UGE INTERNATIONAL LTD.

Consolidated Financial Statements

Years ended December 31, 2019 and 2018

(Expressed in United States dollars)

Independent Auditor's Report

To the Shareholders of UGE International Ltd.:

Opinion

We have audited the consolidated financial statements of UGE International Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years 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, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years 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 Consolidated 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 indicates that the Company incurred a net loss of $2,507,651 and negative cash flows from operations of $1,490,180 during the year ended December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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. 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 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.

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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Isabella Lee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 5, 2020 — Licensed Public Accountant

MNP LLP

UGE INTERNATIONAL LTD.

Consolidated Statements of Financial Position as at December 31,
(Expressed in United States dollars)

	2019	2018
Assets		
Current assets		
Cash	$ 206,433	$ 121,735
Restricted cash (Note 4)	299,369	1,025,667
Trade and other receivables (Note 5)	1,991,307	3,795,150
Prepaid expenses and deposits	353,633	241,742
	2,850,742	5,184,294
Non-current assets		
Plant and equipment (Note 6)	494,828	35,192
Deferred tax assets (Note 15)	1,083	1,035
Total assets	$ 3,346,653	$ 5,220,521
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 4,857,467	$ 5,929,619
Lease payable - Current (Note 7)	48,405	-
Loans payable - Current (Note 10)	2,522,571	1,735,528
Deferred revenue	656,852	622,146
	8,085,295	8,287,293
Non-current liabilities		
Lease Payable (Note 7)	10,436	-
Loans payable (Note 10)	1,800,243	1,579,470
	9,895,974	9,866,763
Shareholders' deficiency		
Share capital (Note 11)	20,050,151	19,592,790
Contributed surplus	4,785,838	4,464,701
Accumulated other comprehensive (loss) income	(26,252)	147,674
Accumulated deficit	(31,359,058)	(28,851,407)
	(6,549,321)	(4,646,242)
Total liabilities and shareholders' deficiency	$ 3,346,653	$ 5,220,521

Reporting entity and going concern (Note 1)
Contingencies (Note 13)
Subsequent events (Note 18)

Approved on behalf of the Board:

"Nicolas Blitterswyk"
Director, President & Chief Executive Officer

"Jian Yang"
Director

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

UGE INTERNATIONAL LTD.

Consolidated Statements of Operations and Comprehensive Loss
for the years ended December 31,
(Expressed in United States dollars)

		2019		2018
Revenue	$	5,061,859	$	17,192,220
Cost of Sales		(3,714,489)		(15,543,859)
Gross profit		1,347,370		1,648,361
Operating expenses				
Selling, general, and administrative (Note 16)		(3,136,649)		(5,119,194)
Project-related loss (Note 13)		-		(1,013,006)
Share-Based Compensation (Note 11)	-	(172,854)		(277,646)
Loss from operating activities		(1,962,133)		(4,761,485)
Bad Debts		(245,904)		-
Other Income		187,653		-
Impairment loss (Note 8)		-		(2,859,383)
Loss on disposition		-		(121,815)
Gain on conversion of debt to equity (Note 11)		2,687		2,535,410
Finance expense		(417,133)		(839,227)
Finance income		11,036		10,681
Accretion expense		(70,959)		(13,862)
Net Loss before income taxes		(2,494,753)		(6,049,681)
Income tax expense (Note 15)		(12,898)		(93,746)
Loss for the year		(2,507,651)		(6,143,427)
Other comprehensive (loss) income items that are or may be reclassified to profit or loss				
Foreign currency translation differences		(173,926)		(39,690)
Comprehensive loss for the year	$	(2,681,577)	$	(6,183,117)
Loss per share attributable to the shareholders of the Company				
Loss for the year - basic and diluted	$	(0.13)	$	(0.53)
Weighted average number of shares				
Basic and diluted		19,510,263		11,680,103

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

UGE INTERNATIONAL LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2018 and 2019
(Expressed in United States dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2018	$ 16,575,247	$ 3,969,150	$ 187,364	$ (22,707,980)	$ (1,976,219)
Net loss for the Year	-	-	-	(6,143,427)	(6,143,427)
Amount issued on the conversion of restricted share units	2,510	(2,510)	-	-	-
Offering of share units, net of share costs	190,428	144,960	-	-	335,388
Shares for services	112,853	-	-	-	112,853
Shares for debt, net of transaction costs	2,711,752	-	-	-	2,711,752
Conversion feature	-	75,455	-	-	75,455
Share-based compensation	-	277,646	-	-	277,646
Foreign currency translation differences	-	-	(39,690)	-	(39,690)
Balance - December 31, 2018	$ 19,592,790	$ 4,464,701	$ 147,674	$ (28,851,407)	$ (4,646,242)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2019	$ 19,592,790	$ 4,464,701	$ 147,674	$ (28,851,407)	$ (4,646,242)
Net loss for the Year	-	-	-	(2,507,651)	(2,507,651)
Offering of share units, net of share costs	293,167	148,283	-	-	441,450
Shares for debt, net of transaction costs	164,194	-	-	-	164,194
Share-based compensation	-	172,854	-	-	172,854
Foreign currency translation differences	-	-	(173,926)	-	(173,926)
Balance - December 31, 2019	$ 20,050,151	$ 4,785,838	$ (26,252)	$ (31,359,058)	$ (6,549,321)

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

UGE INTERNATIONAL LTD.

Consolidated Statements of Cash Flows for the years ended December 31,
(Expressed in United States dollars)

	2019	2018
Cash flow used in operating activities		
Net loss	$ (2,507,651)	$ (6,143,427)
Adjustment for:		
Depreciation and amortization	49,865	31,446
Bad Debts	245,905	-
Impairment loss	-	2,859,383
Income tax expense	12,898	93,746
Share-based compensation	172,854	277,646
Gain on conversion of debt to equity	(2,687)	(2,535,410)
Net finance expense	406,097	828,546
Accretion expense	70,959	13,862
Gain/Loss on Disposal	11,863	-
Loss from write-off of leasehold improvements	-	121,815
	(1,539,897)	(4,452,393)
Change in trade and other receivables	1,736,894	3,436,879
Change in inventory	-	152,703
Change in prepaid expenses and deposits	(102,322)	129,381
Change in accounts payable and accrued liabilities	(1,190,143)	817,171
Change in Office lease	(33,159)	-
Change in Warranty provision	(88,202)	-
Change in deferred revenue	12,374	(2,084,472)
	(1,204,455)	(2,000,731)
Income taxes recovered	-	11,276
Net finance expenses paid	(285,725)	(444,826)
Cash used in operating activities	(1,490,180)	(2,434,281)
Cash flow used in investing activities		
(Addition) decrease to restricted cash	770,606	(500,668)
(Addition) decrease to plant and equipment	(428,030)	23,079
Cash from investing activitiies	342,576	(477,589)
Cash flow from financing activities		
Proceeds on issue of share capital and warrants, net of issuance costs	-	267,564
Net proceeds from equity financing	441,534	-
Net proceeds of loans payable	801,877	1,434,506
Cash from financing activities	1,243,411	1,702,070
Decrease in cash for the year	95,807	(1,209,800)
Effect of exchange rate fluctuations on cash	(11,109)	(58,892)
Cash, at beginning of Year	121,735	1,390,427
Cash, at end of Year	$ 206,433	$ 121,735

Non-cash transactions:		
Shares for debt	$ 164,194	$ 2,711,752

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

1. Reporting entity and going concern

(a) Reporting entity

UGE International Ltd. (the "Company" or "UGE") is incorporated under the laws of the Province of Ontario and its common shares are listed on the TSX Venture Exchange under the symbol "UGE". The Company's registered office is located at 330 West 38th Street, Suite 1103, New York, New York, United States. The principal business activity of the Company is to provide renewable energy solutions to its clients. Primarily, it provides project development, engineering, and project management work in the commercial solar sector.

