UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

For the Three Months ended March 31, 2021

(In United States dollars)

Introduction

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of UGE International Ltd. ("UGE" or the "Company") for the three months ended March 31, 2021 and is prepared as of May 27, 2021.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and the audited consolidated financial statements for the year ended December 31, 2020, both of which are expressed in United States dollars ("USD") and prepared in accordance with International Financial Reporting Standards ("IFRS"). In particular, please see Note 2 b) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021. This note discusses the Company's adjustment to the provision for expected credit losses that was originally recorded for the three months ended March 31, 2020. The adjustment reduced the provision for expected credit losses by $37,134 and consequently reduced the net loss for the three months ended March 31, 2020 by the same amount.

The functional currency of the Company is Canadian dollars ("CAD"). All amounts in this MD&A are expressed in USD, unless otherwise indicated. Some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the *"Non-GAAP Measures"* section for more information and definitions.

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.

As of the date of this MD&A, the Company has 31,157,973 common shares issued and outstanding. In addition, there are 2,104,937 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options that have been granted to purchase an additional 2,950,900 common shares. The Company also has an outstanding convertible debenture with a face value of CAD $720,000, convertible into common shares at $0.96, which would result in an additional 750,000 common shares if converted. Please see *Note 13 Share Capital* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2021* for more information.

Forward-Looking Information

This MD&A contains forward-looking information, including the Company's projected operating capacity and project development activities and estimates related to the values in Company's project backlog and the projects included therein. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. The forward-looking information 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, the ability to secure appropriate sites, the effect of global and regional economic conditions, equipment supply and pricing, changes in electricity prices, delays and over runs in construction, delays in or inability to obtain permits, changes in laws and regulations and changes in how they are interpreted and enforced, changes in tax policies and incentive programs, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, demand for the Company's services, and availability of capital and funding. Please also refer to the Risk Factors section of this MD&A for further discussion of risks and uncertainties.

The Company's performance could differ materially from that 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 occur, what benefits the Company will derive there from.*

The forward-looking information is made as of the date of this MD&A, 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.

Company History and Business Profile

UGE is a solar and renewable energy solutions company, focused on providing commercial and community solar energy solutions that deliver cheaper, cleaner, and more reliable electricity. We develop, build, own/operate, and finance, commercial and community solar projects in our target markets (currently the US and Philippines). We also provide worldwide engineering and consulting services. UGE has greater than 400 MW of solar project experience since its founding in 2010.

UGE began as an energy solutions company, designing and supplying clean technology solutions 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 develop, deploy, and finance solar energy projects for our clients. These projects are designed to provide them immediate economic benefit, such as through cheaper electricity costs or a long-term lease for their roof space or vacant land.

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 engineering and deployment experience. On September 6, 2016, we divested our former wind energy operations, UGE Holdings Ltd. ("UGE Holdings") and its subsidiaries, which 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 project deployment capabilities. On January 17, 2020, after amalgamating UGE Canada and UGE RE into UGE Canada RE Ltd. ("UGE Canada RE"), we filed a Part III Division 1 of BIA Proposal (the "Proposal") to creditors of UGE Canada RE Ltd. ("UGE Canada RE"), to effectively exit the EPC services business provided by UGE Canada RE. The Proposal was approved in November 2020, with all payments to creditors being made in the first quarter of 2021, completing the wind down.

Beginning in 2020, UGE focused its business model on solar facilities that it would develop, build, own and operate for its own account, and energized its first self-financed systems within the last months of 2020. Today, UGE primarily develops, builds, and finances complete turnkey solutions within the Northeast US and the Philippines, and provides engineering and consulting services worldwide. Our focus is on leveraging the low cost of distributed solar energy to provide energy users more affordable energy.

Business Update and Financial Highlights

	Q1 2021	Quarterly Q4 2020	Q1 2020 Amended [2]
OPERATING RESULTS			
Energy Production (KWh)	**103,341**	61,079	-
Revenue - Energy Production	**$ 25,829**	$ 16,242	$ -
Revenue - EPC and Consulting	**$ 398,623**	$ 398,424	$ 640,013
Gross Margin %	**23%**	51%	27%
Operating costs	**$ 1,196,034**	$ 1,135,717	$ 1,004,772
Net Income (Loss)	**$ (1,072,795)**	$ 131,773	$ (887,457)
Adjusted Net Loss [1]	**$ (1,146,828)**	$ (907,495)	$ (887,457)
Adjusted EBITDA [1]	**$ (938,735)**	$ (403,087)	$ (785,698)
Income (loss) per share	**($0.04)**	$0.00	($0.04)
Adjusted loss per share [1]	**($0.04)**	($0.03)	($0.04)
	31-Mar-21	**At at 31-Dec-20**	**31-Mar-20 Amended [2]**
FINANCIAL POSITION			
Cash & Equivalents	**$ 3,035,938**	$ 1,000,069	$ 20,685
Working Capital	**$ 547,538**	$ (3,640,541)	$ (4,803,074)
Solar Assets and Construction in Progress	**$ 1,274,813**	$ 1,098,286	$ 895,119
Operating Debt	**$ 1,086,075**	$ 2,215,691	$ 3,379,984
Project Debt	**$ 1,834,024**	$ 1,891,820	$ 1,184,702
Shareholders' Equity (Deficit)	**$ 419,206**	$ (4,280,531)	$ (6,254,575)
Number of Shares Outstanding	**31,148,072**	28,164,252	24,115,231
PROJECT VALUES			
Current Project Value - Self Financed [1]	**$ 130,386,712**	$ 105,028,978	$ 63,751,826
Remaining Project Value - EPC [1]	**$ 3,338,182**	$ 3,535,742	$ 8,923,836
Total Backlog Capacity (KW) [1]	**70,518**	60,600	38,376
Operating Capacity (KW) [1]	**852**	802	-

[1] ***These items are Non-GAAP measures that do not have standard definitions under IFRS, may not be reconcilable to IFRS measures, and may not be comparable to other companies; please see Non-GAAP measures section of this MD&A for more details.***

[2] ***Please see Note 2 b) of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.***

While top-line revenue continues to decline in line with the shift to revenue generation from operating solar facilities, the Company improved its balance sheet position in Q1 2021, moving from a working capital deficit of $3.64 million at the end of 2020 to a positive working capital position of $0.55 million at the end of Q1 2021, and moving to shareholders' equity of $0.42 million from a deficit of $4.28 million at the end of 2020.

This improvement was achieved through a private placement in February 2021 that generated net $5.03 million. The Company used part of the funds to selectively settle operating debt and the remaining funds owed under the creditor proposal related to the wind-down of the Canadian EPC business. Included in the calculation of working capital is $1.07 million in trade payables related to a contingency which has an offsetting amount in accounts receivable, making the ultimate cash outflow uncertain. Also included as a liability in the calculation of working capital is a $0.54 million convertible debenture with a conversion price of CAD $0.96 due in Q3 2021, which, if converted, would not require a cash outflow.

The improvements in the balance sheet position the Company to invest in development activities and support operations as the Company continues to execute on transitioning to its revised business model.

The backlog increased to 70.5MW, including 852KW of operating solar facilities and 359KW under construction that is expected to be operational in Q2 or Q3 2021. The Company expects that at least an additional 5,000 KW will reach Stage 4 or higher in 2021 (please see the *Project Backlog* section for definition of Stage 4), as a greater share of the project development backlog matures toward construction. UGE is targeting a doubling of the backlog from the 60MW at the end of 2020 to 120MW by the end of 2021 and made significant progress in the that regard in Q1 2021.

As the Company is pivoting from its EPC business model to a build/own/operate strategy, particularly in the US, the remaining project backlog associated with client-financed projects is declining as these projects move to completion. As the Company makes this change, targeting the creation of long-term recurring revenue from the growth of assets owned and operated, revenue from client-financed solar facilities will decline and the recurring revenues from operating solar facilities will become the dominant revenue source. Through this transition UGE expects to experience declining revenues until reaching scale in operating solar facilities.

Key financial results in Q1 2021 included:

- Realization of $398,623 in one-time revenue from client-financed EPC agreements and engineering services compared to $640,013 in Q1 2020 and $398,424 in Q4 2020. The year over year decline is consistent with our pivot from EPC services to build/own/operate. However, the Company will continue to grow and expand our solar engineering consulting business, which will continue to contribute revenue. Gross margins on the EPC, client-financed and consulting revenue were 23% in Q1 2021, 27% in Q1 2020 and 51% in Q4 2020.

- Generation of 103,341 KWh of energy in the quarter, producing $25,829 in recurring revenue, from three operating solar facilities as compared to 61,079 KWh and $16,242 from two operating solar facilities in Q4 2020. Solar generation in the regions in which the Company operates solar facilities follows seasonal weather patterns, and in particular February experienced significant snowfall that affected production in Q1 2021.

- Refocus of activities, such that operating costs, which include compensation and general and administrative costs, were $1.20 million in Q1 2021 up from $1.14 million last quarter and $1.00 million in Q1 2020, mostly reflecting additions to our origination and development teams as we scale those efforts in line with growing the backlog and moving projects through to development and operations.

