UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Financial Statements

Three months ended March 31, 2020 and 2019

(Expressed in United States dollars)

Notice of No Auditors Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

UGE INTERNATIONAL LTD.

Condensed Consolidated Statements of Financial Position as at
(Unaudited) (Expressed in United States dollars)

Assets	March 31, 2020	December 31, 2019
Current assets		
Cash	$ 20,685	$ 206,433
Restricted cash (Note 4)	310,020	299,369
Trade and other receivables (Note 5)	2,457,509	1,991,307
Prepaid expenses and deposits	274,639	353,633
	3,062,853	2,850,742
Non-current assets		
Plant and equipment (Note 6)	948,815	494,828
Deferred tax assets	994	1,083
Total assets	$ 4,012,662	$ 3,346,653
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 4,603,986	$ 4,857,467
Lease payable - Current (Note 6)	38,246	48,405
Loans payable - Current (Note 8)	2,134,672	2,522,571
Deferred revenue	1,089,023	656,852
	7,865,927	8,085,295
Non-current liabilities		
Lease Payable (Note 6)	10,436	10,436
Loans payable (Note 8)	2,430,013	1,800,243
	10,306,376	9,895,974
Shareholders' deficiency		
Share capital (Note 9)	20,818,647	20,050,151
Contributed surplus	4,820,444	4,785,838
Accumulated other comprehensive (loss) income	350,844	(26,252)
Accumulated deficit	(32,283,649)	(31,359,058)
	(6,293,714)	(6,549,321)
Total liabilities and shareholders' deficiency	$ 4,012,662	$ 3,346,653

Reporting entity and going concern (Note 1)
Contingencies (Note 11)
Subsequent events (Note 14)

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.

Condensed Consolidated Statements of Operations and Comprehensive Loss
for the three months ended March 31,
(Unaudited) (Expressed in United States dollars)

	2020	2019
Revenue	$ 640,013	$ 2,065,556
Cost of Sales	(467,287)	(1,486,080)
Gross profit	172,726	579,476
Operating expenses		
Selling, general, and administrative (Note 13)	(799,208)	(803,574)
Project-related gain	-	24,208
Expected credit loss	(90,294)	(137,970)
Share-Based Compensation (Note 9)	(34,606)	(102,802)
Loss from operating activities	(751,382)	(440,662)
Other Income	1,530	-
Finance expense	(224,955)	(64,531)
Finance income	-	11,697
Accretion expense	(17,081)	(18,007)
Net Loss before income taxes	(991,888)	(511,503)
Income tax expense	67,297	(36,361)
Loss for the period	(924,591)	(547,864)
Other comprehensive (loss) income items that are or may be reclassified to profit or loss		
Foreign currency translation differences	377,101	(89,427)
Comprehensive loss for the period	$ (547,490)	$ (637,291)
Loss per share attributable to the shareholders of the Company		
Loss for the period	$ (0.04)	$ (0.03)
Weighted average number of shares		
Basic and diluted (Note 9)	21,076,472	18,768,542

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Statements of Changes in Shareholders' Deficiency
For the months ended March 31, 2019, and 2020
(Unaudited) (Expressed in United States dollars)

	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	-	-	-	(547,864)	(547,864)
Offering of share units, net of share costs	441,535	-	-	-	441,535
Shares for debt, net of transaction costs (Notes 8 and 9)	98,431	-	-	-	98,431
Share-based compensation	-	102,789	-	-	102,789
Foreign currency translation differences	-	-	(89,427)	-	(89,427)
Balance - March 31, 2019	$ 20,132,756	$ 4,567,490	$ 58,247	$ (29,399,271)	$ (4,640,778)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2020	$ 20,050,151	$ 4,787,838	$ (26,252)	$ (31,359,058)	$ (6,549,321)
Net loss for the Year	-	-	-	(924,591)	(924,591)
Offering of share units, net of share costs	629,724		-	-	629,724
Shares for debt, net of transaction	138,772	-	-	-	138,772
costs (Notes 8 and 9)		-	-	-	-
Conversion feature	-	-	-	-	-
Share-based compensation	-	34,606	-	-	34,606
Foreign currency translation differences	-	-	377,096	-	377,096
Balance - March 31, 2020	$ 20,818,647	$ 4,822,444	$ 350,844	$ (32,283,649)	$ (6,293,714)