(b) Going concern

These consolidated financial statements have been prepared assuming the Company will continue as a going concern, notwithstanding that the Company has a working capital deficiency, has incurred losses from operations, and is in discussions with its bank regarding its revolving credit facility (Note 10) as of the approval date of these consolidated financial statements. During the year ended December 31, 2019, the Company had a consolidated net loss of $2,507,651 and negative cash flow from operations of $1,490,180. As at December 31, 2019, the Company had restricted cash of $299,369 and unrestricted cash of $206,433, a working capital deficiency of $5,234,553, and shareholders' deficiency of $6,549,321.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon achieving sustained profitability and the ability to raise additional debt or equity financing to fund its current and any future working capital deficits. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereof, the public policy environment for renewable energy solutions, the Company's ability to raise sufficient equity and/or debt financing, the ability of the Company to work with its bank to resolve any defaults of its loan agreement as they may arise, and general global economic conditions, certain of which are beyond the Company's control. The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued focus on renewable energy solutions, revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more of loans and equity investments. There are no guarantees that the funds raised will be sufficient to sustain the Company's ongoing operations beyond twelve months or that additional debt or equity financing will be available to the Company or available at acceptable terms. Failure to implement the Company's business plan or the ability for the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are material risks and uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and were approved for issuance by the Board of Directors on May 5, 2020.

(b) Basis of presentation and accounting

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("USD"). The functional currency of the Company, UGE Consulting Services Co. Ltd. (“UGE Consulting”), UGE Project Holdco Ltd. (“UGE Holdco”), UGE Project Development Holdco (“UGE DevCo”) and UGE Canada RE Ltd. (“UGE Canada”, refer to Note 18 for amalgamation) is the Canadian dollar ("CAD"); the functional currency of UGE USA Inc. (“UGE USA”) is USD; and the functional currency of UGE Philippines Inc. (“UGE Philippines”) is Filipino pesos ("PhP").

(d) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

(e) Accounting assumptions, estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these amounts.

Critical judgments that management has made in applying the Company’s accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include: assessment of the Company's ability to continue as a going concern (Note 1(b)); and determination of the functional currency of the principal operations of the Company (Note 2(c)).

Significant areas having estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

2. Basis of preparation (continued)

(i) Allowances for expected credit losses

An ‘expected credit loss’ impairment model applies to financial assets measured at amortized cost using the effective interest method, less a provision for ECL, which requires a loss allowance to be recognized based on expected credit losses. 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 probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. The default rate is subject to significant estimate and judgement.

(ii) Stock-based compensation

The Company uses the Black-Scholes options pricing model to determine the amount of stock-based compensation. Such models require assumptions related to share price volatility, expected life of options and discount rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

(iii) Percentage of completion calculation

The Company measures the stage of completion based on the costs incurred to date compared to the total estimated costs for the project. The total estimated costs requires professional judgement and changes to these estimates may affect revenue, unbilled revenue and deferred revenue.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary entities which are controlled by the Company. Subsidiaries (referred in Note 2(c)) are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances and transactions are eliminated on consolidation.

3. Significant accounting policies (continued)

(b) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated to write off the cost of items of plant and equipment less the estimated residual value over the estimated useful lives of the assets on a straight-line basis and is recognized in profit or loss. The estimated useful lives of plant and equipment:

Office equipment	3 to 5 years
Vehicles	4 to 5 years
Leasehold Improvements	5 years
Right-of-use (“ROU”) assets	lease term (2 years)

Depreciation methods and useful lives are reviewed at each financial period and adjusted if appropriate.

Gains and losses on disposal of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized net within other income in profit or loss.

(c) Construction-in-Progress

The Company has three self-owned and self-financed projects under UGE USA. The Company will be the owner operator of these projects once the construction is completed.

Construction-in-Progress is not depreciated until available for use. Once the projects are in commercial operation, they are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the construction of the assets.

Once the systems are fully constructed, depreciation is calculated to write off the cost of solar systems captured in work-in progress less the estimated residual value over the estimated useful lives of the assets on a straight-line basis and is recognized in profit or loss. The estimated useful lives of the solar systems once constructed is 25 years.

Depreciation methods and useful lives are reviewed at each financial period and adjusted if appropriate.

Gains and losses on disposal of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized net within other income in profit or loss.

(d) Goodwill

Goodwill arising from acquisition of subsidiaries is measured at cost less accumulated impairment losses.

3. Significant accounting policies (continued)

(e) Inventory

When applicable, inventory is recorded at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost principle, and includes expenditures incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would impair the value of inventory on hand.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

(g) Share-based compensation

The Company records share-based compensation related to its Restricted Share Units (“RSUs") and stock options granted. Share-based compensation for RSU’s is measured at fair value based on the share price of the Company’s shares on the date of grant. Share-based compensation for stock options is measured at fair value using a Black-Scholes option pricing formula. Compensation cost is recognized as employee benefits expense over the vesting period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect only the number of awards for which related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

For equity-settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received. If the fair value cannot be estimated reliably, then the Company would use the fair value of equity. The Company has no cash-settled share-based payment transactions.

3. Significant accounting policies (continued)

(h) Revenue recognition

The Company generates revenues from project development, engineering, and consulting services, and the deployment (procurement of equipment and project management) of renewable energy projects.

Revenue from Contracts with Customers

The Company recognizes revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Company uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Change orders and claims

Change orders and claims, referred to as contract modifications were previously recognized as per guidance provided in IAS 11, Construction Contracts ("IAS 11"). Under such guidance, revenue can be recognized on contract modifications only when certain conditions are met, including the fact that it is probable the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications. Such guidance is based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given that under IAS 11, the Company had only recognized contract modifications that have been approved by customers the new higher level of probability to be applied under IFRS 15 had no impact on revenue recognition by the Company.

Measure of anticipated revenues and determination of progress

For revenue recognized based on the stage of completion method using cost input method, the Company reviewed its project costs on contracts to determine if each of these costs is contributing to the transfer of control of goods or services to the customer. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized over the life of the project.