- Net loss was $1.07 million in Q1 2021 compared to a net loss of $0.89 million in Q1 2020 and net income of $0.13 million in Q4 2020. Q4 2020 included net gains of $0.93 million associated with the settlement of liabilities at a discount.

- Adjusted net loss was $1.15 million in Q1 2021 compared to an adjusted net loss of $0.89 million in Q1 2020 and $0.91 million in Q4 2020. Adjusted net loss excludes the effect of the items related to the settlement of outstanding debt at a discount and the relief and grants received under COVID 19 programs.

- Significantly improved the financial position of the Company in Q1 2021:
    - Ended the quarter with \$3.04 million in cash, \$0.55 million in positive working capital and positive shareholders' equity of \$0.42 million.
    - As previously disclosed, raised net \$5.03 million through a fully bought brokered private placement in February 2021.
    - Settled a total of \$1.3 million in debt, through the settlement of \$0.70 million in debt with cash and CAD \$0.75 million (US \$0.59 million) with equity.
    - Settled the remaining \$0.49 million owing under the creditor proposal related to the wind-down of the Canadian EPC business at a discount, realizing a gain of \$28,488.

Key business highlights in Q1 2021 included:

- Grew project backlog capacity to 70.5MW at March 31, 2021, by securing commitments to develop an additional 9.9MW of solar facilities in the quarter.
- Hired additional origination and development staff from other established players in the industry, which is expected to help drive further growth in the Company's project backlog. Also added a seasoned controller to UGE USA.

During 2021 UGE will continue to execute on its strategic plans, with a target of at least 100MW of operational assets by 2024, and the development capacity to add 100MW to the backlog annually by 2024.

Through 2021, UGE will continue to focus on building our pipeline of solar facilities in both our proven markets and by diversifying into new US markets, with a target of entering at least three new states in 2021, along with entering additional provinces in the Philippines. This activity will be supported by strategic additions to our origination and development teams, to which we have recently added experienced and proven professionals as of the date of this MD&A. We will continue to focus on the financial value our platform provides to real estate owners and UGE while providing the world with cleaner energy.

In tandem, with our decade of renewable energy experience, we will continue our focus on incremental improvements in the efficiency of our development and construction process and on further building our asset management and project finance capabilities.

Project Backlog

The Company believes it is important to provide an analysis of our pipeline of solar facilities as a measure of UGE's potential to earn future revenue. Certain of the amounts presented in the table below are Non-GAAP measures; please see the *Non-GAAP Measures* section of this MD&A for more information. The Company includes solar facilities in the project backlog from the point of a binding commitment (stage 3.1) to operating (stage 6). Not included in the project backlog below are solar facilities that are in stages 1 and 2, which represent the broader origination and development pipeline of the Company. At March 31, 2021, stage 1 and 2 projects exceeded 179MW or $232 million in Current Project Value (December 31, 2020 142MW and $174 million, respectively. Please see the definition of Current Project Value below.

Stages 3 to 6 are defined as follows:

Stage 3 – Committed - the Company has secured a binding commitment from a client, which can take the form of a site lease, letter of intent or an award letter in response to a Request for Proposal ("RFP"). Solar facilities are only committed when they are fully contracted and are ready to be deployed, and the Company has the current intent and ability to move ahead with the solar facility. Within Stage 3 solar facilities are further broken down as follows:

> **Stage 3.1** - signed a binding commitment or received an award letter in response to an RFP
>
> **Stage 3.2** - interconnection study with the local utility has been completed, representing a key milestone
>
> **Stage 3.3** - all material agreements between UGE and the client, as well as necessary permits, are in place and the only material item remaining to reach Stage 4 (for self-financed solar facilities) is to finalize project financing.

Stage 4 – Contracted – fully contracted, where there are binding contract(s) with the client and the deployment schedule has been identified.

Stage 5 – Deployment – activities to construct and place the solar facility in operation have commenced.

Stage 6 – Operation – solar facility has been mobilized and is in operation.

The following table provides information on the Company's project backlog for UGE's self-financed solar facilities at March 31, 2021:

	Number of Projects	Total Capacity (KW)	Current Project Value (Backlog Value)	Capital Expenditures	Upfront Gov't Grants	Average Annual Revenue at Operation	Average Facility Life
Self-Financed Projects							
USA							
Stage 6 (Operating)	3	637	1,364,161	984,213	-	141,903	25
Stage 5 (Deployment)	1	259	742,739	499,339	262,810	62,009	25
Stage 4 (Contracted & Scheduled)	0	-	-	-	-	-	-
Stage 3.3 (Contracted & Permitted)	1	741	1,741,355	1,369,327	222,195	195,838	25
Stage 3.2 (IX study Completed)	4	10,903	17,487,709	15,278,812	1,862,000	1,645,960	26
Stage 3.1 (Binding Commitment)	15	52,887	105,083,230	84,283,543	608,100	9,707,850	28
Philippines							
Stage 6 (Operating)	2	215	174,058	132,615	-	19,671	15
Stage 5 (Deployment)	1	100	89,767	83,031	-	10,158	20
Stage 4 (Contracted & Scheduled)	0	-	-	-	-	-	-
Stage 3.3 (Contracted & Permitted)	3	1,843	1,353,392	1,243,295	-	149,544	15
Stage 3.2 (IX study Completed)	0	-	-	-	-	-	-
Stage 3.1 (Binding Commitment)	10	2,933	2,350,301	1,933,731	-	164,579	17
Total Self-Financed at March 31, 2021	**40**	**70,518**	**130,386,712**	**105,807,906**	**2,955,105**	**12,097,512**	
At December 31, 2020	41	60,600	105,028,978	77,779,731	2,858,316	9,414,825	
At March 31, 2020	36	38,376	63,751,826				

The items in this table are Non-GAAP measures that do not have standard definitions under IFRS, are not reconcilable to IFRS measures, and may not be comparable to other companies. Please see the Non-GAAP Measures section for more details and below for definitions.

Current Project Value (backlog value) - *is calculated as the remaining discounted, unlevered post-tax expected cash flows from the solar facility once operational. Cash flows for US projects include the revenue from the sale of electricity generated and the sale of renewable energy credits, minus the costs to operate and maintain the solar facility. In the Philippines, cash flows include cash flows from client debt repayments, and servicing fees minus the costs to provide servicing. The discount rate for projects in stages 3.1 to 5 is 10%, %; once a project reaches operations (stage 6) the discount is 8%. This calculation is subject to significant management judgement and estimation. The Company makes several assumptions when calculating the expected future cash flows including estimates about, without limitation, electricity production and electricity prices, inflation, facility life, costs to operate and discount rates.* ***This value does not represent the net cash flows available to UGE as it does not include the capital costs to build the solar facility or the costs of financing.***

Capital Expenditures - *are the estimated undiscounted costs to construct the solar facility. These costs include solar components, engineering services, labour, roof contributions, interconnection, and subscriber acquisition. These amounts will differ from the solar facility asset recorded under IFRS. Please see the accounting policy note in the Company's 2020 Consolidated Financial Statements for information on recognition and measurement under IFRS.*

Upfront Gov't Grants - *are the upfront government grants UGE receives from certain state sponsored programs for the construction of the solar facilities. This does not include any tax benefits like income tax credits ("ITCs") or accelerated depreciation. Under IFRs these amounts reduce the carrying value of the solar facilities asset.*

Average Annual Revenue at Operation - *undiscounted average annual revenue from the sale of electricity generated and the sale of renewable energy credits over the expected life of the project. Given degradation assumptions the expected revenue in earlier years is higher.*

As seen in the table above, as of March 31, 2021, the Company has increased its self-financed (build/own/operate) total backlog capacity to 70.5MW, an increase of 16% from the end of 2020. Growth was driven by an increase of 9.2MW in the US and 0.7MW in the Philippines since December 31, 2020.

Within the US, the Company is currently most active in New York and Maine. New York City is predominantly a roof-top market, with projects typically less than 1MW AC in per-facility rated capacity, whereas most Maine projects are ground-mounted with rated capacity of 1 to 5MW AC. Within the Philippines, the Company's current focus is almost exclusively on rooftop solar facilities.

Conversion of the backlog from stage 3.1 to stage 6 varies on a project-by-project basis and can be affected by items such as utility interconnection approval timelines, local permitting timelines, and by client-driven factors, but generally UGE expects the deployment period to be approximately 9 to 18 months for rooftop solar facilities and 12 to 36 months for ground mount solar facilities. In some cases, a committed solar facility (stage 3) can potentially fail to secure final contracting for various reasons and therefore may not move into contracting and development.

Given the increase in the project backlog in 2020 and the time generally required to reach deployment, we expect a large proportion of the current backlog will enter construction in 2022. The solar facilities that are in Stage 5 are expected to energize and reach the operating stage in 2021.

