UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

Three months ended March 31, 2018

The following Management's Discussion and Analysis ("MD&A") is prepared as of May 14, 2018 and is intended to assist in understanding the results of operations and financial condition of UGE International Ltd. (the "Company" or "UGE"). Throughout the MD&A, reference to the Company or UGE is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and the audited consolidated financial statements for the year ended December 31, 2017, both of which are expressed in United States dollars ("USD") and prepared in accordance with International Financial Reporting Standards ("IFRS"). The functional currency of the Company is Canadian dollars ("CAD"). All amounts in this MD&A are expressed in USD, unless otherwise indicated.

Forward-Looking Information

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, expected sales, future revenue recognition, currency fluctuations, the effect of global and regional economic conditions, industry conditions, changes in laws and regulations, and changes in how they are interpreted and enforced, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, demand for the Company's services, and availability of funding. The Company's performance could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if they do so, what benefits the Company will derive there from. The forward-looking information is made as of the date of this press release or the MD&A, as applicable, and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Actual events or results could differ materially from the Company's expectations and projections.

Corporate Profile

UGE is a global renewable energy company, focused on providing commercial and industrial clients with energy solutions that deliver cheaper, more reliable, and more sustainable electricity. We develop, engineer, and deploy energy projects around the world, to organizations large and small.

UGE began as an energy solutions company, packaging together renewable energy technologies to solve the needs of commercial and industrial clients. Over our history, we have developed expertise in solar, battery storage, and the financing of renewable energy projects, which we leverage to deploy energy systems for our clients with the goal of providing them immediate economic benefit, such as through cheaper electricity costs. On February 22, 2016, we acquired UGE Canada Ltd. ("UGE Canada", formerly Endura Energy Project Corp Ltd.), which strengthened our market position in Canada and added significant additional solar engineering and deployment experience. On September 6, 2016, we divested UGE Holdings Ltd. ("UGE Holdings") and its subsidiaries, which represented wind energy operations that we had identified as non-core to our strategic plan. On April 3, 2017, we purchased substantially all the assets of Carmanah Solar Power Corp. ("CSPC"), further strengthening our ability to grow in Canada and globally.

Today, UGE provides complete turnkey solutions to clients across our key markets: the Northeast US, Canada, and the Philippines. Our focus is on leveraging the low cost of distributed solar energy to provide our clients - organizations from around the world - more affordable energy.

Non-GAAP Measures

This MD&A presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- "EBITDA" represents net income or loss from continuing operations excluding net finance income or expense, income tax or recovery, depreciation, and amortization.

- "Adjusted EBITDA" represents EBITDA adjusted to exclude stock-based compensation, costs associated with one-time transactions (such as acquisitions) or write-downs, and the gain (loss) on sale of assets and investments.

- "Adjusted EBITDA margin" represents Adjusted EBITDA as a percentage of revenue.

Order Backlog

We believe it is important to provide an analysis of order backlog in our financial statements as a measure of our potential to earn revenues in the upcoming quarters. Our backlog is made up of two components:

1. Committed: in the normal course of securing project contracts, we often reach a stage where the customer makes a form of commitment to UGE, such as through a Letter of Intent or an award letter in response to a Request for Proposal. We identify such projects as "Committed" until they are fully contracted with the client.

2. Contracted: projects eventually reach the stage of being fully contracted, at which point there is a binding contract with the client and a deployment schedule has been identified.

As at March 31, 2018, our order backlog was $41.2 million, including $16.4 million of Contracted Projects and $24.8 million of Committed Projects.

The timing of the conversion of backlog to revenue can vary significantly on a project by project basis. A Contracted Project will typically start to convert to revenue in either the quarter the contract was signed or the quarter thereafter, with full deployment typically occurring within six to twelve months. A Committed Project can often delay one to three quarters, pending completion of contract negotiations and scheduling of work.

Selected Quarterly Financial Information

	Three months ended March 31, 2018	Three months ended March 31, 2017
Revenue	$ 6,059,933	$ 5,498,094
Cost of sales	(4,977,509)	(4,910,895)
Gross profit	1,082,424	587,199
Gross profit margin	18%	11%
Expenses		
Selling, general, and administrative	(1,182,452)	(792,486)
Project loss	(354,982)	-
Net finance expense	(241,593)	(103,361)
Income tax expense	(104,032)	(51,378)
Net loss for the period	$ (800,635)	$ (360,026)
Adjusted EBITDA	$ (68,548)	$ (183,030)
Adjusted EBITDA margin	-1%	-3%
Loss per share - basic and diluted	$ (0.02)	$ (0.01)

	March 31, 2018	December 31, 2017
Total assets	$ 10,482,365	$ 13,551,411
Total non-current financial liabilities	$ 3,600,000	$ 3,600,000

Results of Operations for the three months ended March 31, 2018

Revenue for the three months ended March 31, 2018 was $6,059,933, a 10% increase from the same period of the prior year of $5,498,094. The increase was due to the continued focus on developing and deploying commercial solar projects, including an increase in scale in the Philippines. Revenues in the Philippines for the three months ended March 31, 2018 increased to $2,204,891 from $16,843 in the same period of the prior year showing significant growth in this market.

