UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2019 and 2018

(Expressed in United States dollars)

Notice of No Auditors Review of Interim Financial Statements

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

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

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

UGE INTERNATIONAL LTD.

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

Assets	June 30, 2019	December 31, 2018
Current assets		
Cash	$ 159,791	$ 121,735
Restricted cash (Note 3)	866,218	1,025,667
Trade and other receivables (Note 4)	2,358,443	3,795,150
Prepaid expenses and deposits	558,212	241,742
	3,942,664	5,184,294
Non-current assets		
Plant and equipment (Note 5)	102,578	35,192
Deferred tax assets	27,744	1,035
Total assets	$ 4,072,986	$ 5,220,521
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,448,019	5,929,619
Loans payable (Note 6)	1,771,725	1,735,528
Deferred revenue	155,305	622,146
	7,375,049	8,287,293
Non-current liabilities		
Lease payable	76,777	-
Loans payable (Note 6)	1,672,258	1,579,470
	9,124,084	9,866,763
Shareholders' deficiency		
Share capital (Note 7)	20,170,439	19,592,790
Contributed surplus	4,591,400	4,464,701
Accumulated other comprehensive income	(7,087)	147,674
Accumulated deficit	(29,805,850)	(28,851,407)
	(5,051,098)	(4,646,242)
Total liabilities and shareholders' deficiency	$ 4,072,986	$ 5,220,521

Reporting entity and going concern (Note 1)

Approved on behalf of the Board:

"Nicolas Blitterswyk"
Director, President & Chief Executive Officer

"Michael Doolan"
Director

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
for the six months ended June 30, 2018 and 2019
(Expressed in United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	$ 943,967	$ 3,428,225	$ 3,009,523	$ 9,488,158
Cost of Sales	(609,499)	(3,212,353)	(2,095,579)	(8,189,862)
Gross profit	334,468	215,872	913,944	1,298,296
Operating expenses				
Selling, general, and administrative (Note 9)	(798,174)	(1,281,452)	(1,601,748)	(2,463,904)
Project-related (loss)	-	(295,196)	-	(650,178)
Expected credit loss	37,966	-	(100,004)	-
Share-based compensation	(23,450)	-	(126,252)	-
Loss from operating activities	(449,190)	(1,360,776)	(914,060)	(1,815,786)
Impairment loss	-	(2,981,198)	-	(2,981,198)
Other income	121,037	-	145,245	-
Gain on conversion of debt to equity	25,087	-	25,087	-
Finance expense	(48,303)	(281,057)	(112,834)	(522,959)
Finance income	2,760	257	14,457	566
Accretion expense	(17,369)	-	(35,376)	-
Net Loss before income taxes	(365,978)	(4,622,774)	(877,481)	(5,319,377)
Income tax (expense)	(40,601)	(11,500)	(76,962)	(115,532)
Loss for the year	(406,579)	(4,634,274)	(954,443)	(5,434,909)
Other comprehensive (loss) income items that are or may be reclassified to profit or loss				
Foreign currency translation differences	(65,334)	(105,344)	(154,761)	(148,782)
Comprehensive loss for the period	$ (471,913)	$ (4,739,618)	$ (1,109,204)	$ (5,583,691)
Loss per share attributable to the shareholders of the Company				
Loss for the year - basic and diluted	$ (0.01)	$ (0.11)	$ (0.01)	$ (0.13)
Weighted average number of shares				
Basic and diluted	77,343,247	41,257,380	76,214,975	41,016,735