Engineering and Consulting Services

Revenue from engineering and consulting engagements are recognized when the services have been performed and collection of the receivable is reasonably assured.

3. Significant accounting policies (continued)

(i) Financial instruments

Financial Assets

Financial assets are classified as either financial assets at Fair Value through Profit and Loss (FVTPL), amortized cost, or Fair Value through Other Comprehensive Income (FVTOCI). The Company determines the classification of its financial assets at initial recognition.

(i) Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise.

(ii) Financial assets at FVTOCI

Financial assets at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(iii) Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

The Company’s cash and restricted cash are classified as FVTPL and, trade and other receivables excluding HST and VAT receivables are classified as amortized cost.

3. Significant accounting policies (continued)

Financial liabilities

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, long-term debt, convertible debentures, and royalty funding.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method ("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.

(iv) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

3. Significant accounting policies (continued)

(v) Impairment – Non-financial assets

Non-financial assets, such as plant and equipment and goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested at least annually for impairment.

For the purposes of impairment testing, assets 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 groups of assets (a "CGU"). Goodwill arising from a business combination is allocated to CGU's that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows 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 or CGU. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(j) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency is translated at the exchange rates in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in other than the functional currency is translated using the exchange rate at the date of the transaction. The resulting exchange gains and losses are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations with functional currencies other than the USD presentation currency are translated into the presentation currency at exchange rates prevailing at the reporting date. Their income and expense items are translated into the presentation currency at average exchange rates for the period. Exchange differences arising on the translation are recognized in accumulated other comprehensive income in shareholders' deficiency.

3. Significant accounting policies (continued)

(k) Income taxes

Income tax expense comprises of current tax expense and deferred tax expense. Current and deferred taxes are recognized as an expense or recovery and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognized in other comprehensive income or directly in shareholders' deficiency.

Current tax expense is the amount of income taxes payable (recoverable) in respect of the taxable income (tax loss) for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the consolidated statements of financial position and its tax base, the carry-forward of unused tax loses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply when the asset or liability is expected to be realized or settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

(l) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets, head office expenses, and income tax assets and liabilities. The Company's sales geographic areas have been organized based on its principal operations in the US, Canada, and the Philippines, as well as its engineering and consulting line of business which is not geographically concentrated (Note 12).

3. Significant accounting policies (continued)

(n) Business combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, Income Taxes. To the extent that the aggregate of the fair value of consideration paid, the amount of any noncontrolling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

(o) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding using the treasury method and assume conversion of all dilutive potential common shares.

(p) *Compound instruments*

The component parts of compound instruments (e.g., debt issued with a conversion feature along with convertible securities) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option and warrants that will be settled by the exchange of a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features and warrants. This amount is recorded as a liability at the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date. The conversion features and convertible securities classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and convertible securities classified as equity will remain in equity until the conversion option or warrants are exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature and warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the convertible securities. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

3. Significant accounting policies (continued)

(q) New standards, amendments, and interpretations

IFRS 16 – Leases - In January 2016, the IASB issued IFRS 16. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting under IFRS 16 is substantially unchanged, lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between an operating or finance lease. This standard is effective for annual periods beginning on or after January 1, 2019.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right-of-use to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense or fair value gain (loss) on the right-of-use asset, depending on the statement of financial position classification of the asset. The standard includes two recognition exemptions for leases; leases of ‘low-value’ assets ($10,000) and short-term leases. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The Company has one lease which falls within the scope of IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. The adoption of this standard increased total assets by approximately $92,000 by recording a ROU asset on adoption. There was an increase in liabilities as a corresponding liability being recorded in the consolidated financial statements using an incremental borrowing rate of 13.5% and an expiry of February 2021. The Company also elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease under IAS 17, Leases or IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The Company determines at the inception of a contract if the arrangement is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The criteria specified in IFRS 16 apply to contracts entered into, or changed, on or after January 1, 2019. For the Company’s leases as lessee, the Company applies the practical expedient which is available by asset class not to allocate contract consideration between lease and non-lease components. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less (“short-term leases”) and leases of low value assets (“low-value leases”). For these leases, the Company recognizes the lease payments as an expense on a straight-line basis over the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease if that rate can be readily determined. If the rate implicit in the lease cannot be readily determined, the Company uses the incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

(Amounts expressed in United States dollars, unless otherwise indicated)

4. Restricted cash

As at December 31, 2019, the Company has restricted cash of $299,369 (December 31, 2018 - $1,025,667) related to cash security for a construction financing facility (Note 10).

5. Trade and other receivables

	2019	2018
Trade receivables	$ 1,415,811	$ 2,421,469
Unbilled revenue	483,819	1,318,079
Withholding tax and sales tax receivables	91,677	55,602
	$ 1,991,307	$ 3,795,150

Trade receivables are reviewed for impairment on a case by case basis and are provided for based on the deterioration of credit risk since initial recognition, at which time a provision is recognized in the consolidated statements of operations and comprehensive loss within selling, general, and administrative expenses. If the credit risk has not increased significantly, allowances are based on 12 month expected losses. If the credit risk has increased significantly and if the receivable is impaired, the allowances will be based on lifetime expected losses. Subsequent recoveries of amounts previously provided for are credited against selling, general, and administrative expenses in the consolidated statements of operations. For the year ended December 31, 2019, there was an allowance for expected credit losses of $74,657 (2018 – 256,693) in addition to $171,000 written off during the year. As at December 31, 2019, the allowance for expected credit losses provided against accounts receivable was $176,705 (2018 - $102,047).

(Amounts expressed in United States dollars, unless otherwise indicated)

6. Plant and equipment

		Office equipment		Right-of-use Asset		**Total**
Cost						
Balance as at January 1, 2019	$	55,045	$	-	**$**	**55,045**
Additions		25,961		92,000		**117,961**
Disposals		(56,681)		-		**(56,681)**
Foreign exchange difference		-		-		**-**
Balance as at December 31, 2019		24,325		92,000		**116,325**
Foreign exchange difference		2,075		-		**2,075**
Balance as at December 31, 2019	$	26,400	$	92,000	**$**	**118,400**
Accumulated depreciation						
Balance as at January 1, 2019	$	19,853	$	-	**$**	**19,853**
Depreciation expense		7,403		42,462		**49,865**
Disposals		(27,848)		-		**(27,848)**
Foreign exchange difference		-		-		**-**
Balance as at December 31, 2019		(592)		42,462		**41,870**
Foreign exchange difference		9,732		-		**9,732**
Balance as at December 31, 2019	$	9,140	$	42,462	**$**	**51,602**
Carrying amounts						
December 31, 2019	$	17,260	$	49,538	**$**	**66,798**
Construction-in-progress		-		-		428,030
Total Plant and equipment					**$**	**494,828**

(Amounts expressed in United States dollars, unless otherwise indicated)

6. Plant and equipment (continued)

Construction-in-Progress – As at December 31, 2019, the Company began construction on three self-owned and self-financed projects to be operated by UGE USA. All costs of construction, including materials purchased and subcontractor labour are capitalized and recorded as construction-in-progress. At fiscal year-end, balances per project are as follows:

	2019
Construction-in-progress:	
SebCap - 100 Paragon	236,696
SebCap - 25 Phillips	106,725
Springfield Brinks	84,609
	428,030

Right-of -Use Asset

The Company has an office lease expiring in February 2021. The present value was calculated using an interest rate of 13.5%.