The following table provides information on the Company's project backlog for UGE client-financed EPC projects and engineering services:

	Number of Projects	Total Capacity (KW)	Remaining Project Value
Client Financed (EPC) Projects			
USA			
Stage 5 (Deployment)	2	355	2,723,490
Philippines			
Stage 5 (Deployment)	2	804	374,767
Total Client Financed (EPC) Projects	4	1,159	3,098,257
Engineering & Consulting			
Contracted and in progress	5		239,925
Total Self-Financed at March 31, 2021	**9**	**1,159**	**3,338,182**
At December 31, 2020	12	2,210	3,535,742
At March 31, 2020	18	4,923	8,923,936

***Remaining project value** – is calculated as the remaining contract value that is expected to be realized over the contract completion.*

As discussed above under *Business Update and Financial Highlights*, the Company is pivoting its strategy from the EPC model to build/own/operate. As such, the project backlog associated with client-financed solar facilities is declining as the contracts move to completion. As the Company makes this strategic pivot, which is expected to have higher financial returns over the long term, revenue from client-financed solar facilities will decline and the recurring revenues from operating solar facilities will become the dominant revenue source. Through this transition UGE will experience declining revenues until reaching scale in operating solar facilities.

Also, as noted above, the timing of the conversion of client-financed backlog to revenue can vary significantly on a project-by-project basis. A contracted solar facility will typically start to convert to revenue either in the quarter the contract was signed or in the quarter thereafter, with final completion typically occurring within 6 to 18 months. A committed solar facility can often be delayed one to six quarters, pending completion of contract negotiations and scheduling of work. A committed solar facility may fail to secure final contracting for various reasons and therefore may not convert to revenue in the future.

Q1 2021 Earnings Review

	Q1 2021	Quarterly Q4 2020	Q1 2020 *Amended* [1]
REVENUE			
Revenue EPC and consulting	**$ 398,623**	$ 398,424	$ 640,013
Cost of goods - EPC and consulting	**307,804**	195,954	467,287
Gross profit - EPC and consulting	**90,819**	202,470	172,726
Gross profit %	**23%**	51%	27%
Energy generation revenue	**25,829**	16,242	-
TOTAL OPERATING REVENUE	**116,648**	218,711	172,726
OPERATING COSTS AND EXPENSES			
General & administrative	**1,169,430**	1,106,244	939,870
Expected credit losses & impairment	**15,000**	11,419	53,160
Depreciation and amortization	**11,604**	18,055	11,742
TOTAL OPERATING COSTS AND EXPENSES	**1,196,034**	1,135,717	1,004,772
OPERATING INCOME (LOSS)	**(1,079,386)**	(917,006)	(832,046)
OTHER EXPENSES (INCOME)			
Financing expenses	**92,893**	141,639	122,708
Other (income) expense	**(99,484)**	(1,346,528)	-
TOTAL OTHER EXPENSES (INCOME), NET	**(6,591)**	(1,204,889)	122,708
NET INCOME (LOSS) BEFORE TAX	**(1,072,795)**	287,883	(954,754)
Income tax expense	**-**	156,110	(67,297)
INCOME (LOSS) FOR THE PERIOD	**$ (1,072,795)**	$ 131,773	$ (887,457)
ADJUSTED NET LOSS	**$ (1,146,828)**	$ (907,495)	$ (887,457)
ADJUSTED EBITDA	**$ (938,735)**	$ (403,087)	$ (785,698)
ADJUSTED EBITDA MARGIN	**(805%)**	(184%)	(455%)

[1] ***Please see Note 2 b) of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.***

Operating Revenue

Year over year, the decline in gross profit from the EPC and consulting business is consistent with the Company's strategy pivot to build/own/operate, which led to significant declines in revenue from EPC contracts in the US and Canada

A breakdown of gross revenue (EPC and consulting, and energy generation) by geographic region is below.

	Three months ended March 31, 2021	2020
Canada (Engineering)	**$ 26,110**	$ 100,905
United States	**151,283**	21,616
Philippines	**247,059**	517,492
	$ 424,452	$ 640,013

In the Philippines the current legal structure for self-financed (build/own/operate) solar facilities is different from the US, in order to meet local requirements. In the Philippines legal structure, the ownership of the solar facility transfers to the customer once completed. The Company finances the customer's acquisition of the solar facility and receives interest income and servicing income (from operations and maintenance) over the life of the solar facility. This results in a different revenue recognition model under IFRS than in the US, such that EPC and development revenue is earned upfront over the period of construction, while the cash is collected over the life of the solar facility.

Energy generation revenue is earned from both the sale of electricity generated and the sale of renewable energy credits. At the end of Q1 2021, the Company had 637KW of generation capacity online earning revenue in this manner, representing three projects in the US. Two were operational beginning in Q3 2020, and one was energized at the end of 2020 and began generating revenue in Q1 2021. There is seasonality to the energy generated and the earned revenue, consistent with the weather patterns in the states where the solar facilities are located. In particular in Q1 2021, there was heavy snow cover in February. The operating solar facilities are currently operating within our expectations.

Operating Costs and Expenses

General and administrative costs include salaries and benefits, corporate expenses, insurance, travel and marketing, and non-cash share-based compensation expenses. Moving forward, the Company will be investing in resources and people to support origination growth and development targets, along with underlying operational capabilities, which we expect will put some upward pressure on the expense base in 2021. Also, as discussed above, we added new team members in origination and deployment in the quarter to support growth and increased our compensation costs.

Expected credit losses are charges to the income statement for the increase (or decrease) to the Company's expected losses on trade receivables, unbilled revenue and notes receivable, including any amounts written off in the year. These charges can fluctuate based on the outstanding amount of receivables and specific circumstances of customers.

Depreciation and amortization includes the amortization of operating solar facilities and right-of use lease assets. During development and construction, depreciation of the right-of-use lease assets corresponding to leased land is capitalized to work in progress, with the expense recognition delayed until the solar facility becomes operational.

Financing Expenses

Financing expenses include costs associated with operating and project debt, and with tax equity financing. Year over year, financing expenses have declined as operating debt levels have decreased. As the Company's asset base grows, project and tax equity financing expenses will increase in line with the size of the portfolio. Finance expenses (borrowing costs) incurred during the construction phase of a project are capitalized to work in progress.

Other Income

Other income includes the effects of non-recurring events including:

- In Q1 2021 - settled the remaining $494,865 owing under the creditor proposal related to the wind-down of the Canadian EPC business at a discount realizing a gain of $28,488.
- In Q1 2021 – received $32,922 in COVID-19 relief benefits.
- In Q4 2020 – settled, through a creditor proposal related to the wind-down of the Canadian EPC business, $1.44 million in outstanding debts for $532,333 resulting in a gain on debt extinguishment of $849,037.
- In Q4 2020 - sale of a 304KW solar facility in New York that was developed and built by UGE, resulting in a gain on sale of $194,623.
- In Q4 2020 – received $104,993 in COVID-19 relief benefits.

There were no significant other income items in Q1 2020.

Q1 2021 Financial Position Review

		As at		
		31-Mar-21		31-Dec-20
ASSETS				
Cash	**$**	**3,035,938**	$	1,000,069
Restricted Cash		**34,299**		34,632
Trade and other receivables		**1,888,207**		1,774,988
Construction in progress		**367,581**		181,160
Solar facilities in use		**907,232**		917,127
Right of use assets		**2,061,807**		1,504,712
Project development costs		**337,470**		208,649
Other assets		**459,338**		569,638
Total assets	**$**	**9,091,871**	$	6,190,975
LIABILITIES AND EQUITY (DEFICIT)				
Trade payables and accrued liabilities	**$**	**2,702,193**	$	3,849,195
Deferred revenue		**874,478**		947,875
Operating debt		**1,086,075**		2,215,691
Project debt		**1,601,835**		1,642,689
Tax equity liabilities		**232,189**		249,131
Lease liabilities		**2,158,882**		1,555,977
Decomissioning liability		**17,012**		10,948
Total liabilities		**8,672,665**		10,471,505
Shareholders' equity (deficit)		**419,206**		(4,280,530)
Total liabilities and shareholders' equity (deficit)	**$**	**9,091,871**	$	6,190,975
Working capital (deficit)	**$**	**547,538**	$	(3,640,541)

Cash and restricted cash

The cash position of the Company has increased from the end of Q4 2020 primarily due to the net equity raise of $5.03 million in February 2021.

Trade and other receivables

Trade receivables will fluctuate with business activity. Included in the trade and other receivables is $1.13 million related to a legal dispute described in the *Contingencies* section of this MD&A. There is also a related accrued liability in the amount of $1.07 million included in accrued liabilities.

The Company has provided $263,706 for expected credit losses for trade and other receivables and unbilled revenue at March 31, 2021 (December 31, 2020: $248,706), and trade and other receivables are shown net of this amount.

Solar facilities in use and under construction

	Solar facilities in use	Solar facilities under construction
Three months ended March 31, 2021		
Balance - beginning of the year	$ 917,126	$ 181,160
Additions	-	186,421
Disposals	-	-
Foreign exchange difference	-	-
Transfer to solar facilities in use	-	-
Impairment	-	-
Depreciation	(9,894)	-
Balance - end of period	$ 907,232	$ 367,581
As at March 31, 2021		
Cost	$ 928,016	$ 367,581
Accumulated depreciation	(20,784)	-
Net carrying amount	$ 907,232	$ 367,581

During 2020 the Company completed three US projects (637 KW) and moved them to operating solar facilities. Two of these became operational in 2020, and the other in Q1 2021. One solar facility (259KW) was under construction at the end of Q1 2021, and the Company expects it to be energized in Q2 or Q3 2021.