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
For the six months ended June 30, 2018 and 2019
(Expressed in United States dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total
Balance - January 1, 2018	$ 16,575,247	$ 3,969,150	$ 187,364	$ (22,707,980)	$ (1,976,219)
Net loss for the Year	-	-	-	(5,434,909)	(5,434,909)
Offering of share units, net of issue costs	185,109	123,344	-	-	308,453
Issued for conversion of restricted share units	2,510	(2,510)	-	-	-
Shares for services	112,853	-	-	-	112,853
Share-based compensation	-	53,863	-	-	53,863
Foreign currency translation differences	-	-	(148,782)	-	(148,782)
Balance - June 30, 2018	$ 16,875,719	$ 4,143,847	$ 38,582	$ (28,142,889)	$ (7,084,741)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2019	$ 19,592,790	$ 4,464,701	$ 147,674	$ (28,851,407)	$ (4,646,242)
Net loss for the Year	-	-	-	(954,443)	(954,443)
Offering of share units, net of share costs	441,535	-	-	-	441,535
Shares for debt, net of transaction costs (Notes 10 and 11)	136,114	-	-	-	136,114
Share-based compensation	-	126,699	-	-	126,699
Foreign currency translation differences	-	-	(155,969)	-	(155,969)
Balance - June 30, 2019	$ 20,170,439	$ 4,591,400	$ (8,295)	$ (29,805,850)	$ (5,052,306)

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Cash Flows
for the six months ended June 30, 2018 and 2019
(Expressed in United States dollars)

	2019	2018
Cash flow used in operating activities		
Net loss	$ (954,443)	$ (5,434,909)
Adjustment for:		
Depreciation and amortization	25,930	25,871
Income tax expense	76,962	2,981,198
Share-based compensation	126,252	115,532
Gain on conversion of debt to equity	(25,087)	54,272
Net finance expense	98,377	522,393
Accretion expense	35,376	-
	(616,633)	(1,735,643)
Change in trade and other receivables	1,358,685	842,235
Change in inventory	-	154,768
Change in prepaid expenses and deposits	(306,182)	(240,304)
Change in accounts payable and accrued liabilities	(515,337)	(1,217,595)
Change in deferred revenue	(485,054)	239,377
	(564,521)	(1,957,162)
Income taxes recovered (paid)	(1,804)	(5,649)
Net finance expenses paid	(74,786)	(233,199)
Cash used in operating activities	(641,111)	(2,196,010)
Cash flow used in investing activities		
(Addition) decrease to restricted cash	197,577	(235,613)
(Addition) decrease to plant and equipment	(15,223)	-
Cash used in investing activitiies	182,354	(235,613)
Cash flow from financing activities		
Proceeds on issue of share capital and warrants, net of issuance costs	441,534	306,882
Net proceeds (repayments) of loans payable	61,741	815,703
Cash from financing activities	503,275	1,122,585
(Decrease) increase in cash for the period	44,518	(1,309,038)
Effect of exchange rate fluctuations on cash	(6,462)	(77,243)
Cash, at beginning of Period	121,735	1,390,427
Cash, at end of Period	$ 159,791	$ 4,146

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

1. Reporting entity and going concern

(a) Reporting entity

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

(b) Going concern

These condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern, notwithstanding that the Company has a working capital deficiency, has incurred losses from operations, and is in discussions with its bank regarding its revolving credit facility (Note 9) as of the approval date of these condensed consolidated interim financial statements. During the six months ended June 30, 2019, the Company had a consolidated net loss of $954,443 and negative cash flow from operations of $641,111. As at June 30, 2019, the Company had restricted cash of $866,218, unrestricted cash of $159,791, a working capital deficiency of $3,432,386 and shareholders' deficiency of $5,051,098.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon achieving sustained profitability and the ability to raise additional debt or equity financing to fund its current and any future working capital deficits. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereof, the public policy environment for renewable energy solutions, the Company's ability to raise sufficient equity and/or debt financing, the ability of the Company to work with its bank to resolve any defaults of its loan agreement as they may arise, and general global economic conditions, certain of which are beyond the Company's control.

The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued focus on renewable energy solutions, revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more of loans and equity investments. There are no guarantees that the funds raised will be sufficient to sustain the Company's ongoing operations beyond twelve months or that additional debt or equity financing will be available to the Company or available at acceptable terms. Failure to implement the Company's business plan or the ability for the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

These 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 consolidated financial statements.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2018 and should be read in conjunction with those financial statements.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 27, 2019.