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Statements of Cash Flows for the three months ended March 31,
(Unaudited) (Expressed in United States dollars)

	2020	2019
Cash flow used in operating activities		
Net loss	$ (924,591)	$ (547,864)
Adjustment for:		
Depreciation and amortization	11,742	13,198
Expected Credit Loss	90,294	-
Income tax expense	(67,297)	36,361
Share-based compensation	34,606	102,802
Net finance expense	224,954	52,834
Accretion expense	17,081	18,007
	(613,211)	(324,662)
Change in trade and other receivables	(275,537)	700,578
Change in prepaid expenses and deposits	65,897	(353,155)
Change in accounts payable and accrued liabilities	115,929	35,986
Change in deferred revenue	433,578	(481,763)
	(273,344)	(423,016)
Income taxes recovered	(6,780)	-
Net finance expenses paid	(185,227)	(50,270)
Cash used in operating activities	(465,351)	(473,286)
Cash flow used in investing activities		
(Addition) decrease to restricted cash	(35,064)	50,313
(Addition) decrease to plant and equipment	(477,248)	(7,321)
Cash from investing activitiies	(512,312)	42,992
Cash flow from financing activities		
Proceeds on issue of share capital and warrants, net of issuance costs	304,724	441,534
Net proceeds of loans payable	473,369	(7,064)
Cash from financing activities	778,093	434,470
Decrease in cash for the year	(199,570)	4,176
Effect of exchange rate fluctuations on cash	13,822	2,439
Cash, at beginning of Year	206,433	121,735
Cash, at end of Year	$ 20,685	$ 128,350
Non-cash transactions:		
Shares for Debt	$ 138,772	$ 98,431

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. For the three months ended March 31, 2020, the Company had a consolidated net loss of $924,591 and negative cash flow from operations of $465,351. As of March 31, 2020, the Company had restricted cash of $310,020 and unrestricted cash of $20,685, a working capital deficiency of $4,803,074, and shareholders' deficiency of $6,293,714.

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. Various risks and uncertainties are 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, some material risks and uncertainties 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2019, and should be read in conjunction with those financial statements.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 28, 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. 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)).

2. Basis of preparation (continued)

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:

(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 the 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 estimates and judgment.

(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 affect 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 require professional judgment and changes to these estimates may affect revenue, unbilled revenue, and deferred revenue.

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

3. Restricted cash

As at March 31, 2020, the Company has restricted cash of $310,020 (December 31, 2019 - $299,369) related to cash security for a construction financing facility (Note 8).

4. Trade and other receivables

	March 31, 2020	December 31, 2019
Trade receivables	$ 1,715,601	$ 1,415,811
Unbilled revenue	262,582	483,819
Interest receivable	16,396	-
Withholding tax and sales tax receivables	137,930	91,677
Other receivables	325,000	-
	$ 2,457,509	$ 1,991,307

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 three months ended March 31, 2020, there was an allowance for expected credit losses of $90,294 (December 31, 2019 - $176,705).

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

5. 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)**
Balance as at December 31, 2019	24,325	92,000	**116,325**
Foreign exchange difference	2,075	-	**2,075**
Balance as at March 31, 2020	$ 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	9,732	-	**9,732**
Balance as at December 31, 2019	9,140	42,462	**51,602**
Depreciation expense	11,742	-	**11,742**
Foreign exchange difference	1,360	-	**1,360**
Balance as at March 31, 2020	$ 22,242	$ 42,462	**$ 64,704**
Carrying amounts			
December 31, 2019	$ 4,158	$ 49,538	**$ 53,696**
March 31, 2020	$ 4,158	$ 49,538	**$ 53,696**
Construction-in-progress	-	-	895,119
Total Plant and equipment			**$ 948,815**

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

5. Plant and equipment (continued)

Construction-in-Progress – As of March 31, 2020, the Company was in construction on four self-owned and self-financed projects to be operated by UGE USA. All costs of construction, including materials purchased and subcontractor labor are capitalized and recorded as construction-in-progress. At fiscal quarter-end, balances per project are as follows:

	2020
Construction-in-progress:	
SebCap - 100 Paragon	591,232
SebCap - 25 Phillips	91,187
Springfield Brinks	84,609
Staten Island Kitchen	128,091
	895,119

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. Lease Liability

The following table reconciles the Company's operating lease commitments at March 31, 2020, to the lease liabilities recognized on the initial application of IFRS 16 at December 31, 2019.