Right of use assets and lease liabilities

These assets and liabilities represent the Company's rights and obligations under long term leases associated with solar facilities, and the carrying values will increase to the extent the Company is adding new projects to the project backlog. There is usually one lease contract for each solar facility project; however not all long-term leases are recognized as leases under IFRS as the determination is made on a lease-by-lease basis. Generally, the Company's roof-top leases are not considered leases under IFRS and the lease expense is recognized as incurred, with no corresponding right of use asset and lease liability. *Please see Note 9 in the Q1 2021 unaudited condensed consolidated interim financial statements for more information.*

Project development costs

Project development costs are capitalized costs that are incurred pre-construction. They include costs such as lease option payments, interconnection studies, permits, and engineering reports. They also include depreciation of associated right-of use assets, such as land leases, and interest on the associated lease liabilities Once construction commences, capitalized costs are reclassified to solar facilities under construction. As origination and development activities accelerate the capitalized amounts are expected to also increase.

Trade payables and accrued liabilities

Trade payables generally will fluctuate with business activities. Included in this balance is the $1.07 million related to the contingency discussed under trade and other receivables above.

In Q4 2020, the Company settled, through a creditor proposal related to the wind-down of the Canadian EPC business, $1.44 million in outstanding debts for $532,333 payable over 8 quarters, resulting in a gain on debt extinguishment of $849,037. The $532,333 settlement amount is included in accrued liabilities at December 31, 2020. In Q1 2021, the Company paid the amount in full for further discount to the settlement amount calculated using a discount rate of 10%.

Operating debt

OPERATING DEBT	Maturity	Contractual Rate	As at March 31, 2021	As at December 31, 2020
UGE International				
Convertible debenture	Oct-21	8.0%	**$ 537,047**	$ 515,707
Aquisition loan	Sep-21	8.0%	**-**	588,525
Short term loan	none	7.5%	**-**	79,940
UGE CanadaRE				
Canada Emergency Business Account	Dec-22	0.0%	**28,679**	29,080
UGE Consulting				
Canada Emergency Business Account	Dec-22	0.0%	**28,679**	29,080
UGE USA				
Paycheck protection program (PPP 1)	Apr-22	1.0%	**31,826**	31,851
Paycheck protection program (PPP 2)	Feb-26	1.0%	**120,811**	-
Economic injury disaster loan (EIDL)	Jun-50	3.75%	**153,633**	152,481
Debt to former subsidiary	Sep-23	8.0%	**-**	350,000
UGE Philippines				
Bank loan	Dec-27	8.00%	**185,400**	439,027
Total			**$ 1,086,075**	$ 2,215,691
Current portion			**$ 570,638**	$ 1,466,074
Non-current portion			**$ 515,437**	$ 749,617

In Q1 2021 the Company fully settled $681,250 of operating debt with cash and settled an additional $588,525 of operating debt with common shares.

Project debt and tax equity financing

Project debt includes both construction financing for solar facilities under construction and long-term debt associated with operating solar facilities. Green Bonds have generally been used to fund solar facilities in the Philippines. These balances will generally increase in line with the growth in the Company's solar facilities.

PROJECT DEBT	Maturity	Contractual Rate		As at March 31, 2021		As at December 31, 2020
UGE USA						
Construction financing		8.5%	**$**	**295,898**	$	205,630
Operating project debt	2027	6.2%-7.4%		**870,694**		987,204
Tax equity financing				**232,189**		249,131
UGE Project Holdco.						
Green Bonds	Sep-23	7.0%		**365,165**		357,813
Green Bonds	Jan-25	7.0%		**70,078**		68,501
UGE Project Development Holdco.						
Secured debentures	2021	12.0%		**-**		23,541
Total			**$**	**1,834,024**	$	1,891,820
Current portion			**$**	**356,481**	$	393,478
Non-current portion			**$**	**1,477,543**	$	1,498,342

In addition to traditional project financing the Company also finances solar facilities (projects) through Tax Equity Investment ("TEI") structures. These structures are designed to allocate the majority of renewable tax incentives, such as investment tax credits ("ITCs") and accelerated depreciation, to TEIs. With its current portfolio of solar facilities, the Company cannot fully monetize such tax incentives. Generally, tax equity structures allocate the majority of the project's US taxable income and renewable tax incentives, along with a portion of the project's cash flows, to the TEIs until they receive an agreed-upon after-tax investment return (the "flip point"). The flip points are generally dependent on the projects' respective returns but also may be contractually determined. At all times, both before and after the projects' flip points, the Company retains control over the projects financed with a tax equity structure. Subsequent to the flip point the Company receives the majority of the projects' taxable income, cash flows and remaining tax incentives. During 2020, the Company entered two TEI financing arrangements for two solar facilities, and entered into an additional TEI financing arrangement following the first quarter of 2021. TEI is expected to remain an important financing source given the current non-refundable structure of the ITC program.

Shareholders' equity (deficit)

The issued and outstanding share capital is as shown below:

	Three months ended March 31,			
	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of period	**28,164,252**	**$ 22,854,278**	20,250,439	$ 20,050,151
Private placement of shares, net of costs	**2,645,000**	**3,447,093**	3,000,000	629,724
Stock option exercises	**4,799**	**10,357**	-	-
Warrant exercises	**47,801**	**76,230**	-	-
Debt to equity conversions	**286,220**	**445,413**	864,792	138,772
Balance at end of period	**31,148,072**	**26,833,371**	24,115,231	20,818,647

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.

Shareholders' equity was $419,206 at March 31, 2021 compared to a shareholders' deficit of $4,280,531 at December 31, 2020. This improvement reflects the net increase in share capital as shown in the above table and the net increase in contributed surplus of $1,789,110 related to stock-based compensation, conversion of debt to equity, and warrant issues related to the private placement, offset by net losses of $1,072,795 in Q1 2021*. Please see Note 13 Share Capital in the Q1 2021 unaudited condensed consolidated interim financial statements for more information.*

Liquidity and Capital

		Three months ended		
		31-Mar-21		**31-Mar-20**
OPERATING ACTIVITIES				
Cash flows used in operating activities	**$**	**(2,128,692)**	$	(465,351)
FINANCING ACTIVITIES				
Cash flows from financing activities	**$**	**4,483,324**	$	778,093
INVESTING ACTIVITIES				
Cash flows used in investing activities	**$**	**(318,763)**	$	(512,312)
Effects of changes in foreign exchange rates on cash and cash equivalents		**-**		13,822
Net change in cash and cash equivalents		**2,035,869**		(185,748)
Cash and cash equivalents, beginning of period		**1,000,069**		206,433
Cash and cash equivalents, end of period	**$**	**3,035,938**	$	20,685

Cash flow from operations

The cash flow sources for the Company include operations and debt and equity financings. The primary uses of cash are operating expenses, including cost of sales, working capital, and project development costs. The Company's cash position improved in Q1 2021 through the net $5.03 million equity raise discussed above. Some of these funds were used to further pay down relatively costly operating debt and trade payables, as discussed above.

In Q1 2021, the Company generated negative cash flow from operating activities of $2.13 million and a net loss of $1.07 million. In Q1 2021, the Company paid down $0.91 million in trade payables contributing to the use of cash for operating activities.

As discussed, the Company is pivoting to the build/own/operate model and focusing on closing new projects with longer term higher margins, with the goal of strengthening its financial position. While revenue recognition in the build/own/operate model is a long-term recurring model that requires a certain scale in operating solar facilities to create positive earnings, positive cash flows are generated during the construction to energization stages of solar facility development, which the Company can use to fund operations and to invest in growth and new development activities. However, to the extent that the Company does not generate positive cash flows from operations and development activities in the future, or financing or capital is not available on reasonable terms, reductions in expenditures may be required or the Company may not be able to continue as a going concern. Certain conditions discussed above and in the *Risks and Uncertainties section* of this *MD&A*, raise doubt about our ability to continue as a going concern.

Financing activities

Financing activities include cash inflows of $5.03 million from the equity raise in Q1 2021, already discussed, $40,728 from exercises of warrants and stock options, and repayment of $805,712 in debt.

Also included was $100,299 in cash inflows from project debt financing that were used to finance the construction of solar facilities in the quarter. Generally, the cash generated from project debt financing and tax equity financing exceeds the capital cost outlay of the associated solar facility and is retained as a developer fee.

The Company also received an additional $120,811 in COVID relief funds from the SBA paycheck protection program.

Investing activities

Investing activities include the Company's capital costs for solar facilities, including the upfront development costs.

Capital management

The objective in managing capital is to safeguard our ability to continue as a going concern and to sustain our ability to develop high-quality solar facilities. The Company includes operating and project debt, tax equity liabilities, and shareholder's equity, excluding accumulated other comprehensive income, in its capital management. To maintain its capital position the Company may adjust the capital structure between debt and equity, which may include issuance of shares and/or warrants. At this time, the Board of Directors has not established short-term quantitative return on capital criteria at the Company level, but the management does have minimum internal rates of return when it assesses the feasibility and approves the development of new solar facilities. UGE is not subject to any externally imposed capital requirements.

