As of December 31, 2024, the Company obtained interest-free and unsecured advances from shareholders and key management amounting to \$317,000. The shareholders have confirmed in writing not to demand repayment within next 12 months and hence, these advances have been disclosed as other long-term liabilities.

On December 31, 2024, the Company issued units at \$0.03 per unit for the settlement of due to shareholders amounting to \$1,319,704 [refer Note 16 (vi) and (ix)] post making repayment amounting to \$324,277.

For the year ended December 31, 2024, the Company accrued interest expense of \$160,549 (2023 - \$12,918) on the outstanding amount of \$Nil being due to shareholders (2023 - \$1,166,382).

20. 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:

	December 31, 2024	December 31, 2023
Shares options	8,254,703	9,742,282
Warrants	369,364,683	48,067,066
RSUs	—	600,272
Total	377,619,386	58,409,620

Expenses related to the warrants and RSUs are included in share-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 17.

21. Capital Risk Management

Capital is comprised of the components of the Company's shareholders' equity (deficiency). At December 31, 2024, the Company's shareholders' deficiency was \$4,483,796 (2023 - \$4,535,741) and the Company's debt was \$6,625,497 (2023 - \$12,540,061).

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 year ended December 31, 2024.

The Company is dependent on cash flows generated from its operations, government grants 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 subject to Capital restrictions (refer to Note 13) and there have been no changes to the Company's approach to capital management for the years presented.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

22. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended	
	December 31, 2024	December 31, 2023
Net loss before taxes for the year	\$ (11,179,488)	\$ (3,893,799)
	26.5%	26.5%
Expected income tax (recovery)	\$ (2,943,000)	\$ (1,035,000)
Change in statutory, foreign tax, foreign exchange rates & others	3,238,000	(351,000)
Bargain purchase gain, and other non-deductible expenses or non-taxable income	(25,000)	(26,000)
Convertible debenture and other loans	1,665,000	252,000
Share issue costs booked through equity	57,000	(18,000)
Adjustment to prior years provision versus statutory tax returns	(1,110,000)	(87,000)
Change in unrecognized deductible temporary differences	(882,000)	1,265,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2024	December 31, 2023
Deferred tax assets (liabilities)		
Share issue costs	-	-
Capital lease obligation	-	-
Non-capital losses	1,888,000	489,000
Property & equipment and ROU assets	27,000	3,000
Convertible debenture & other loans	(1,915,000)	(492,000)
Net deferred tax asset (liability)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2024	December 31, 2023	Expiry Date Range
Temporary Differences			
Research & development tax credits and other	8,686,000	8,686,000	2035 to 2040
Property & equipment and ROU assets	-	-	No expiry date
Capital lease obligation	169,000	169,000	No expiry date
Share issue costs	427,000	427,000	2041 to 2044
Non-capital losses available for future periods	26,686,000	26,686,000	2033 to 2040
	35,968,000	25,632,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

23. 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.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

As at December 31, 2024, the Company's financial instruments consist of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, debt, convertible debentures, and royalty funding. The fair values of cash, accounts receivable and other receivables, accounts payable and accrued liabilities, debt, and royalty funding approximate their carrying values due to their nature.

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 and floating interest rates and the risk of fluctuating future cash flows resulting from changes in market interest rates is not expected to be significant.

(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") and in Swedish Krona (SEK) 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):

	December 31, 2024	December 31, 2023
Cash	\$ 45,650	\$ 150,193
Accounts receivable and other receivables	584,122	1,543,357
Accounts payable and accrued liabilities	\$ 442,932	\$ 985,676

A change in foreign currency exchange rates by 10% would change the foreign exchange gain or loss on the Company's net monetary assets by approximately \$18,684 as at December 31, 2024 (2023 - \$70,787).

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

	December 31, 2024	December 31, 2023
Cash	\$ 21,988	\$ 11,760
Accounts receivable and other receivables	272,324	92,398
Accounts payable and accrued liabilities	\$ 1,020,581	\$ 670,914

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

(iii) Foreign currency risk (cont'd...)

A change in foreign currency exchange rates by 10% would change the foreign exchange gain or loss on the Company's net monetary assets by approximately \$72,627 as at December 31, 2024 (2023 - \$56,676).