(b) Basis of presentation and accounting

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

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

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in United States dollars ("USD"). The functional currency of the Company, UGE Canada Ltd. ("UGE Canada"), UGE RE Inc. ("UGE RE"), UGE Consulting Services Co Ltd. ("UGE Consult Co"), UGE Project Holdco Ltd. ("UGE Project Holdco"), and UGE Project Development Holdco Ltd. ("UGE Devco") is the Canadian dollar ("CAD"); the functional currency of UGE USA Inc. ("UGE USA") is USD; and the functional currency of UGE Philippines Inc. ("UGE Philippines") is Filipino pesos ("PhP").

(d) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

(e) Accounting assumptions, estimates and judgments

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

Significant areas having estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include share-based compensation; and intangible assets, bad debts, and percentage of completion calculations.

Critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: assessment of the Company's ability to continue as a going concern

2. Basis of preparation (continued)

(e) Accounting assumptions, estimates and judgments (continued)

(Note 1(b)); and determination of the functional currency of the principal operations of the Company (Note 2(c)).

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

(i) Allowances for expected credit losses

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the statement of loss and comprehensive loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the condensed consolidated interim statement of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Stock-based compensation

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

(iii) Percentage completion calculation

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

(f) Changes in accounting policies

(i) IFRS 16, Leases (“IFRS 16”)
On January 1, 2019, the Company adopted IFRS 16, which was issued in January 2016 and it replaces IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC-15 “Operating Leases-Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

2. Basis of preparation (continued)

(f) Changes in accounting policies (continued)

(i) IFRS 16, Leases (“IFRS 16”) continued

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. See Note 5.

(ii) IFRS 9, Financial Instruments (“IFRS 9”)

On January 1, 2018 the Company adopted IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for the annual periods beginning on or after January 1, 2018, and replaces IAS 39, Financial Instruments: Recognition and measurement. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking “expected loss” impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company’s accounting policy with respect to financial liabilities is unchanged.

(iii) IFRS 15, Financial Instruments (“IFRS 15”)

On January 1, 2018 the Company adopted IFRS 15, Revenue from Contract sand Customers, which sets out the accounting standards for the classification and measurement of revenue. IFRS 15 became effective for the annual periods beginning on or after January 1, 2018. The new standard provides a revenue model that has five steps: (i) Identify the contract with a customer; (ii) Identify all the individual performance obligations within the contract; (iii) Determine the transaction price; (iv) Allocate the price to the performance obligations; & (v) Recognize revenue as the performance obligations are fulfilled.

(iv) IFRIC 23, Uncertainty Over Income Tax Treatments (“IFRIC 23”)

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

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

3. Restricted cash

As at June 30, 2019, the Company has restricted cash of $866,218 (June 30, 2018 - $789,786) related to cash security for a construction financing facility (Note 6) and funds reserved for financing solar projects.

4. Trade and other receivables

	June 30, 2019	June 30, 2018
Trade receivables, net of allowance for expected credit loss	$ 1,788,787	$ 3,344,182
Unbilled revenue	477,292	2,804,211
Corporate income taxes receivable	81,988	276,687
	$ 2,348,067	$ 6,425,080