Selected Quarterly Financial Highlights

In $000s	Q2 2019	Q3 2019	Q4 2019	Q1 2020 [1]	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Operations								
Energy production (KWh)	-	-	-	-	-	58,799	61,079	**103,341**
Generation revenue	$ -	$ -	$ -	$ -	$ -	$ 16	$ 16	**$ 26**
EPC and consulting revenue	$ 944	$ 496	$ 1,555	$ 640	$ 253	$ 116	$ 398	**$ 399**
Net income (loss) from operations	$ (449)	$ (789)	$ (529)	$ (832)	$ (695)	$ (792)	$ (917)	**$ (1,079)**
Net income (loss)	$ (407)	$ (743)	$ (810)	$ (887)	$ (585)	$ 349	$ 132	**$ (1,073)**
Net operating income (loss) per share								
basic and diluted	($0.02)	($0.04)	($0.03)	($0.04)	($0.03)	($0.04)	($0.03)	**($0.04)**
Net income (loss) per share								
basic	($0.02)	($0.04)	($0.04)	($0.04)	($0.03)	$0.02	$0.00	**($0.04)**
diluted	($0.02)	($0.04)	($0.04)	($0.04)	($0.03)	$0.02	$0.00	**($0.04)**

[1] ***Please see Note 2 b) of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.***

Quarter to quarter comparisons of the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited. Revenues and earnings may fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of substantial orders and the seasonality of generation revenue. 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.

Fluctuating Results of Operations

The Company's quarterly operating results are difficult to predict and may fluctuate significantly in the future. Given that the Company is an early-stage company operating in a rapidly growing industry, fluctuations may be masked by recent growth rates and thus may not be readily apparent from historical operating results. As such, past quarterly operating results of the Company may not be good indicators of future performance.

In addition to the other risks described in the *Risk Factors* section, the following factors could cause the Company's operating results to fluctuate:

- fluctuations in customer demand for the Company's offerings;
- market acceptance of the Company's new or existing offerings;
- the Company's ability to complete installations in a timely manner;
- the Company's ability to continue to expand operations, and the amount and timing of expenditures related to this expansion;
- announcements by the Company or its competitors of acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- changes in the Company's pricing policies or terms, or those of its competitors, including electric utilities; and
- actual or anticipated developments in the competitive landscape.

For these or other reasons, the results of any prior quarterly or annual periods of the Company should not be relied upon as indications of the Company's future performance. In addition, actual revenue, key operating metrics, and other operating results in future quarters may fall short of the expectations of investors and financial analysts, which could have a severe adverse effect on the trading price of the Company's shares.

Related Party Transactions

The Company's related parties include the following individuals or entities:

- associates, or entities, that are controlled or significantly influenced by the Company;
- key personnel with oversight responsibilities, comprised of the Company's directors and officers, and other employees having authority and responsibility for planning, directing, and controlling the Company's activities; and
- entities controlled by personnel with oversight responsibilities.

As at, and during the three months ended March 31, 2021, the Company had the following related party transactions:

- during 2020, two directors and one officer became tax equity investors in tax equity partnerships controlled by the Company for a total investment of $268,000; at March 31, 2021 the carrying amount of the associated tax equity liabilities was $232,189. Subsequent to March 31, 2021 one director became a tax equity investor in a tax equity partnership controlled by the Company.
- during 2020 the Company issued a $100,000 note receivable to one officer of the Company in connection with the officer's investment in a tax equity partnership controlled by the Company. The note is secured by the tax equity investment and cash distributions from the tax equity investment must first be directed to reduce the loan balance. The note was issued in August 2020, matures in February 2022, and bears interest at 3%. It may be prepaid at any time, in full or in part, without penalty. The outstanding balance of the note was $100,000 plus accrued interest of $1,893 at March 31, 2021;
- during 2020 the Company entered into a land lease agreement with one officer, with the intention of constructing a solar facility. At March 31, 2021 the lease liability associated with this lease is $162,007 with expected future cash flows over 30 years of $496,317. The lease agreement has market terms and conditions;
- at December 31, 2020 a director held CAD $30,000 secured debentures payable by the Company. The debentures, which had market terms and conditions, were repaid in full in March 2021;
- during the first quarter of 2021, the Company's engineering division began providing engineering and consulting services to a company for which one of the Company's directors is in a management and ownership position. The Company's director was not involved in negotiating the contracts, which are on market terms and conditions offered by the Company's engineering division, The Company recognized revenue of $7,805 in the quarter from this activity, which may continue for at least the balance of the current fiscal year.

Commitments and Contingencies

Contractual commitments

As of March 31, 2021, the Company had contractual commitments as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Trade and other payables	$ 2,702,193	$ 2,702,193	$ 2,702,193	$ -	$ -	$ -
Project loans payable	1,834,024	2,139,548	455,060	153,860	814,895	715,733
Operating loans payable	1,086,075	1,327,308	680,705	156,263	222,671	267,669
Lease liabilities	2,158,882	8,529,688	39,133	96,225	689,543	7,704,787
	$ 7,781,174	**$14,698,737**	**$ 3,877,091**	**$ 406,348**	**$ 1,727,109**	**$ 8,688,189**

Included in accounts payable and accrued liabilities is $1,074,707 related to a dispute with a developer, discussed below under *Contingencies* and above under *Trade and other receivables* and *Trade payables and accrued liabilities*, for which the ultimate resolution may not result in a cash outflow

Additionally, operating loans include $537,047 (CAD $720,000) in debt due October 2021 that is convertible into common shares at the option of the holder with a conversion price of CAD $0.96, which may not require a cash outflow.

Project loans payable include both construction loans and long-term project financing. Included in project loans due within one year is $295,898 in construction debt that will roll into term project debt once the solar facility is complete and will not require a cash outflow for the full amount within one year. Once a solar facility is operational, the construction loan is refinanced into a longer-term project loan that will be repaid from the operating income of the solar facilities.

There is a likelihood the amount due within one year could be reduced by up to $1,907,652, given the items discussed above.

Lease liabilities are the obligations of the respective solar facilities and are paid from the operating revenue of the solar facility.

Contingencies

UGE USA, a wholly owned subsidiary of the Company, 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.

In 2019 UGE settled the dispute related to one of the three projects with the Developer. The Company has accrued for damages that could be levied on the settlement of the third project, all of which have been included in project-related loss in the statement of operations and comprehensive loss for the year ended December 31, 2019. The total amount accrued on this project is $1,074,707, which is included in trade and other payables (see Note 8 of the unaudited condensed consolidated interim financial statements). Settlement discussions have not yielded an acceptable outcome and the lawsuit continues, with UGE demanding payment for amounts owed of $1,130,274 which is included in trade receivables (see Note 4 of the unaudited condensed consolidated interim financial statements). Currently, the case is expected to go to trial in approximately September 2021.

UGE Canada RE 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 took a project loss of $213,000 in 2018.

The Company is subject to possible claims that arise in the ordinary course of business. The outcomes 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.

Off Balance Sheet Arrangements

The Company is not party to any off-balance sheet arrangements.

Financial Instruments

The Company’s exposure to financial instruments is limited to the cash it holds, accounts payable and receivable, operating and project debt, and tax equity financing. The Company does not currently hedge its financial risks with derivative instruments or hold an investment portfolio. Please see *Note 16 Financial instruments in the unaudited condensed consolidated interim financial statements* for more information. 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. The Company manages credit risk by requiring payment from customers prior to delivery, where possible. However, the Company does have trade receivables outstanding with several customers.

The Company limits its exposure to credit risk on cash and restricted cash by placing these financial instruments with high quality financial institutions. Credit risks relating to trade receivable and overdue accounts receivable from vendors are managed on a case-by-case basis.

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, as well as its strategic expansion plans. 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.

At March 31, 2021 the Company had cash of $3,035,938, restricted cash of $34,299, and working capital of $547,538. Discussion regarding our ability to manage our liabilities is outlined in the *Liquidity and Capital Resources* and *Commitments* sections. The Company plans to realize its assets, increase revenues and gross profit margins, and raise further capital, as necessary, to maintain sufficient liquidity. If the Company is unable to achieve some or all of these plans within a reasonable timeframe, the Company may not be able to continue as a going concern.

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

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.

The Company has cash balances and currently all outstanding operating debt has fixed interest rates and therefore the Company is not significantly exposed to fluctuating interest rates in the short to mid-term based on the current balance sheet position. There is interest rate risk on project refinancing as most project financing contractual terms are shorter than the project life. Projects in the backlog will require debt financing and changes in bench-mark interest rates prior to debt commitment could affect the viability of specific projects. The Company does not currently hedge these risks. Our current policy is to invest excess cash in a savings account at our banking institution.