Initial Adoption	$	92,000
Lease payments		(55,736)
Lease interest		22,577
December 31, 2019	**$**	**58,841**

Lease liability	$	58,841
Lease payments		(15,803)
Lease interest		5,644
March 31, 2019	**$**	**48,682**

Current portion of lease liability	$	38,246
Long term portion of lease liability	$	10,436

Maturity analysis – contractual undiscounted cash flows:

Fiscal 2020		39,933
Fiscal 2021		9,821
Total undisclosed future lease payments	$	49,754

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 periods ended March 31, 2020 and 2019.

7. Accounts Payable and Accrued Liabilities

	March 31, 2020	December 31, 2019
Trade Payables	$ 2,483,354	$ 3,508,613
Accrued & Other Payables	1,874,211	1,059,397
Warranty Provision	11,995	47,628
Income Taxes Payable	234,425	241,828
	$ 4,603,986	$ 4,857,466

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

8. Loans payable

	UGE Entity	March 31, 2020	December 31, 2019
UGE International Corporate Debt			
Acquisition Loan (CAD$750,000)(i)	UGE	$529,200	$576,150
Convertible Debenture (ii) (CAD$720,000)	UGE	422,558	445,215
Debt to former Subsidiary (iii)	UGE	350,000	350,000
Short term Loan (iv)	UGE	71,882	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	222,264	241,983
UGE PHP Debt			
Unionbank Loan (PHP29,800,000)(vii)	UGE Holdco	584,080	587,060
UGE HoldCo Debt			
Green Bonds (CAD$605,000)(viii)	UGE Holdco	383,796	338,254
Project Development Capital			
Secured Debentures (ix)	UGE Devco	21,168	23,046
Term Loan (x)	UGE USA	1,923	25,000
Term Loan (xi)	UGE USA	106,322	84,410
Project-Level Debt			
Wunder Capital (xii)	UGE USA	671,493	373,508
Total debt		$4,564,686	$4,322,814
Current portion		$2,134,672	$2,522,571
Non-current portion		$2,430,014	$1,800,243

8. Loans payable (continued)

(i) Acquisition Loan – As at March 31, 2020, the Company has a long-term loan bearing interest at 8.0% per annum (plus a quarterly service charge of $3,750) due September 24, 2021 of CAD$750,000 ($529,200). The loan is secured project receivable generated by UGE RE Inc. and a general security on UGE RE Inc. For the three months ended March 31, 2020, the Company incurred $11,040 (2019 – 11,456) in interest expense and $3,750 in service charges which are recognized as finance expenses 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 ($422,558) 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 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

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 3-months ended March 31, 2020, the Company recorded interest of $10,569.36 (2019 - $8,925) and accretion expense of $14,209 (2019 - $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 quarter the Company recorded $7,728.57 (2019 - $7,140) of interest as finance expense in the consolidated statements of operations and comprehensive loss.

(iv) Short term Loan – As at March 31, 2020, the Company has a loan advance agreement of CAD$101,873 ($71,882) bearing interest of 7.5% per annum where repayment will be in line with a repayment schedule of a loan agreement still being negotiated, and the timing of which is not yet known. During the quarter the Company recorded USD 3,820 (2019 - $nil) of interest as finance expense in the consolidated statement of operations and comprehensive loss.

(v) Construction Financing Facility – As of March 31, 2020, 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"). During the year ending December 31, 2019, the Company made draws from the facility of $1,200,000 to fund the construction of a project in Massachusetts. The Company has provided a deposit on all draws totaled to $310,020, which is

8. Loans payable (continued)

recorded as restricted cash (note 3). The Company recorded $12,097 (December 31, 2019 - $81,000) in interest as finance expense in the consolidated statement of operations and comprehensive loss.

(vi) Revolving Credit Facility - As of March 31, 2020, the Company has a revolving demand credit facility with a maximum limit of CAD$315,000, which was fully drawn (December 31, 2019 - $241,983). 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 of March 31, 2020, the Company had 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 of March 31, 2020, the Company is in violation of the covenant and is in on-going discussions with the bank to remediate the situation. The Company recorded $2,961 (December 31, 2019 - $22,411) of interest as finance expense in the consolidated statement of operations and comprehensive loss.