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

5. Plant and equipment

	Office Lease	Office equipment	Leasehold improvements	Vehicles	**Total**
Cost					
Balance as at January 1, 2018	$ -	$ 181,922	$ 120,440	$ 19,017	**$ 321,379**
Additions	-	-	-	-	**-**
Disposals	-	(117,964)	(116,313)	(18,365)	**(252,642)**
Foreign exchange difference	-	(8,913)	-	-	**(8,913)**
Balance as at December 31, 2018	-	55,045	4,127	652	**59,824**
Foreign exchange difference	-	2,154	(4,127)	(652)	**(2,625)**
Additions	92,000	-	-	-	**92,000**
Balance as at June 30, 2019	$ 92,000	$ 57,199	$ -	$ -	**$ 149,199**
Accumulated depreciation					
Balance as at January 1, 2018	-	$ 72,821	$ 12,045	$ 11,368	**$ 96,234**
Depreciation expense	-	18,892	11,536	1,018	**31,446**
Disposals	-	(68,400)	(23,167)	(11,994)	**(103,561)**
Foreign exchange difference	-	(3,460)	-	-	**(3,460)**
Balance as at December 31, 2018	-	19,853	414	392	**20,659**
Depreciation expense	21,231	4,699	-	-	**25,930**
Foreign exchange difference	-	838	(414)	(392)	**32**
Balance as at June 30, 2019	$ 21,231	$ 25,390	$ -	$ -	**$ 46,621**
Carrying amounts					
December 31, 2018	-	$ 35,192	$ -	$ -	**$ 35,192**
June 30, 2019	$ 70,769	$ 31,809	$ -	$ -	**$ 102,578**

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

6. Loans payable

		June 30, 2019		December 31, 2018
Acquisition Loan (CAD$750,000)(i)	$	571,725	$	550,200
Construction Financing Facility (ii)		1,200,000		1,200,000
Revolving Credit Facility (CAD$750,000)(iii)		571,725		535,528
Secured Debentures (iv)		8,854		-
Convertible Debenture(v)		412,038		367,668
Debt to UGE HK(vi)		350,000		350,000
Green Bonds(vii)		329,641		311,602
Total debt	$	3,443,983		3,314,998
Current portion	$	1,771,725	$	1,735,528

(i) Acquisition Loan – As at June 30, 2019 the Company has a long-term loan bearing interest at 8.0% per annum (plus quarterly service charge of $3,750) due September 24, 2021 of CAD$750,000 ($561,675).

(ii) Construction Financing Facility – As at June 30, 2019, the Company has a construction financing facility with a maximum limit of $1,200,000, guaranteed by Export Development Canada. The facility bears interest at a rate equal to prime + 1.45% (6.95%) and is due on demand. As at June 30, 2019, the Company made draws from the facility of $1,200,000 (December 31, 2018 – $1,200,000) to fund the construction of a project in Massachusetts. The Company has provided a deposit on all draws totalled to $300,000, which is recorded as restricted cash (note 3).

(iii) Revolving Credit Facility - As at June 30, 2019, the Company has a revolving demand credit facility with a maximum limit of CAD$750,000, which was fully drawn (December 30, 2018 - $535,528, CAD$705,000). The credit facility bears interest at prime + 1.45% (5.4%) per annum and is secured by a general security agreement covering all assets of UGE Canada Ltd. and UGE RE Inc. As at June 30, 2019, the facility was fully drawn. As of the date these condensed consolidated interim financial statements were approved, the Company had repaid CAD$435,000 of the facility, leaving a balance of CAD$315,000, and was in discussions with its bank to address its allowable advances under this facility, which is based on a customary borrowing base calculation.

(iv) Secured Debentures – As at June 30, 2019, UGE Devco, a wholly owned subsidiary of UGE, had two secured debentures paying interest equal to 12%, due in 2021.

(v) Convertible Debenture – On October 23, 2018, the Company closed an offering of 8% convertible debentures in the aggregate principal amount of CAD$720,000 ($557,784), which accrue interest at a rate of 8% per annum and are convertible into common shares of the Company (the "Debenture Shares") at the option of the holder at a conversion price of $0.24 per Debenture Share for a period of three years from the date of issuance. Interest accrued under the Debentures will be payable in cash or in Debenture Shares at the option of the holder, and if payable in Debenture Shares, such Debenture Shares shall be issued at a conversion price per Debenture Share equal to the greater of: (i) $0.24 or (ii) the market price of the Company's common shares, being the last closing price of the common shares on the TSX Venture Exchange, immediately preceding the date of a notice of conversion by the holder of the Debenture. The Debentures are secured against the Company pursuant to a subordinated general security agreement. In additional, the Company issued 240,000 broker warrants at an exercise price of $0.35 expiring October 23, 2020.