(Amounts expressed in United States dollars, unless otherwise indicated)

6. Plant and equipment (continued)

	Office equipment	Leasehold improvements	Vehicles	**Total**
Cost				
Balance as at January 1, 2018	$ 181,922	$ 120,440	$ 19,017	**$ 321,379**
Disposals	(117,964)	(116,313)	(18,365)	**(252,642)**
Foreign exchange difference	-	-	-	**-**
Balance as at December 31, 2018	63,958	4,127	652	**68,737**
Foreign exchange difference	(8,913)	(4,127)	(652)	**(13,692)**
Balance as at December 31, 2018	$ 55,045	$ -	$ -	**$ 55,045**
Accumulated depreciation				
Balance as at January 1, 2018	$ 72,821	$ 12,045	$ 11,368	**$ 96,234**
Depreciation expense	18,892	11,536	1,018	**31,446**
Disposals	(68,400)	(23,167)	(11,994)	**(103,561)**
Foreign exchange difference	-	-	-	**-**
Balance as at December 31, 2018	23,313	414	392	**24,119**
Foreign exchange difference	(3,460)	(414)	(392)	**(4,266)**
Balance as at December 31, 2018	$ 19,853	$ -	$ -	**$ 19,853**
Carrying amounts				
December 31, 2018	$ 35,192	$ -	$ -	**$ 35,192**

(Amounts expressed in United States dollars, unless otherwise indicated)

7. Lease Liability

A reconciliation of the carrying amount of the Lease liabilities recognized on adoption of IFRS 16 for the year ended December 31, 2019 is as follows:

		December 31, 2019
Initial Adoption	$	92,000
Lease payments		(55,736)
Lease interest		22,577
December 31, 2019	$	58,841
Current portion of lease liability	$	48,405
Long term portion of lease liability	$	10,436

Maturity analysis – contractual undiscounted cash flows:

Fiscal 2020	$ 55,736
Fiscal 2021	9,821
Total undiscounted future lease payments	$ 65,557

The Company did not have any short-term leases or leases of low-value assets included in statement of loss and comprehensive loss for the years ended December 31, 2019 and 2018.

(Amounts expressed in United States dollars, unless otherwise indicated)

8. Goodwill Impairment

Goodwill was recognized on the 2016 acquisition of UGE Canada (formerly known as Endura Energy Project Corp.). During the three months ended June 30, 2018 and immediately thereafter, various factors affecting the Company's Canadian operations, the cash-generating unit (CGU) to which goodwill had been allocated, were identified as potential indicators for impairment. As a result, the recoverable amount of the CGU to which goodwill had been allocated was determined based on value in use calculations using a discounted cash flow analysis. These calculations used pre-tax cash flow projections based on a financial budget covering the remainder of fiscal 2018 plus a four-year forecast period that reflect management's best estimate. Cash-flows beyond the five-year period were extrapolated using an estimated growth rate of 2.0%. A pre-tax discount rate of 15.0% was applied.

In validating the value in use determined for the CGU, the Company performed a sensitivity analysis of key assumptions used in the discounted cash-flow model (such as discount rates, gross margin percentage, SG&A expense, and terminal growth rate). The Company believes that all reasonably possible ranges of key assumptions causes an impairment loss to be recognized in respect of the entire carrying value of the Canadian CGU. Based on this analysis, the carrying amount of goodwill was reduced to its recoverable amount nil through recognition of an impairment charge of $2,859,383 against the goodwill.

9. Accounts Payable and Accrued Liabilities

	2019	2018
Trade Payables	$ 3,508,613	$ 3,302,821
Accrued & Other Payables	1,059,397	2,135,623
Warranty Provision	47,628	64,557
Income Taxes Payable	241,828	426,618
	$ 4,857,467	$ 5,929,619

(Amounts expressed in United States dollars, unless otherwise indicated)

10. Loans payable

	UGE Entity	December 31, 2019	December 31, 2018
UGE International Corporate Debt			
Acquisition Loan (CAD$750,000)(i)	UGE	$576,150	$550,200
Convertible Debenture (ii) (CAD$720,000)	UGE	445,215	367,668
Debt to former Subsidiary (iii)	UGE	350,000	350,000
Short term Loan (iv)	UGE	78,188	-
UGE Canada Debt			
Construction Financing Facility (v)	UGE Canada	1,200,000	1,200,000
Revolving Credit Facility (CAD$315,000)(vi)	UGE Canada	241,983	535,528
UGE PHP Debt			
Unionbank Loan (PHP29,800,000)(vii)	UGE Holdco	587,060	-
UGE HoldCo Debt			
Green Bonds (CAD$500,000)(viii)	UGE Holdco	338,254	311,602
Project Development Capital			
Secured Debentures (ix)	UGE Devco	23,046	-
Term Loan (x)	UGE USA	25,000	-
Credit Line (xi)	UGE USA	84,410	-
Project-Level Debt			
Wunder Capital (xii)	UGE USA	373,508	-
Total debt		$4,322,814	$3,314,998
Current portion		$2,522,571	$1,735,528
Non-current portion		$1,800,243	$1,579,470

(i) Acquisition Loan – As at December 31, 2019, the Company has a long-term loan bearing interest at 8.0% per annum (plus quarterly service charge of $3,750) due September 24, 2021 of CAD$750,000 ($576,150). The loan is secured project receivable generated by UGE RE Inc. and a general security on UGE RE Inc. During the year the Company incurred $43,735 (2018 – 11,456) in interest expense and $11,305 (2018 – $2,715) in service charges which are recognized as finance expense in the consolidated statement of operations and comprehensive loss.

(ii) Convertible Debenture – On October 23, 2018, the Company closed an offering of 8% convertible debentures in the aggregate principal amount of CAD$720,000 ($445,215) which accrue interest at a rate of 8% per annum and are convertible into common shares of the Company (the "Debenture Shares") at the option of the holder at a conversion price of $0.96 per Debenture Share for a period of three years from the date of issuance. Interest accrued under the Debentures will be payable in cash or in Debenture Shares at the option of the holder, and if payable in Debenture Shares, such Debenture

10. Loans payable (continued)

Shares shall be issued at a conversion price per Debenture Share of $0.96. In addition, the Company issued 60,000 broker warrants at an exercise price of $1.40 expiring October 23, 2020. The debentures are secured against the Company pursuant to a subordinated general security agreement.