(b) Foreign currency risk

The Company primarily operates in the United States, Canada, and the Philippines, and therefore enters into transactions denominated in USD, CAD and Filipino Pesos. Each entity may be exposed to foreign currency risks from exchange rate fluctuations by entering into transactions outside its respective functional currency. A significant change in the currency exchange rates between the aforementioned currencies for entities with revenue, expenses, receivables and payables foreign currency exposures could have an effect on the Company's financial performance, financial position and cash flows. The Company does not currently hedge its exposure to foreign currency risk using financial instruments.

Risks and Uncertainties

UGE is exposed to risks and uncertainties in the normal course of its business, as outlined below. Management and the Board of Directors review and evaluate material risks associated with the Company's business activities and take mitigating actions as required. In addition, UGE maintains a level of liability, property and business interruption insurance that is believed to be adequate for UGE's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. There may also exist additional risks and uncertainties that are currently unknown to the Company or that are now considered immaterial that may adversely affect the Company.

Going concern risk

The unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern. Although the Company had positive working capital of $547,538 at March 31, 2021 and equity of $419,206, for the three months-ended March 31, 2021, the Company had a consolidated loss of $1,072,795, negative cash flow from operations of $2,128,692, and has an accumulated deficit of $33,423,760 at the end of the quarter and a history of losses.

The Company's ability to continue as a going concern, and to realize its assets and discharge its liabilities in the normal course of business, is dependent on generating sufficient cash flow from operations and on securing project specific debt and operating debt or equity financing to fund its current and any future working capital needs as it builds its portfolio of solar facilities. Various risks and uncertainties affect 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, 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, asset and revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more debt or equity investments. While the Company has sufficient capital to execute on its current business plans over the short and medium term, there are no guarantees that future funds raised will be sufficient to sustain the Company's ongoing operations 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 inability of 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 some material risks and uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements.

COVID 19

To combat the spread of the COVID-19 pandemic, authorities in all regions where the Company operates have put in place restrictive measures for businesses. Current or future restrictive measures might have an adverse effect on the financial stability of the Company's suppliers and other partners, or on the Company's operating results, financial position, liquidity or capital expenditures. The issuance of permits and authorizations, negotiations and finalizations of agreements with regard to development and acquisition projects, construction activities and procurement of equipment have been and could continue to be adversely impacted by the COVID-19 restrictive measures. While conditions are improving, the full potential impact of COVID-19 on the Company's business is unknown as it may continue for an extended period and will depend on future developments that are uncertain and cannot be predicted, including, and without limitation, the duration and severity of the pandemic, the duration of government mitigation measures, the effectiveness of the actions taken to contain and treat the disease, and the length of time it takes for normal economic and operating conditions to resume

Risks related to operations

Solar radiation

The amount of solar radiance for any project could vary from the estimate set out in the initial solar studies that were used to determine the feasibility of the solar facility. Lower than expected solar radiance at the Company's solar facilities over an extended period may reduce the production from such facilities, and ultimately reduce revenues and profitability. Solar radiation and its predictability may also be affected by climate changes which may lead to unforeseen changes compared to historical trends.

The strength and consistency of solar radiance at solar facilities may vary from what the Company anticipated. Electricity production estimates are based on assumptions and factors that are inherently uncertain, which may result in actual electricity production being different from the estimates, including (i) the extent to which the limited time period of the site-specific solar data accurately reflects solar radiation; (ii) the extent to which historical data accurately reflects the strength of solar resources in the future; (iii) the strength of the correlation between the site specific solar data and the longer-term regional data; (iv) the potential impact of climatic factors and climate change; (v) the accuracy of assumptions on a variety of factors, including but not limited to weather, ice build-up on and snow accumulation and soiling on solar panels, and site access; (vi) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project the solar resource; and (vii) the potential for electricity losses to occur before delivery.

Global Climate Change

Global climate change, including the impacts of global warming, represents a risk that could adversely affect the Company’s business, results of operations and cash flows. Variability in solar radiation and predictability may be affected by unforeseen climate changes such as hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, severe winter weather and forest fires. To the extent that weather conditions are affected by climate change, customers’ energy use and the Company's power generation could increase or decrease depending on the duration and magnitude of the changes.

Natural Disasters

The Company’s solar facilities and projects under development are exposed to potential damage, and partial or full loss, resulting from environmental disasters (e.g., floods, high winds, fires, and earthquakes), equipment failures, or other unforeseen events. Although the Company carries what it believes to be sufficient insurance to cover such risks, UGE’s solar facilities and projects could be exposed to effects of severe weather conditions, natural disasters, and potentially catastrophic events such as a major accident or incident. The occurrence of a significant event that disrupts or delays the ability of the Company’s solar facilities to produce or sell power, or complete projects on time for an extended period, could have a negative effect on the revenue of the Company.

Delays and cost over-runs

Delays and cost over-runs may occur in completing the construction of solar projects. A number of factors could cause delays or cost overruns, including, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions, and the availability of financing. Such events could affect the profitability and value of solar projects.

Third-party supplier and contractor performance

The Company’s product suppliers and subcontractors including, without limitation, installers and solar panel, inverter, and racking manufacturers, may encounter funding, supply chain, technical, and/or other difficulties. As a result, they could be unable to deliver essential services or components on time and could cause significant delays in the delivery of the Company’s solar 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 supply it when needed. 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 both 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.

Pandemics or Other Public Health Emergencies

The Company's business, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics, or other public health emergencies, such as the COVID-19 pandemic. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 (Coronavirus) outbreak as a "pandemic", namely, the worldwide spread of a new disease. The COVID-19 pandemic has resulted in governments around the world implementing stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, school closures, and other measures. In addition, governments, and central banks in several parts of the world have enacted fiscal and monetary stimulus measures to counteract the economic impacts of COVID-19. Although certain governments have begun the process of easing their respective restrictions on individuals and businesses, there is material variation in the requirements to lift and reimpose restrictions, as well as the pace at which those restrictions are being lifted and reimposed between jurisdictions. In some jurisdictions, increases in new cases of COVID-19 have led to reinstatement of restrictions on individuals and businesses. Business disruptions have impacted, and could continue to impact, our suppliers, clients, and site hosts, which in turn could impact the operating results of the Company. Ongoing impacts of the pandemic could affect procurement of equipment, and therefore construction, operation, and maintenance of the Company's facilities and projects may be halted or delayed and negatively impact the business, financial condition, and results of operations of the Company.

All of the Company's solar facilities and projects continue to operate as expected and preventative measures remain in place in accordance with the Company's response plan and applicable local government directives. Management continues to actively monitor the situation, which remains uncertain, and may take further actions as required or recommended by authorities. There is no assurance that the ripple effect of COVID-19 will not continue to affect the performance of the Company for a considerable period in the future.

Permits and studies

The Company does not currently hold all the approvals, licenses and permits required for the construction and operation of all the projects in its backlog. The failure to obtain, or delays in obtaining, all necessary licenses, approvals or permits, including renewals thereof or modifications thereto, could result in construction of the projects being delayed or not being completed or commenced. There can be no assurance that any one project in the backlog will result in any actual operating solar facility.

Community solar programs

The Company develops and operates solar facilities that participate in community solar programs wherein there may exist future price and subscriber risk. Although programs vary by state, typically the Company will be responsible for ensuring that energy credits produced by solar facilities are subscribed to by energy users. The price of energy credits may vary, creating risk to the Company that the credits are not fully subscribed or are subscribed at rates lower than forecasted. The risk is mitigated by modelling each solar facility at pricing levels that the Company considers competitive in the marketplace, as well as by contracting third-party subscription management companies with terms that require full subscription at all times. As the community solar market grows, there may be additional risks that are unknown at this time.

Power purchase agreements

Some of the Company's solar facilities, whether in development or in operation, feature a contract between the solar facility and the energy off-taker in the form of a power purchase agreement, wherein the energy produced by the solar facility is purchased by the off-taker at a fixed price throughout the contract lifetime. Selling energy profitably at the fixed price is dependent on the Company's assumptions of the impact of inflation on maintenance costs and interest rates, as well as the credit risk of the energy off-taker. The Company mitigates these risks through underwriting of its energy off-takers.

Foreign exchange risk

The Company currently operates in Canada, USA, and the Philippines where the revenues and expenses at times are in different currencies making the margins on projects sensitive to exchange rate risk. Sudden increases in the value of one currency versus another could have a negative impact on the cash flow of the Company and the economic feasibility of certain projects.

Warranty

The Company's business exposes it to potential liability risks. The Company sometimes provides warranty for its services, often for one year or more after the service is completed. If the Company experiences a greater number of warranty claims than budgeted in the normal course, the Company's gross margins could be negatively affected.

Regulatory

The Company's business is to develop solar facilities that are compliant with applicable legislation, which is typically regional in nature, and inherently changes over time. Legislative changes that impact the Company's ability to develop solar facilities in a targeted region could negatively impact the Company's ability to generate future revenue.