The gross profit margin for the three months ended March 31, 2018 was 18%, compared with 11% in the same period of the prior year, as we continue to focus more towards self-developed projects which typically include higher gross margins.

SG&A expenses for the three months ended March 31, 2018 were $1,182,452, compared with $792,486 in the same period of the prior year, an increase of 49%. The increase in SG&A expenses was due to the larger scale of the Company, which includes the acquisition of the CSPC business which closed April 3, 2017. The Company is focused on managing SG&A expenses carefully and realized a decrease of $95,744 or 8% from the prior quarter ended December 31, 2017 as further synergies were realized.

Adjusted EBITDA for the three months ended March 31, 2018 was negative $68,548, compared with negative $183,030 in the same period of the prior year, a decrease of 63%. As we continue to scale and move towards sustainably profitable operations, we have seen Adjusted EBITDA results improve significantly.

The Company recorded net loss for the three months ended March 31, 2018 of $800,635, compared with a loss of $360,026 in the same period of the prior year, a negative change of 122%. This change was due to a project loss primarily relating to the deployment schedule of a portfolio of projects in the US that were inherited through the acquisition of the CSPC business.

Summary of Quarterly Results

All amounts in 000's, except per share figures

	Jun 30 2016 Q2	Sep 30 2016 Q3	Dec 31 2016 Q4	Mar 31 2017 Q1	Trailing four quarters	Jun 30 2017 Q2	Sep 30 2017 Q3	Dec 31 2017 Q4	Mar 31 2018 Q1	Trailing four quarters
Operations:										
Revenue	$ 1,160	$ 736	$ 3,362	$ 5,498	$ 10,757	$ 6,312	$ 4,966	$ 4,158	$ 6,060	21,497
Net loss from continuing operations	(1,002)	(938)	(376)	(360)	$ (2,676)	(660)	(857)	(97)	(801)	(2,415)
Net income (loss)	(1,457)	4,287	(2,229)	(360)	$ 241	(660)	(857)	(97)	(801)	(2,415)
Net loss from operations per share										
basic and diluted	(0.04)	(0.03)	(0.01)	(0.01)	(0.09)	(0.02)	(0.02)	(0.00)	(0.02)	(0.06)
Net income (loss) per share										
basic	(0.06)	0.13	(0.07)	(0.01)	(0.01)	(0.02)	(0.02)	(0.00)	(0.02)	(0.06)
diluted	n.a.	0.11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Quarter to quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited, but reflects all adjustments of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results of operations for the periods presented. Revenues and earnings may fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of substantial orders. Because operating expenses are incurred based on anticipated sales, and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in revenues and earnings in any given quarter. The financial data has been presented in accordance with International Financial Reporting Standards and the functional currency for the Company is the Canadian dollar, as opposed to the presentation currency of US dollars.

See below for the calculation of Adjusted EBITDA for the most recent eight quarters:

All amounts in 000's, except per share figures

	Jun 30 2016 Q2	Sep 30 2016 Q3	Dec 31 2016 Q4	Mar 31 2017 Q1	Jun 30 2017 Q2	Sep 30 2017 Q3	Dec 31 2017 Q4	Mar 31 2018 Q1
Net loss from continuing operations	$ (1,002)	$ (938)	$ (376)	$ (360)	$ (660)	$ (857)	$ (97)	$ (801)
Add/(deduct):								
Net finance expense	6	41	69	103	91	129	162	242
Income tax expense (recovery)	77	(208)	25	51	46	(107)	(140)	104
Depreciation and amortization	5	5	5	4	183	185	200	14
Share-based compensation	348	(70)	89	18	43	74	65	(13)
Acquisition related expenses	-	26	-	-	286	1	-	-
Other one-off items	-	406	-	-	23	76	48	385
Adjusted EBITDA(1)	$ (566)	$ (738)	$ (188)	$ (183)	$ 12	$ (499)	$ 238	$ (69)

(1) A non-GAAP measure defined above

Liquidity and Capital Resources

Cash flow from operations

The source of cash flows for the Company includes operations and debt and equity financings. The primary uses of cash are operating expenses, including cost of sales and working capital, and to fund acquisitions.

During the three months ended March 31, 2018, we generated negative cash flow from operating activities of $1,096,391 and a net loss of $800,635. In addition, as at March 31, 2018, the Company had a working capital deficiency of $2,523,176 which is expected to be settled through the course of operations and, if necessary, raising additional capital.

During recent quarters, we have managed expense levels and increased revenue with the goal of strengthening our financial position. However, to the extent that we do not maintain positive cash flows from operations in the future, or financing is not available on reasonable terms, reductions in expenditures may be required or we may not be able to continue as a going concern. Certain conditions discussed above raise significant doubt about our ability to continue as a going concern.