The Debentures' net proceeds of CAD$619,439 ($467,800) received were separated into the liability component of $CAD 486,210 ($367,186), equity component of $CAD 100,067 ($75,571), and broker warrants value of $CAD 26,162 ($19,758) The liability is carried at amortized cost using the effective interest rate method with an effective interest rate of 18.12% per annum. Transaction costs of $CAD 107,561 ($81,230) were paid in relation with the Debentures. The fair value of the 60,000 broker warrants issued with the Debentures was valued using the Black-Scholes option pricing model based on the following assumptions: volatility of 113% using the historical prices of the Company, risk-free interest rate of 2.350%, expected life of 2 years and share price of $0.58. During the 12-months ended December 31, 2019, the Company recorded interest of $43,511 (2018 - $8,925) and accretion expense of $59,202 (2018 - $11,519) which were recorded as finance expense and accretion expense in the consolidated statements of operations and comprehensive loss.

(iii) Debt to Former Subsidiary - Upon conversion of a divestment loan from debt to equity, a $350,000 loan was issued to Urban Green Energy HK Ltd. bearing interest at 8.0% per annum due September 23, 2023. During the year the Company recorded $34,650 (2018 - $7,518) of interest as finance expense in the consolidated statements of operations and comprehensive loss.

(iv) Short term Loan – As at December 31, 2019, the Company has a loan advance agreement of CAD$101,873 ($78,188) bearing interest of 7.5% per annum where repayment will be in line with repayment schedule of a loan agreement still being negotiated, and the timing of which is not yet known. During the year the Company recorded USD $2,761 (2018 - $nil) of interest as finance expense in the consolidated statement of operations and comprehensive loss.

(v) Construction Financing Facility – As at December 31, 2019, the Company has a construction financing facility with a maximum limit of $1,200,000, guaranteed by Export Development Canada. The facility bears interest at a rate equal to prime + 1.45% (5.4%) and is due on demand and is secured by a general security agreement covering all assets of UGE Canada Ltd. and UGE RE Inc., which was amalgamated during the year ("UGE Canada"). As at December 31, 2019, the Company made draws from the facility of $1,200,000 (2018 – $1,200,000) to fund the construction of a project in Massachusetts. The Company has provided a deposit on all draws totalled to $299,369, which is recorded as restricted cash (note 4). The Company recorded $81,000 (2018 - $62,109) in interest as finance expense in the consolidated statement of operations and comprehensive loss.

(vi) Revolving Credit Facility - As at December 31, 2019, the Company has a revolving demand credit facility with a maximum limit of CAD$315,000, which was fully drawn (December 30, 2018 - $535,528, at which time the maximum limit was CAD$750,000). The credit facility bears interest at prime + 1.45% (5.4%) per annum and is secured by a general security agreement covering all assets of UGE Canada. As at December 31, 2019, the Company had repaid CAD$435,000 of the facility, leaving a balance of CAD$315,000, and was in discussions with its bank to address its allowable advances under this facility, which is based on a customary borrowing base calculation. As at December 31, 2019, the Company is in violation of the covenant and is in on-going discussions with the bank to remediate the situation. The Company recorded $22,411 (2018 - $29,711) of interest as finance expense in the consolidated statement of operations and comprehensive loss.

10. Loans payable (continued)

(vii) Unionbank Loan Line – As at December 31, 2019, the Company has a loan line in the amount of PHP 29,800,000 ($587,060) due June 30, 2020 with interest payable monthly at 7.75%. The Company recorded interest of $3,499 (2018 - $nil) in the consolidated statement of operations and comprehensive loss.

(viii) Green Bonds – On October 23, 2018, The Company completed an offering of Secured Green Bonds in the aggregate principal amount of CAD$500,000 ($377,600), accruing interest at the rate of 7% per annum and maturing on September 1, 2023. The effective interest rate is 10.38%. For each $1,000 of principal issued in Bonds, the Company issued 25 bonus units (the "Bond Units") consisting of one common share of the Company (the "Bond Unit Shares") and half of one common share purchase warrant (each whole warrant, a "Bond Unit Warrant") resulting in the issuance of 12,500 Bond Unit Shares, and 6,250 Bond Unit Warrants. Each Bond Unit Warrant may be exercised by the holder for one common share of the Company at an exercise price of $1.40 per share for period of 24 months from the date of issuance. The Bonds are secured against projects of the Company with security interest owned by the Company's wholly-owned subsidiary, UGE Project HoldCo Ltd. Total interest and accretion expense was $38,108 (2018 - $2,343) and transaction costs of $nil (2018 - $50,912) was recorded. In addition, 21,429 broker warrant purchase units were issued at an exercise price of $1.40 expiring October 23, 2020. Each warrant entitles the holder thereof to acquire a unit of the Company consisting of one common share and ½ of one common share purchase warrant for a period of 24 months from the Closing Date, with each warrant being exercisable for one Common Share at an exercise price of $1.40 per share for a period of 24 months from the Closing Date.

(ix) Secured Debentures – As at December 31, 2019, UGE Devco had three debentures secured by the solar projects of the Company paying interest equal to 12% per annum and due in 2021. Total interest expense paid and accrued was $3,077 (2018 - $nil).

(x) Term Loan – As at December 31, 2019, UGE USA has a short-term loan unsecured facility of $50,000, used for short-term project development investments, based on a fixed weekly repayment schedule, of which $25,000 was drawn. This term loan has since been repaid. The Company paid interest of $1,234 (2018 - $nil) which is recorded in finance expense in the consolidated statement of operations and comprehensive loss.

(xi) Line of credit - As at December 31, 2019, UGE USA, a wholly owned subsidiary of UGE, had a line of credit facility used to fund short-term project development investments with a maximum limit of $85,000 and secured by UGE USA assets. The loan repayment is based on fixed weekly payments at 33.69% and has since been repaid. The Company recorded interest of $3,952 (2018 - $nil) in finance expense in the consolidated statement of operations and comprehensive loss.

(xii) Wunder Capital – As at December 31, 2019, the Company had secured Project-level Debt for three self-financed projects. The Project-level Debt has a 7-year term with interest rates of 7.39% for two of the loans and 6.19% for the third loan. During the projects' construction (until the project reaches commercial operation), the interest rate is increased to 9% and 11.49% for drawn portions of the facilities, which totaled $373,508 as of December 31, 2019. An origination fees of $27,713 and interest of $4,844 was paid and expensed to finance expenses during the year.

(Amounts expressed in United States dollars, unless otherwise indicated)

11. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

The issued and outstanding share capital is as follows:

	2019 Number of shares		2019 Amount	2018 Number of shares		2018 Amount
Balance at beginning of year	18,074,171	$	19,592,790	10,192,507	$	16,575,247
Private placement of share units, net of share costs	1,013,333		293,167	312,500		190,428
Shares issued for conversion of restricted share units	-		-	2,500		2,510
Shares for services	-		-	98,109		112,853
Shares issued in relation to Green Bonds	-		-	12,500		-
Shares issued for conversion of debt to equity	387,935		164,194	6,956,056		2,711,752
Amount issued for exercise of special warrants	775,000		-	500,000		-
Balance at end of year	20,250,439	$	20,050,151	18,074,171	$	19,592,790

On December 23, 2019, the Company completed a 4:1 share consolidation. The exercise price or conversion price of, and the number of common shares issuable under, any convertible securities of the Company were proportionately adjusted upon completion of the share consolidation. References in these consolidated financial statements to share amount, per share data, share prices exercise prices and conversion prices have been adjusted to reflect the share consolidation.