Risks related to growth and strategy

Availability of capital and capital markets

Future development and construction of new solar facilities, and other capital expenditures, will be financed by the Company primarily from borrowing, monetization of tax credits and other incentives, and/or the issuance and sale of additional equity, with a limited contribution of cash from operations as the Company is still building scale. To the extent that external sources of capital, including issuance of additional securities of the Company, become limited or unavailable, the Company's ability to make necessary capital investments to construct or maintain existing or future solar facilities would be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion. There are numerous renewable energy projects to be constructed in the coming years that will result in competition for capital. Further, the Company's capital-raising efforts could involve the issuance and sale of additional Common Shares, or debt securities convertible into its Common Shares, which, depending on the price at which such shares or debt securities are issued or converted, could have a material dilutive effect on holders of the Company's Common Shares and adversely impact the trading price of the Company's Common Shares.

U.S. Investment Tax Credits, Changes in U.S. Corporate Tax Rates and Availability of Tax Equity Financing

The Company owns interests in projects that qualify for U.S. renewable investment tax credits ("ITCs"). There can be no assurance that the projects will continue to qualify for ITCs and there can be no assurance that the ITCs will continue to be available. Any new tax rule, regulation or other guidance promulgated (as the same may be amended, updated, or otherwise modified from time to time) in the U.S. may jeopardize or otherwise impede the qualification of projects for the full value of ITCs. Qualification of the projects for ITCs is critical to obtaining tax equity financing. The inability to qualify the projects for ITCs, in whole or in part, would adversely affect the financing options for solar projects and their economic returns. If the qualification of a project for ITCs is not successful, there may be a material impairment of the Company's investment in that project. Other government actions could be taken that could, directly or indirectly, inhibit the Company's ability to raise tax equity financing. For example, lower corporate tax rates in the U.S. may impact the availability of tax equity investment for specific projects or the market in general, impeding our ability to obtain enough tax equity investment on terms and at rates beneficial to the Company and its projects. However, President Biden has expressed explicit support for the continuation and improvement of the ITC, recently proposing a 10-year extension of the ITC. Absent the extension, the ITC is scheduled to decrease from 26% in 2021-2022 to 22% in 2023 and 10% thereafter.

Interest rate fluctuations

Interest rate fluctuations are of particular concern to a capital-intensive industry like the Company's. The Company faces interest rate and debt refinancing risk in respect of credit facilities used for the construction and long-term financings of solar facilities. The Company's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict. Interest rate fluctuation and refinancing risks could affect the Company's ability to raise additional capital and impact the profitability of its solar facilities. To mitigate this risk, the Company works with lenders to choose debt terms that factor in individual and portfolio-level project tenure, as well as the tenure of tax equity investment relationships, to minimize the risk that a solar facility could have negative cash flows after refinancing.

Sales risk

Our sales efforts target medium and large organizations, and the Company spends significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from six to 12 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 in order to better understand their needs and proactively manage incoming business levels effectively.

Significant Competition

There are companies in competition with us in each of the markets that the Company or its subsidiaries operate in. Some of these companies may be better financed or have larger sales teams and marketing budgets than the Company. There can be no guarantee that the Company will be able to effectively compete in the marketplace with such competition.

The renewable energy industry is competitive and continually evolving as participants strive to distinguish themselves within their markets. The Company's competitors can be expected to continue to make efforts to develop competitive advantages, which could cause a decline in market acceptance of the Company's services. In addition, the Company's competitors could cause a reduction in the prices for some services as a result of intensified price competition.

Also, the Company may be unable to effectively anticipate and react to new entrants in the marketplace competing with the Company's services.

Ability to secure appropriate land or roof-top sites

There is significant competition for appropriate sites for new solar facilities. Optimal sites are difficult to identify and obtain given that geographic features, legal restrictions, and ownership rights naturally limit the areas available for site development. There can be no assurance that the Company will be successful in obtaining any particular site in the future.

Drop in Retail Price of Utility-Provided Electricity and Improved Infrastructure

The Company believes that a customer's decision to implement a renewable energy solution is driven largely by its desire to reduce its cost of electricity. Decreases in the retail prices of electricity from the utilities or from other renewable energy sources, or from improved distribution of electricity, would harm the

Company’s ability to offer competitive pricing and could harm its business. The price of electricity from utilities could decrease as a result of:

- the construction of a significant number of new power generation plants, including nuclear, coal, natural gas or renewable energy;
- the construction of additional electric transmission and distribution lines which improve access, reliability and/or cost of electricity;
- a reduction in the price of natural gas or other fossil fuels; and
- development of new renewable energy technologies that provide less expensive energy.

If the retail price of energy available from utilities was to decrease due to any of these reasons, or others, or the distribution of electricity is improved as a result of improved infrastructure, the Company may be at a competitive disadvantage, limiting growth.

Dependence on Management and Ability to Hire and Retain Key Personnel

The Company depends on the business and technical expertise of its management and professional staff. The contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the industry is high and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of the Company.

The Company’s success will also depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company’s business, financial condition, financial performance, and prospects. To support growth, the Company must hire, train, deploy, manage, and retain a number of skilled employees. In particular, the Company must continue to expand and optimize its sales infrastructure to grow its customer base. and the Company plans to expand its sales force. Identifying and recruiting qualified personnel and training them requires significant time, expense, and attention. It can take several months before a new salesperson is fully trained and productive. If the Company is unable to hire, develop and retain talented sales personnel, or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, the Company may not be able to realize the expected benefits of this investment or grow its business.

Government Policies

The Company is subject to policies, laws, and regulations established by various levels of government and government agencies. These are subject to change by the government or their agencies, or by the courts, and are administered by agencies that may have discretion in their interpretation. Future legal and regulatory changes or interpretations may have a material adverse effect on the Company.

Industry Regulations

Federal, state, provincial, and local government regulations and policies concerning the electric utility industry, and internal policies and regulations promulgated by electric utilities, heavily influence the market for electricity generation products and services. These regulations and policies often relate to electricity pricing and the interconnection of customer-owned and third party-owned electricity generation facilities. Governments and utilities continuously modify these regulations and policies. These regulations and policies could impact our ability to offer economically competitive solar solutions. In addition, changes to government or internal utility regulations and policies that favour electric utilities over distributed generation could reduce the Company’s competitiveness and cause a reduction in demand for its products and services.

Sufficiency of Insurance Coverage

While the Company maintains the insurance coverage it believes would be maintained by a prudent owner/operator of similar facilities or projects, there is no certainty that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable or insured, nor that the amounts of insurance will be sufficient to cover every loss or claim that may occur involving our activities or assets. Insurance coverage of project assets and facilities may be prescribed by project financing agreements or lease agreements. In addition, the Company may undertake construction or pursue acquisitions where obtaining insurance may be difficult, not economically feasible, or otherwise insufficient to cover every loss or claim that may occur involving the new assets or activities.

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.

Risk related to public shares

Controlling Shareholders

Major Shareholders collectively own more than 34% of the Company and will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, and the sale of all or substantially all of the Company's assets, election of directors, and other significant corporate actions. Major Shareholders may also have the power to prevent or cause a change in control. In addition, without the consent of one or more of the Major Shareholders, the Company could be prevented from entering into transactions that may otherwise be beneficial to the Company.

The following entities and individuals own significant percentages (on-a non-diluted basis) of the issued and outstanding Common Shares of the Company:

- Junfei Liu - 4,988,066 shares, representing 16%,
- Xiangrong Xie - 3,172,984 shares, representing 10.2%
- Castel Qihua Hi-Tech Investments Limited ("Castel") - 1,289,942 shares representing 4.1%
- Nicolas Blitterswyk (Director and CEO) - 1,171,169 shares, representing 3.8%

Dilution

The Company is likely to make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company, which may be dilutive to the existing shareholders.

Resale of Shares

The continued operation of the Company will be dependent upon its ability to generate profitable operations and to procure additional financing. There can be no assurance that any such profits can be generated or that other financing can be obtained. If the Company is unable to generate such profits or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the Company Shares would be diminished.

Dividends

The Company has not paid any dividends on its outstanding shares. Any payments of dividends on the Company's shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company, and other factors which the Company's board of directors may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other organizations or seek to obtain debt for working capital or other purposes. This could increase the Company's debt levels above industry standards for companies of similar size. Depending on future plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Company. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. As a result, the level of the Company's indebtedness, from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the USA and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Company's shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. A public trading market in the Company's shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Company shares at any given time, which presence is dependent on the individual decisions of investors over which the Company has no control. There can be no assurance that an active trading market in securities of the Company will be sustained. The market price for the Company's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of the Company. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for the Company's shares does not develop, or does not continue to develop, the liquidity of a shareholder's investment may be limited, and the share price may decline.

No Guarantee of Active Liquid Market

There may not be an active, liquid market for the Company's common shares. There is no guarantee that an active trading market for the common shares will be maintained on the TSX Venture Exchange ("TSXV"). Investors may not be able to sell their common shares quickly, on satisfactory terms or at the latest market price if trading in the common shares is not active.

Other risks

Enforcing Judgments Internationally

Certain directors and officers, including the Chief Executive Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Company's directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in the USA. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Limited Business History

The Company has not paid any dividends and it is unlikely the Company will pay any dividends in the immediate or foreseeable future. The success of the Company will depend entirely on the expertise, ability, judgment, discretion, integrity, and good faith of its management.