(iv) 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 82% at December 31, 2024 (2023 – three customers represented 96%) 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 December 31, 2024:

	December 31, 2024	December 31, 2023
Current (not past due)	\$ 313,671	\$ 161,388
0 - 30 days past due	24,737	790,216
31 - 60 days past due	489	23,482
61 - 90 days past due	16,949	91,824
Over 90 days past due	33,043	489,396
Total	\$ 388,889	\$ 1,556,306

The Company is also exposed to economic dependence risk with respect to its sources of revenue. For the quarter ended December 31, 2024, five customers represented 67% (2023 - five customers represented 61%) of its total revenue.

(v) 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 December 31, 2024, the Company's current assets exceeded its current liabilities by \$928,283 (2023 - \$965,534).

The Company's revolving credit facility is amended to \$750,000 as at August 30, 2022 and contractual maturities of the Company's long-term debt are outlined in Note 13 and 14 to the consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities have maturities within 12 months of the Company's period end.

The Company is contracted to receive a \$4,000,000 interest free loan through Feddev under the Jobs and Growth Fund. The Company has received \$4,000,000 as at December 31, 2024.

The Company signed a 7-year loan of \$500,000 with interest payable at 12% compounded annually with Southern Ontario Fund for Investment in Innovation (SOFII). The loan was disbursed on August 6, 2024.

Furthermore, the Company has been approved for a government grant of \$5,000,000 from SDTC. The Company has received \$1,514,518 (2023 - \$\$1,098,147) on milestones completed. Additionally, the Company completed substantial work on upcoming milestone and therefore, accrued an amount of \$1,041,904 accordingly.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

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

(v) Liquidity risk

The Company received an approval for a grant of \$750,000 from National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). On March 22, 2024, the Company got approved for an additional IRAP grant of \$125,000 as an amendment to the original funding agreement and received \$125,000 during the year ended December 31, 2024 in connection with the grant.

During the year ended December 31, 2024, the Company received \$239,177 as Ontario Innovation tax credits pertaining to fiscal year 2023. Additionally, the Company performed substantial work on upcoming research and development project and therefore, accrued an amount of \$240,000 accordingly.

24. Commitments

As explained in Note 15, the Company is committed to pay Grenville annually an amount equal to 1.125% of its annual revenue, unless "Final Repurchase Right" is availed by paying out \$1,875,000.

The final repurchase right was mutually amended to \$875,000 and was settled by issuing shares of the company on December 31, 2024.

25. 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:

	December 31, 2024	December 31, 2023
Canada	\$ 214,608	\$ 793,471
USA	658,180	1,127,322
MEA	1,707,752	2,620,733
Other	177,755	862,063
Total	\$ 2,758,295	\$ 5,403,589

All non-current assets are located in Canada and Sweden.

26. Government Grants

The Government of Canada provides interest-free financing to companies through Feddev and its job and growth fund. During the year ended December 31, 2024, the Company recognized \$291,857 (2023 - \$566,486) as Government grants, being the difference between the fair value of the loan liability and cash received from Feddev (refer to Note 12).

27. Supplemental Cash Flow Information

During the year ended December 31, 2024, inventory reclassified to deferred costs amounted to \$77,550 (2023 - \$58,704). The outstanding share issuance cost amounting to \$45,154 is included in accounts payable and accrued liabilities. There was no income taxes paid during the year ended December 31, 2024.

Clear Blue Technologies International Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

28. Subsequent events

The Company has evaluated subsequent events through April 30, 2025, which is the date the condensed interim consolidated financial statements were issued and determined the following significant events to report.

Subsequent to the financial statement date, the company was able to replace the revolving credit facility (note 12) and entered into a series of agreements with a financial institution to take over the facility with a structured package comprising equity, royalty payments, and a term loan. This resulted in the replacement of the Company's \$750,000 banking facility as outlined below:

- **Debt-to-Equity Conversion:** CAD 250,000 was converted into 1,388,889 post-consolidation equity units, each consisting of one common share (issued at CAD 0.18) and one warrant (exercise price of CAD 0.30, expiring in 24 months).
- **Royalty Agreement:** CAD 316,114 was converted into a 15-year royalty obligation of 0.75% on consolidated gross revenues, capped at CAD 750,000.
- **Secured Term Loan:** A new CAD 375,000 secured term loan (12% annual interest, payable quarterly) was issued, maturing 12 months from the closing date.

Additionally, the Company's financing arrangement with BDC Capital was amended to defer principal repayments, which will now commence on July 15, 2025, with structured monthly instalments and a final balloon payment due July 15, 2028.