11. Share capital (continued)

Private placement equity financing

On February 8, 2019, the Company completed a non-brokered private placement of 1,013,333 ("Units"), with each such Unit consisting of one common share in the capital of the Company (the "Common Shares") and half of one common share purchase warrant (each whole warrant, a "Unit Warrant") at an issuance price of CAD$0.60 per Unit for aggregate gross proceeds of CAD$608,000 ($458,371) (the "Offering"). Each Unit Warrant entitles the holder to purchase one Common Share at an exercise price of CAD$0.80 per share for a period of 24 months from the date of issuance. Certain finders of purchasers in the Offering were entitled to receive a cash commission equal to 6% of the gross proceeds from subscribers sourced by such finders as well finder's warrants (the "Finder's Warrants") equal to 6% the number of Units sourced by such finders, resulting in the payment by the Company of CAD$6,480 ($4,885) and the issuance of 10,800 Finder's Warrants. Each Finder's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of CAD$0.80 per share for a period of 24 months from the date of issuance. In addition to finder's warrants, the Company paid CAD$15,765 ($11,952) in legal and issuance fees for the completion of the private placement. Significant assumptions used in the Black-Scholes model to value the warrants included an expected life of 2 years, volatility of 103% and a risk-free rate of 1.59%.

On June 14, 2018, the Company completed a private placement equity financing of 312,500 units of the Company at a price of CAD$1.40 per unit for gross proceeds of $335,388 (CAD$437,500). Each unit consisted of one full common share of the Company and one share purchase warrant. Each warrant is exercisable at an exercise price of CAD$1.60 for a period of 24 months from the date of issuance. The total share issue cash costs related to the financing were $29,544 (CAD$38,319) and commission paid, and other transaction costs are recognized as a reduction in both share capital and contributed surplus. Significant assumptions used in the Black-Scholes model to value the warrants included an expected life of 2 years, volatility of 137.6% and a risk-free rate of 1.77%.

Restricted share units

The Company has a restricted share unit plan that provides for the granting of restricted share units to directors, officers, employees and consultants of up to 1,005,125 shares of the Company of which nil are available for grant as at December 31, 2019. Upon vesting, the Company will issue shares from treasury to the employees for no additional consideration.

As at December 31, 2018, rights to receive 360 shares have been granted and vested. During the year ended December 31, 2018, the Company issued 2,500 shares for the rights that vested.

During the year ended December 31, 2018, the Company recognized a total of $3,200, as compensation expense pursuant to restricted share units in selling, general, and administration expenses.

11. Share capital (continued)

Shares for conversion of debt to equity

On February 12, 2019, the Company converted four accounts payable balances totalling CAD$ 130,667 to common shares of the Company at price of CAD$0.60 per share resulting in the issuance of 217,778 common shares. In particular, two officers of the Company, including its Chief Executive Officer, elected to receive certain bonuses owed in the form of equity, which accounted for the majority of the conversion.

On June 10, 2019, the Company converted seven accounts payable balances totalling CAD$ 83,345 to common shares of the Company at a price of CAD$0.44 per share resulting in the issuance of 138,907 common shares.

On September 17, 2019, the Company converted one accounts payable balance totalling CAD$ 7,500 to common shares of the Company at a price of CAD$0.24 per share resulting in the issuance of 31,250 common shares.

On October 3, 2018, the Company announced a series of debt-to-equity transactions. The total amount converted was $5,250,144, which amounted to 6,956,056 shares issued and a non-cash gain on conversion of $2,535,410.

On October 23, 2018, the Company raised additional financing by way of a secured convertible debenture in the amount of CAD$720,000 ($557,784) and secured project green bonds in the amount of CAD$500,000 ($387,350). For each $1,000 of principal issued in Bonds, the Company has issued 25 bonus units consisting of one common share of the Company and half of one common share purchase warrant resulting in the issuance of 12,500 Bond Unit Shares, and 6,250 Bond Unit Warrants.

Each Bond Unit Warrant may be exercised by the holder for one common share of the Company at an exercise price of $1.40 per share for period of 24 months from the date of issuance. Net proceeds of the secured project green bonds will be used to finance eligible solar projects owned by UGE indirectly through a wholly-owned subsidiary of the Company.

Special warrants

As at December 31, 2019, holders of the special warrants had converted and exercised their previously outstanding 775,000 special warrants, which were held by related parties, leaving nil special warrants outstanding.

(Amounts expressed in United States dollars, unless otherwise indicated)

11. Share capital (continued)

Warrants

The Warrant activity is as follows:

Exercise Price	Expiry	December 31, 2018 Outstanding	Issued	Expired	December 31, 2019 Outstanding
$3.20	26-Jun-19	431,250	-	(431,250)	-
$2.40	26-Jun-19	60,375	-	(60,375)	-
$1.60	14-Jun-20	312,500	-	-	312,500
$1.40	23-Oct-20	87,679	-	-	87,679
$0.80	08-Feb-21	-	506,667	-	506,667
$0.80	08-Feb-21	-	10,800	-	10,800
		891,804	517,467	(491,625)	917,646

Stock options

The Company offers an incentive stock option plan that provides for the granting of options up to 10% of its issued and outstanding common shares to directors, officers, employees and consultants.

The stock option activity is as follows:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Number of options		Weighted average exercise price (CAD)	Number of options		Weighted average exercise price (CAD)
Balance at beginning of year	1,051,166	$	1.08	916,364	$	1.88
Granted	1,076,825		0.34	839,785		0.72
Forfeited	(245,692)		0.68	(646,978)		1.76
Canceled	(626,673)		2.09	(58,006)		1.28
Balance at end of year	1,255,626	$	0.44	1,051,166	$	1.08
Balance exercisable at end of year	398,917	$	3.00	484,644	$	1.32

(Amounts expressed in United States dollars, unless otherwise indicated)

11. Share capital (continued)

Details of the outstanding stock options are as follows (in CAD):

Exercise price (CAD)	Options outstanding at December 31, 2019	Weighted average remaining life (months)	Weighted average exercise price (CAD)	Options exercisable at December 31, 2019	Weighted average exercise price (CAD)
2.44	17,525	30	2.44	11,684	2.44
1.80	13,250	18	1.80	13,250	1.80
1.32	10,000	41	1.32	10,000	1.32
1.16	64,925	41	1.16	43,284	1.16
1.12	10,000	23	1.12	10,000	1.12
0.92	12,500	39	0.92	12,500	0.92
0.52	217,101	47	0.52	160,700	0.52
0.36	50,000	48	0.36	50,000	0.36
0.60	25,000	1	0.60	25,000	0.60
0.70	62,500	50	0.70	62,500	0.70
0.32	452,825	54	0.32	-	0.32
0.13	320,000	60	0.50	-	0.50
	1,255,626	48	0.56	398,917	0.75