The Company has limited financial resources and there is no assurance that additional funding will be available to the Company for further operations or to fulfil its obligations under applicable debt and supplier agreements. There is no assurance that the Company can operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Additionally, the Company cannot assure that it will be successful in generating substantial revenue from new products or services, or from any additional energy-related products and services it may introduce in the future. In addition, the Company only has limited insight into emerging trends that may adversely impact its business, prospects, and operating results. As a result, the Company's limited operating history may impair the Company's ability to accurately forecast future performance.

Negative Cash Flows and Profitability

During the year ended December 31, 2020, the Company had negative cash flow from operations and since its inception has not been profitable. There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Commercial and Industrial Customers

Projects with commercial and industrial customers may create concentrated operating and financial risks. The effect of recognizing revenue or other financial measures on the sale of a project, or the failure to recognize revenue or other financial measures as anticipated in a given reporting period because a project is not yet completed under applicable accounting rules by period end, may materially impact the Company's quarterly or annual financial results. In addition, if operational issues arise on a larger project, or if the timing of such projects unexpectedly shifts for other reasons, such issues could have a material impact on the Company's financial results. If the Company is unable to successfully manage these significant projects in multiple markets, including related internal processes and external construction management, or if the Company is unable to continue to attract such significant customers and projects in the future, the Company's financial results would be harmed.

Damage to Reputation

The Company depends significantly on its reputation for high-quality products, services, engineering abilities and exceptional customer service to attract new customers and grow its business. If the Company fails to continue to deliver its solutions within planned timelines, if products and services do not perform as anticipated, or if the Company damages any of its customers' properties or cancels projects, its brand and reputation could be significantly impaired. In addition, if the Company fails to deliver, or fails to continue to deliver, high-quality services to customers through long-term relationships, the Company's customers will be less likely to contract for future services with the Company, which is a key strategy to achieve desired growth. The Company also depends on referrals from existing customers for growth, in addition to other marketing efforts. Therefore, the Company's inability to meet or exceed current customers' expectations would harm the Company's reputation and growth through referrals.

International Operations

The Company has a customer base internationally, with the largest concentrations of activity in the US and Philippines. Risks inherent to international operations include the following:

- inability to work successfully with third parties with local expertise to co-develop or build international projects;
- multiple, conflicting, and changing laws and regulations, including export and import restrictions, tax laws and regulations, labour laws and other government requirements, approvals, permits, and licenses;
- changes in general economic and political conditions in the countries where the Company operates, including changes in government incentives relating to power generation;
- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade, and other business restrictions;
- difficulties and costs in recruiting and retaining individuals skilled in international business operations;
- financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable; and
- inability to obtain, maintain, or enforce intellectual property rights, including inability to apply for or register material trademarks in foreign countries.

Doing business in foreign markets requires the Company to be able to respond to rapid changes in market, legal, and political conditions in these countries. The success of the Company's business depends, in part, on its ability to succeed in differing legal, regulatory, economic, social, and political environments.

The Company will continually and selectively consider new international markets. In other instances, the Company may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting the Company's products and services, and operations in international markets may not develop at a rate that supports the Company's level of investment.

Conflicts of Interest

Certain directors of the Company are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Issues Related to Acquisitions

With acquisitions there is a risk that integration will result in challenges that were not anticipated, such as key staff departures, diversion of management time and resources, or projected revenues or gross margins that do not materialize. Should the future projected profitability attributed to any acquisition not materialize, the Company's overall profitability will be negatively impacted, which may have a material adverse effect on the Company's profitability going forward. The Company may not be able to successfully overcome these risks, and this may adversely affect the Company's financial condition, and ability to execute its business plan.

Critical Accounting Judgements and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

During the reporting periods management has made a number of estimates and assumptions in applying the Company's accounting policies, the most significant being: assessment of the Company's ability to continue as a going concern; useful lives of property, plant and equipment, determination of whether a contract is a lease, impairment of non-financial assets, estimation of decommissioning liabilities, determining control or significant influence of special purpose entities, estimating allowances and provisions for expected credit losses, value of stock based compensation, revenue recognition, carrying value of tax equity liabilities, government loans and forgiveness, capitalization of project development costs and intangible assets, and the determination of the functional currency of the principal operations of the Company. Please refer to *Note 2 e) in the Notes to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021* for more information on critical accounting judgements and estimates.

Significant Accounting Policies

Please refer to *Note 3 of the Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019.* There have been no significant changes to these policies during the three months ended March 31, 2021.

Internal Control over Financial Reporting and Disclosure Controls

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

The Company identified material errors in its filed financial statements for the periods ended June 30, 2020 and September 30, 2020 and on May 17, 2021 the Company released amended and restated financial statements and the MD&A for those periods. The errors were due in part to weaknesses in internal controls over financial reporting. The Company is working to improve internal controls over financial reporting and has recently added additional senior experienced finance staff, improved review and approval processes and is evaluating new tools and technology to improve processes and controls.

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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 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, 2021 and all material subsequent activity up to May 27, 2021.

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.

Adjusted net income (loss) and Adjusted EBITDA

Adjusted net income (loss) is Net Income under IFRS adjusted for non-recurring and non-core items, like gain on debt settlement and grants or loan forgiveness received by the Company under COVID-19 programs.

Adjusted EBITDA is adjusted net income (loss) adjusted for taxes, finance expenses, depreciation, amortization and non-cash share-based compensation.

The table below presents a reconciliation of Shareholder's Net Income (Loss) to Adjusted Shareholders' Net Income (Loss) and Adjusted EBITDA.

	Q2 2019	Q3 2019	Q4 2019	Q1 2020 [1]	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net income (loss)	$ (406,579)	$ (743,427)	$ (809,781)	$ (887,457)	$ (584,739)	$ 348,517	$ 131,773	**$ (1,072,795)**
Deduct non-core items:								
Gains on debt settlements	-	(74,281)	(169,755)	-	(97,691)	(1,046,946)	(934,275)	**(41,111)**
Gains (losses) on debt to equity conversions	(25,087)	(37)	22,437	-	41,380	4,661	-	**-**
COVID relief income	-	-	-	-	(85,909)	(190,004)	(104,993)	**(32,922)**
Adjusted net loss	(431,666)	(817,745)	(957,099)	(887,457)	(726,959)	(883,772)	(907,495)	**(1,146,827)**
Adjust for non-cash items:								
Net finance expense	62,912	119,266	224,037	122,708	63,456	91,221	141,639	**92,893**
Income tax expense (recovery)	40,601	(72,153)	8,089	(67,297)	(14,038)	15,722	156,110	**-**
Depreciation	12,732	12,453	11,482	11,742	11,522	13,615	18,055	**11,604**
Share-based compensation	23,450	15,873	30,729	34,606	137,622	101,262	188,604	**103,596**
Adjusted EBITDA	$ (291,971)	$ (742,306)	$ (682,762)	$ (785,698)	$ (528,397)	$ (661,952)	$ (403,087)	**$ (938,734)**
Basic and diluted earnings per share	($0.02)	($0.04)	($0.04)	($0.04)	($0.03)	$0.02	$0.00	**($0.04)**
Basic and diluted adjusted earnings per share	($0.02)	($0.04)	($0.05)	($0.04)	($0.03)	($0.04)	($0.03)	**($0.04)**

[1] *Please see Note 2 b) of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.*

Energy Generated - represents the energy generated by a solar facility in KWh.

Current Project (backlog) Value – Self Financed - is calculated as the remaining discounted, unlevered post-tax expected cash flows from the solar facility once operational. Cash flows for US projects include the revenue from the sale of electricity generated and the sale of renewable energy credits, minus the costs to operate and maintain the solar facility. In the Philippines, cash flows include cash flows from client debt repayments, and servicing fees minus the costs to provide servicing. The discount rate for projects in stages 3.1 to 5 is 10%; once a project reaches operations (stage 6) the discount is 8%. This calculation is subject to significant management judgement and estimation. The Company makes several assumptions when calculating the expected future cash flow, including estimates about, without limitation, electricity production and electricity prices, inflation, facility life, costs to operate and discount rates **This value does not represent the net cash flows available to UGE as it does not include the capital costs to build the solar facility and the costs of financing.**

Capital Expenditures - are the estimated undiscounted costs to construct the solar facility. These costs include solar components, engineering services, labour, roof contributions, interconnection, and subscriber acquisition. These amounts will differ from the Solar Facility asset recorded under IFRS. Please see the accounting policy note in the 2020 Consolidated Financial Statements for information on the recognition and measurement under IFRS.

Upfront Government Grants - are the upfront government grants UGE receives from certain state sponsored programs for the construction of the solar facilities. This does not include any tax benefits like income tax credits (“ITCs”) or accelerated depreciation. Under IFRs these amounts reduce the carrying value of the Solar Facilities asset.

Average Annual Revenue at Operation - undiscounted average annual revenue from the sale of electricity generated and the sale of renewable energy credits over the expected life of the project. Given degradation assumptions the expected revenue in earlier years is higher.

Remaining project value – Client Financed – is calculated as the remaining contract value that is expected to be realized over the contract completion.