(vii) Unionbank Loan Line – As of March 31, 2020, the Company has a loan line for PHP 29,800,000 ($584,080) due June 30, 2020 with interest payable monthly at 7.75%. The Company recorded interest of $11,255 (December 31, 2019 - $3,499) 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 ($309,708), 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 24 months from the date of issuance. On January 24, 2020, the Company completed a second offering of Secured Green Bonds in the aggregate amount of CAD$105,000 ($74,088). The Bonds are secured against projects of the Company with security interests owned by the Company's wholly-owned subsidiary, UGE Project HoldCo Ltd. Total interest and accretion expense was $2,872 (2019 - $38,108) and transaction costs of $nil (2019 - $nil) was recorded. Also, 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 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 24 months from the Closing Date.

(ix) Secured Debentures – As of March 31, 2020, UGE Devco had two 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 $657 (2019 - $3,077).

(x) Term Loan – As of March 31, 2020, 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 $1,923 balance remained and has since been repaid. The Company paid interest of $1,139 (2019 - $1,234) which is recorded in finance expense in the consolidated statement of operations and comprehensive loss.

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

8. Loans payable (continued)

(xi) Term Loan - As of March 31, 2020, UGE USA, a wholly-owned subsidiary of UGE, had a short-term loan unsecured facility used to fund short-term project development investments with a maximum limit of $130,000 and secured by UGE USA assets. The loan repayment is based on fixed weekly payments at 0.64% and has since been repaid. The Company recorded interest of $5,198 (2019 - $nil) in finance expense in the consolidated statement of operations and comprehensive loss.

(xii) Wunder Capital – As of March 31, 2020, the Company had secured Project-level Debt for four 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 and fourth 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 $671,493 as of March 31, 2020. An origination fee of $12,185 (2019 – $27,713) and interest of $13,899 (2019 - $4,844) was paid and expensed to finance expenses during the year.

9. 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:

	2020 Number of shares		Amount	2019 Number of shares		Amount
Balance at beginning of year	20,250,439	$	20,050,151	72,296,685	$	19,592,790
Private placement of share units, net of share costs	3,000,000		629,724	4,053,333		441,534
Shares issued for conversion of restricted share units	-		-	-		-
Shares for services	-		-	-		-
Shares issued in relation to Green Bonds	-		-	-		-
Shares issued for conversion of debt to equity	864,792		138,772	871,112		98,432
Amount issued for exercise of special warrants	-		-	775,000		-
Balance at end of year	24,115,231	$	20,818,647	77,996,130	$	20,132,756

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.

9. Share capital (continued)

Private placement equity financing

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 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 18 months from the date of issuance.

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 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 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%.

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 March 31, 2020. Upon vesting, the Company will issue shares from treasury to the employees for no additional consideration.

Shares for conversion of debt to equity

On February 14, 2020, the Company converted three accounts payable balances totaling CAD$ 39,375 to common shares of the Company for CAD$0.25 per share resulting in the issuance of 157,500 common shares. In particular, one officer of the Company, its Chief Executive Officer, elected to receive certain bonuses owed in the form of equity, which accounted for the majority of the conversion.

On March 6, 2020, the Company converted two accounts payable balances totaling CAD$ 84,500 to common shares of the Company for CAD$0.26 per share resulting in the issuance of 325,000

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

9. Share capital (continued)

Shares for conversion of debt to equity (continued)

common shares and 125,000 warrants. In particular, one officer of the Company, elected to receive certain bonuses owed in the form of equity.

On February 12, 2019, the Company converted four accounts payable balances totaling CAD$ 130,667 to common shares of the Company for 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 totaling CAD$ 83,345 to common shares of the Company for 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 totaling CAD$ 7,500 to common shares of the Company for CAD$0.24 per share resulting in the issuance of 31,250 common shares.

Special warrants

As of March 31, 2020, 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.