During the year ended December 31, 2019, the Company recorded share-based compensation expense of $172,854 (2018 - $277,646) respectively, relating to stock options in the consolidated statement of operations and comprehensive loss. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the below weighted average assumptions:

	2019	2018
Expected life	5 years	5 years
Expected volatility in market price of shares	153.4%	136.3%
Expected dividend rate	0.0%	0.0%
Risk-free interest rate	1.40%	2.32%

(Amounts expressed in United States dollars, unless otherwise indicated)

12. Segmented information

The Company has determined that it operates in one operating segment, renewable energy solutions. During the years ended December 31, the Company had revenues in the United States, Canada and the Philippines, and is organized into geographic sales areas consisting of these countries.

Total revenue by geographic area for the years ended December 31, was as follows:

	2019	2018
Canada	$ 2,635,863	$ 11,840,998
United States	1,487,070	2,185,747
Philippines	938,926	3,165,475
	$ 5,061,859	$ 17,192,220

All non-current assets are related to the Company's United States operations.

During the year ended December 31, 2019 the Company had one (2018 - two) customers that accounted for more than 10% of consolidated revenue as listed below. No other customer accounted for more than 10% of the Company's consolidated revenue.

	2019	2018
Customer 1	44%	58%
Customer 2	0%	15%

13. Contingencies

Contingencies

UGE USA was contracted to complete a portfolio consisting of three projects with a US-based solar developer (the "Developer"). In July 2018 a dispute arose between UGE USA and the Developer. The Developer named UGE USA in a legal action for alleged breach of contract. UGE USA disputed the claims and filed counterclaims for non-payment, among other counterclaims.

During the year ended December 31, 2018, UGE settled the disputes related to two of the three projects with the Developer. As part of the settlement on the first two projects, the Company agreed to a penalty for damages of approximately $90,000 and has accrued for damages that could be levied on the settlement of the third project, all of which has been included in project-related loss in the statement of operations and comprehensive loss. The total amount accrued on this project is $974,706.

However, settlement discussions on one of three projects with the Developer have not yielded an acceptable outcome and the lawsuit continues, with UGE requesting payment in full for amounts owed. Currently, trial is scheduled for September 2020 in Florida, which the Company expects could be rescheduled due to the COVID-19 pandemic.

13. Contingencies (continued)

UGE Canada is a party to a collaboration agreement with a Canadian solar developer, Soventix Canada Inc. (“Soventix”), which saw the two parties complete a portfolio of solar projects, mostly throughout 2017 with the final two sites being completed in early 2018. During the second quarter of 2018, UGE filed a Statement of Claim with the Ontario Superior Court of Justice for unpaid invoices and contractual damages totaling $376,369 (CAD$500,425), which consists of costs and accumulated interest. Until the action has been determined, the Company has taken a project loss of $213,000 which has been written off to bad debts during the year.

In the process of winding down the UGE Canada business unit, several claims were filed against UGE Canada. When the Company filed a Notice of Intent to File a Proposal on December 18, 2019, all such claims were stayed. A stay of proceedings by operation of the BIA (Bankruptcy and Insolvency Act) is binding on the debtor company's (UGE Canada) creditors, barring all creditors from taking proceedings to recover debts claimed, and any existing proceeds are stayed. On February 14, 2020, creditors voted overwhelmingly in favor of the Proposal, and the Company is currently awaiting approval from the Ontario Court of Justice, which is expected for mid-2020. Upon approval of the proposal, UGE Canada activities and operations will be classified and disclosed as discontinued operations on the consolidated statement of operations and comprehensive loss.

The Company is subject to possible claims that arise in the ordinary course of business. The outcome of these claims, either individually or in the aggregate, are not expected to have a material impact on the Company’s financial position or financial performance.

14. Financial Instruments

Fair value

Fair value measurements recognized in the consolidated statements of financial position, if any, must be categorized in accordance with the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and;
(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments that are measured at fair value on a recurring basis on the consolidated statements of financial position is currently cash and restricted cash.

The Company’s financial instruments consist of cash, restricted cash, trade receivables and other receivables excluding HST and VAT, accounts payable and accrued liabilities and loans payable. The fair values of these financial instruments except for loans payable approximate carrying value because of the short-term nature of these instruments. The carrying value of the loans payable, except for convertible debts, approximate their fair value based on market rates of interest.

Financial risk management

The Company is exposed to a number of financial risks arising through the normal course of business as well as through its financial instruments. The Company’s overall business strategies, tolerance of

(Amounts expressed in United States dollars, unless otherwise indicated)

14. Financial Instruments (continued)

risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loans payable include both fixed and variable interest rates; however, the Company does not believe it is exposed to material interest rate risk.

(b) *Foreign currency risk*

The Company primarily operates in the United States, Canada, and the Philippines. Each entity may be exposed to foreign currency risks from fluctuations if they have exposure outside their respective functional currency. A significant change in the currency exchange rates between the aforementioned currencies for entities with foreign currency exposure could have an effect on the Company's financial performance, financial position and cash flows. The Company does not use derivative instruments to reduce its exposure to exchange rate risk.

The Company's financial instruments subject to foreign currency risk are listed below (in USD).

	2019	2018
Financial assets		
Cash	(33,094)	19,687
Restricted Cash	299,338	304,012
Trade Receivable	19,589	67,874
Financial Liabilities		
Accounts payable	278,024	159,327
Loan payable	1,200,000	1,204,907

Based on financial assets and liabilities held as at December 31, 2019, a 5% increase or decrease in the financial instruments which have foreign currency exposure, with all other variables held constant, would result in a foreign exchange gain or loss of approximately $87,283 (2018 - $87,790).

(c) *Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and restricted cash, and trade receivables. The carrying amount of these financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and restricted cash by placing these financial instruments with high quality financial institutions. Credit risk relating to trade receivable and overdue Accounts receivable from vendors are managed on a case by case basis. As at December 31, 2019, the Company had overdue accounts receivable outstanding and payable due to litigation with the Developer as noted in Note 13. UGE is requesting full payment of amounts owing of $1,130,274.