The directors are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the three months ended March 31, 2018 on a going concern basis, as has been done for years ending 2017 and 2016, which 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 we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation on a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

As of March 31, 2018, the Company has contractual commitments 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	$ 5,043,762	$ 5,043,762	$ 5,043,762	$ -	$ -	$ -
Loans payable	7,374,230	8,290,731	4,008,231	234,000	4,048,500	-
Lease commitments	-	2,515,715	277,015	277,880	768,445	1,192,375
	$ 12,417,992	$ 15,850,208	$ 9,329,008	$ 511,880	$ 4,816,945	$ 1,192,375

The objective in managing capital is to safeguard our ability to continue as a going concern and to sustain future development of the business. In the management of capital, we include shareholders' equity, excluding accumulated other comprehensive income and to maintain or adjust our capital structure, we may issue shares. The Board of Directors does not establish quantitative return on capital criteria for management. UGE is not subject to any externally imposed capital requirements.

Financial Instruments and other instruments

The Company's risk exposures and the impact on our financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. We manage credit risk by requiring payment from customers prior to shipment, where possible. However, we do have trade receivables outstanding with several customers.

Liquidity risk

Our objective in managing liquidity risk is to ensure sufficient liquidity to meet financial obligations when due by maintaining sufficient cash and cash equivalents to settle current liabilities and meet anticipated working capital requirements. As of March 31, 2018, we had cash of $722,497 and restricted cash of $804,532 to settle current liabilities of $9,715,510. Discussion regarding our ability to manage our liabilities, is outlined in the Liquidity and Capital Resources section. We plan to realize our assets, increase revenues and gross profit margin, and raise further capital as necessary, either through debt or equity, to maintain sufficient liquidity.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and the majority of debt with fixed interest rates and therefore is not significantly exposed to fluctuating interest rates. Our current policy is to invest excess cash in a savings account at our banking institution.

(b) Foreign currency risk

The Company enters into transactions denominated in USD, CAD and Filipino Pesos, for which the related revenue, expenses, trade receivables and accounts payable balances are subject to exchange rate fluctuations. As of this time, we do not hedge our exposure to foreign currency risk using financial instruments.

Changes in Accounting Policies

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of adopting the standards noted above and does not expect to adopt these standards prior to their mandatory effective dates.

Business Risks

Going concern risk

The condensed consolidated interim financial statements for the three months ended March 31, 2018 have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the three months ended March 31, 2018, the Company incurred a net loss of $800,635 and incurred negative cash flow from operations of $1,096,391. We have incurred losses as we develop and expand our operations and revenues have not been sufficient to cover all costs and may not be sufficient in future quarters.

To date the Company has funded losses with private placements, a short form prospectus offering, and debt. To the extent that we do not maintain positive cash flows from operations in the future or financing is not available or not available on reasonable terms, reductions in expenditures may be required or we may not be able to continue as a going concern. These conditions raise significant doubt about the ability of the Company to continue as a going concern. If we are 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 accompanying consolidated financial statements.

Customer concentration risk

We derive a significant portion of revenue from sales to a relatively limited number of customers. If any of our more significant prospective customers fail to purchase our solutions or our existing customers discontinue their relationship with us for any reason, our revenue may be substantially reduced. To mitigate this risk, we have implemented quality control measures and provide superior customer service. Our sales programs also address a large base of potential customers and at any given time, we are pursuing a significant number of sales opportunities.

Sales risk

Our sales efforts target medium sized and large corporations and we spend significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from three to twelve months and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our backlog and pipeline and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively.

Counterparty risk

The Company's product suppliers and subcontractors including, without limitation, installers, third party suppliers of solar panels, inverters, and racking, among others, may run into funding, supply chain, technical, and/or other difficulties. As a result, they could be unable to deliver essential services or components in time and could cause significant delays in the delivery of the Company's projects. Any significant delivery delays could negatively impact the Company's future revenue and may have a material adverse effect on the business, financial position or results of operations of the Company. In addition, it is possible that certain vendors may face high demand for their services or products and not be able to supply the Company with what it needs, and/or when it needs it. Trade barriers, such as tariffs imposed by governments on import, also have the potential to disrupt the Company's supply chain, necessitating the Company to find other suppliers, sometimes on short notice. Such tariffs could also impose additional costs on the Company, negatively impacting its profitability.

The declining cost of solar panels has been a driver in the pricing of the Company's projects and customer adoption of this form of renewable energy. If solar panel prices increase or do not continue to decline, the Company's growth could slow, and the Company's financial results could suffer. Such events could harm the Company's financial results by requiring it to pay higher prices.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is committed to delivering timely and accurate disclosure of all material information.

Disclosure controls and procedures ensure that reporting requirements are satisfied, and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting.

However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the condensed consolidated interim financial statements for the three months ended March 31, 2018 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the three months ended March 31, 2018 and all material subsequent activity up to May 14, 2018.

Other

As of the date of this MD&A, the Company has 40,983,359 common shares issued and outstanding. In addition, there are 5,100,000 special warrants held by the founders of UGE, which may be converted to common shares for no additional consideration, 5,294,567 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options to purchase an additional 2,636,665 common shares. The Company also has restricted share units which allow employees and directors to acquire a total of 6,439 common shares over the next year for no additional consideration.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.