Warrants

The Warrant activity is as follows:

Exercise price	Expiry	December 31, 2019 Outstanding	Issued	Expired	March 31, 2020 Outstanding
3.20	June 26, 2019	-	-		-
2.40	June 26, 2019	-	-		-
1.60	June 14, 2020	312,500	-		312,500
0.80	February 8, 2021	506,667	-		506,667
0.33	August 27, 2021	-	1,500,000		1,500,000
0.33	September 5, 2021	-	125,000		125,000
		819,167	1,625,000.00	-	2,444,167

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

9. Share capital (continued)

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:

	Three month ended March 31, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Balance at beginning of the year	1,255,626	$ 0.56	1,051,166	$ 1.08
Granted	80,000	-	1,076,825	0.34
Forfeited	(14,475)	0.37	(245,692)	0.68
Canceled		-	(626,673)	2.09
Balance at end of period	1,321,151	$ 0.53	1,255,626	$ 0.44
Balance exercisable at end of period	397,592	$ 3.00	398,917	$ 3.00

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

9. Share capital (continued)

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

Exercise price (CAD)	outstanding at March 31, 2020	average remaining life (months)	average exercise price (CAD)	exercisable at March 31, 2020	average exercise price (CAD)
4.60	7,500	3	4.60	-	4.60
2.44	17,525	27	2.44	11,684	2.44
1.80	5,750	15	1.80	13,250	1.80
1.32	10,000	38	1.32	10,000	1.32
1.16	64,925	38	1.16	43,284	1.16
1.12	10,000	20	1.12	10,000	1.12
0.92	12,500	36	0.92	12,500	0.92
0.52	213,126	44	0.52	159,375	0.52
0.36	50,000	45	0.36	50,000	0.36
0.60	25,000	-	0.60	25,000	0.60
0.70	62,500	47	0.70	62,500	0.70
0.32	442,325	51	0.32	-	0.32
0.50	320,000	57	0.50	-	0.50
0.13	80,000	57	0.50	-	0.13
	1,321,151	45	0.53	397,592	0.75

For the three months ended March 31, 2020, the Company recorded share-based compensation expense of $29,602 (March 31, 2019 - $99,505) 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:

	2020	2019
Expected life	5 years	5 years
Expected volatility in market price of shares	124.1%	153.4%
Expected dividend rate	0.0%	0.0%
Risk-free interest rate	1.83%	1.40%

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

10. Segmented information

The Company has determined that it operates in one operating segment, renewable energy solutions. During the three months ended March 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 months ended March 31, was as follows:

	2020	2019
Canada	$ 100,905	$ 1,893,181
United States	21,616	123,187
Philippines	517,492	49,188
	$ 640,013	$ 2,065,556

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

During the three months ended March 31, 2020 the Company had four (2019 - one) 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.

	2020	2019
Customer 1	19%	87%
Customer 2	22%	0%
Customer 3	26%	0%
Customer 4	6%	0%

11. 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 filing counterclaims and 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.

11. 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 ending December 31, 2019.

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 have 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 have 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, is not expected to have a material impact on the Company's financial position or financial performance.

12. 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)

12. 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).

	2020	2019
Financial assets		
Cash	(2,641)	(33,094)
Restricted Cash	309,981	299,338
Trade Receivable	391,558	1,393
Financial Liabilities		
Accounts payable	311,681	278,024
Loan payable	1,200,000	1,200,000

Based on financial assets and liabilities held as at March 31, 2020, 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 $110,528 (December 31, 2019 - $87,283).

(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 receivables and overdue Accounts receivable from vendors are managed on a case by case basis. As of March 31, 2020, the

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

Company had overdue accounts receivable outstanding and payable due to litigation with the Developer as noted in Note 12. UGE is requesting full payment of amounts owing to $1,130,274.

12. 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 of March 31, 2020, 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	$ 4,603,986	$ 4,603,986	$ 4,603,986	$ -	$ -	$ -
Loans payable	4,564,686	4,564,686	2,134,672	163,863	2,266,151	-
Lease liability	48,682	48,682	39,933	9,821	-	-
	$ 9,217,354	$ 9,217,354	$ 6,778,591	$ 173,684	$ 2,266,151	$ -

13. Selling, general, and administrative expense

	March 31, 2020	March 31, 2019
Employee compensation	$ 440,977	$ 378,740
Corporate, professional & office	159,874	333,205
Depreciation and amortization	11,742	13,198
Insurance	85,264	54,055
Travel and entertainment	29,628	23,434
Advertising and marketing	3,952	942
Project Development Costs	67,771	-
	$ 799,208	$ 803,574

14. Subsequent Events

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.