(Amounts expressed in United States dollars, unless otherwise indicated)

14. Financial Instruments (continued)

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans. As at December 31, 2019 the contractual maturities of financial liabilities, including estimated interest payments are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Accounts payable and accrued liabilities	$ 4,857,467	$ 4,857,467	$ 4,857,467	$ -	$ -	$ -
Loans payable	4,322,814	4,803,523	2,814,012	746,779	1,242,732	-
Lease liability	58,841	65,557	55,736	9,821	-	-
	$ 9,239,122	$ 9,726,547	$ 7,727,215	$ 756,600	$ 1,242,732	$ -

15. Income taxes

Income tax recovery from continuing operations for the years ended December 31, is as follows:

	2019	2018
Current tax recovery	$ 12,898	$ 93,746
Deferred tax recovery	-	-
Total income tax recovery	$ 12,898	$ 93,746

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018-26.5%) to the effective tax rate is as follows:

	2019	2018
Net loss before recovery of income taxes	$ (2,494,753)	$ (6,049,681)
Canadian statutory tax rate	26.5%	26.5%
Expected tax recovery:	$ (661,110)	$ (1,603,165)
Difference in foreign tax rates	(68,245)	(183,731)
Tax rate changes and other adjustments	-	(3,518)
Share based compensation and non-deductible expenses	44,287	849,980
Change in tax benefits not recognized	697,965	1,034,180
Income tax recovery	$ 12,898	$ 93,746

(Amounts expressed in United States dollars, unless otherwise indicated)

15. Income taxes (continued)

The following table summarizes the components of deferred tax asset:

	2019	2018
Deferred Tax Asset		
Share issuance cost	$ -	$ 68,489
Operating losses carried forward	605,765	529,355
Deferred Tax Liabilities		
Intercompany loans	(571,490)	(571,490)
Other	(33,192)	(25,319)
Net deferred tax asset	$ 1,083	$ 1,035

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
Accounts Payable and accrued liabilities	$ 1,122,318	$ 196,546
Trade and other receivables	186,767	-
Operating losses carried forward - Canada	1,734,800	806,221
Operating losses carried forward - USA	4,399,294	4,327,527
Operating losses carried forward - Phillipines	122,266	-
Stock based compensation	200,996	156,144
Interest expenses	689,433	631,286
Other	133,441	5,000

As at December 31, 2019, the Company has operating losses from operations in the United States of approximately $ 4,399,294, (2018 – $4,327,527) that may be used to offset future taxable income in the United States. The losses incurred in 2016 and 2017 will expire in 2036 and 2037 respectively. The losses incurred in 2018 and 2019 can be carried forward indefinitely.

As at December 31, 2019, the Company has operating losses from operations in Canada of $3,891,370 (2018 - $810,126) that may be used to offset future taxable income in Canada that expire in 2038 and 2039.The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Amounts expressed in United States dollars, unless otherwise indicated)

16. Selling, general, and administrative expense

	2019	2018
Employee compensation	$ 1,556,780	$ 2,846,883
Corporate, professional & office	1,246,984	1,904,860
Depreciation and amortization	49,865	31,446
Insurance	187,090	174,260
Travel and entertainment	92,575	137,945
Advertising and marketing	3,355	23,800
	$ 3,136,649	$ 5,119,194

17. Key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and is comprised of the members of the executive management team and Board of Directors. The amount for compensation expense recognized for key management personnel for the years ended December 31, were as follows:

	2019	2018
Salaries and Commissions	$ 577,351	$ 183,411
Share-based compensation	131,630	94,841
	$ 708,981	$ 278,252

18. Subsequent Events

On January 8, 2020, the Company converted six accounts payable balances totaling $47,051 to common shares of the Company at a price of CAD$0.16 per share resulting in the issuance of 382,292 common shares. In particular, two officers of the Company, including its Chief Executive Officer, elected to receive certain bonuses owed in the form of equity, which accounted for the majority of the conversion.

On February 25, 2020, the Company completed a non-brokered private placement of 3,000,000 units ("Units"), with each such Unit consisting of one common share in the capital of the Company (the "Common Shares") and half of one common share purchase warrant (each whole warrant, a "Unit Warrant") at an issuance price of $CAD 0.26 per Unit for aggregate gross proceeds of $CAD 780,000 (the "Offering"). Each Unit Warrant entitles the holder to purchase one Common Share at an exercise price of $CAD 0.33 per share for a period of 18 months from the date of issuance. Certain finders of purchasers in the Offering were entitled to receive a cash commission equal to 5% of the gross proceeds from subscribers sourced by such finders as well finder's warrants (the "Finder's Warrants") equal to 5% the number of Units sourced by such finders, resulting in the payment by the Company of $37,050 and the issuance of 142,500 Finder's Warrants today. Each Finder's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of $0.33 per share for a period of 18 months from the date of issuance.

On February 18. 2020, the Company converted accounts payable balance totaling CAD $39,750 to common shares of the Company at a price of $CAD 0.25 per share resulting in the issuance of 157,500 common shares. In particular the Company's Chief Executive Officer, elected to receive certain compensation owed in the form of equity, which accounted for the majority of the conversion.

On March 9. 2020, the Company converted accounts payable balance totaling CAD $84,500 to common shares and warrants of the Company. A portion of the amount converted by Company's Chief Operating Office for compensation owed. The conversion of the balances resulted in the issuance of 325,000 common shares, converted at a price of CAD $0.26 per unit, and 125,000 warrants with an 18-month term and a strike price of CAD $0.33.

On April 3, 2020, the Company granted 100,000 stock options to a consultant of the Company. The options are exercisable at a price of $CAD 0.33 per share and expire on August 21, 2021. The options vested immediately.

On April 3, 2020, the Company granted 80,000 stock options to a director of the Company. The options are exercisable at a price of $CAD 0.125 per share and expire on December 27, 2022. Half of the options will vest immediately and the other half of the options will vest on June 30, 2020.

18. Subsequent Events (continued)

On December 18, 2019, the Company filed a Notice of Intent to File a Proposal, relating to the Company's plans to restructure UGE Canada RE Ltd., which is an amalgamation of two former subsidiaries, UGE Canada Ltd. and UGE RE Inc. On January 17, 2020, the Company filed with the Official Receiver a Part III Division 1 of BIA Proposal (the "Proposal") to creditors of UGE Canada, which was amended on January 21, 2020, and on February 14, 2020, the creditors voted to accept the Proposal. Currently the Company is waiting for the Ontario Court of Justice to confirm the Proposal, the date of which is currently unknown due to COVID-19.

The Proposal will provide eight quarterly reduced payments to creditors of UGE Canada, commencing within 45 days of the Proposal being finalized. The aggregate of the quarterly payments provides an average reduction of 54% compared with the liability associated with UGE Canada RE currently carried on the Company's consolidated statement of financial position.

On March 11, 2020 the World Health Organization (WHO) declared COVID-19 (Coronavirus) outbreak as a "pandemic", namely, the worldwide spread of a new disease. The Government of Ontario announced on March 17, 2020 that it made an order declaring a state of emergency in response to coronavirus (COVID-19) (the "Government Order"). All provinces in Canada have now declared a state of emergency and/or state of public health emergency. The US and the Philippines are also under strict lockdown procedures. Further, COVID-19 measures are expected to last until July 2020, though the exact timing is currently unknown. The announcement and implementation of the worldwide states of emergency is expected to cause a delay in construction of projects that the Company currently has underway.