6. Loans payable (continued)

The Debentures net proceeds of CAD$619,439 ($474,457) received were separated into the liability component of $CAD 486,210 ($366,624), equity component of $CAD 100,067($75,455), and broker warrants value of $CAD 26,162 ($19,727) using the effective interest rate method with an effective interest rate of 18.12% per annum. During the six months ended June 30, 2019, the Company recorded accrued interest of $1,539 and accretion expense of $35,376 which were recorded as finance expense and accretion expense in the condensed consolidated interim statement of operations and comprehensive loss. Transaction costs of $CAD 107,561 ($81,106) were paid in relation with the Debentures. The fair value of the 240,000 broker warrants issued with the Debentures was valued using the Black-Scholes option pricing model based on the following assumptions: volatility of 113% using the historical prices of the Company, risk-free interest rate of 2.350%, expected life of 2 years and share price of $0.145.

(vi) Debt to UGE HK - Upon conversion of a divestment loan from debt to equity, a $350,000 long-term loan was issued to UGE HK bearing interest at 8.0% per annum due September 23, 2023.

(vii) Green Bonds – On October 23, 2018, The Company completed an offering of Secured Green Bonds in the aggregate principal amount of CAD$500,000 ($387,350), accruing interest at the rate of 7% per annum and maturing on September 1, 2023. The effective interest rate is 10.38%. For each $1,000 of principal issued in Bonds, the Company issued 100 bonus units (the "Bond Units") consisting of one common share of the Company (the "Bond Unit Shares") and half of one common share purchase warrant (each whole warrant, a "Bond Unit Warrant") resulting in the issuance of 50,000 Bond Unit Shares, and 25,000 Bond Unit Warrants. Each Bond Unit Warrant may be exercised by the holder for one common share of the Company at an exercise price of $0.35 per share for period of 24 months from the date of issuance. The Bonds are secured against projects of the Company with security interest owned by the Company's wholly-owned subsidiary, UGE Project HoldCo Ltd. Total interest accretion expense was $2,343 while transactions costs were $50,912. In addition, 85,714 broker warrant purchase units were issued at an exercise price of $0.35 expiring October 23, 2020. Each warrant entitles the holder thereof to acquire a unit of the Company consisting of one common share and ½ of one common share purchase warrant for a period of 24 months from the Closing Date, with each warrant being exercisable for one Common Share at an exercise price of $0.35 per share for a period of 24 months from the Closing Date.

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

7. Share capital

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

The issued and outstanding share capital is as follows:

	Six months ended June 30, 2019		Six months ended June 30, 2018	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	72,296,685	$ 19,592,790	40,770,026	$ 16,575,247
Private placement of share units, net of share costs	4,053,333	441,534	1,250,000	185,109
Shares issued for conversion of restricted share units	-	-	10,000	2,510
Shares issued for conversion of debt to equity	1,426,744	136,115	442,433	112,853
Balance at end of year	77,776,762	$ 20,170,439	42,472,459	$ 16,875,719

Private placement equity financing

On February 8, 2019, the Company completed a non-brokered private placement of 4,053,333 units ("Units"), with each such Unit consisting of one common share in the capital of the Company (the "Common Shares") and half of one common share purchase warrant (each whole warrant, a "Unit Warrant") at an issuance price of $CAD 0.15 per Unit for aggregate gross proceeds of $CAD 608,000 (the "Offering"). Each Unit Warrant entitles the holder to purchase one Common Share at an exercise price of $CAD 0.20 per share for a period of 24 months from the date of issuance.

Restricted share units

The Company has a restricted share unit plan that provides for the granting of restricted share units to directors, officers, employees and consultants of up to 1,005,125 shares of the Company of which nil are available for grant as at June 30, 2019. Upon vesting, the Company will issue shares from treasury to the employees for no additional consideration.

As at June 30, 2018, rights to receive 6,439 shares had been granted and vested in 2018. During the six months ended June 30, 2019, the Company issued 5,000 shares for the rights that vested. As at June 30, 2019, there were no awarded but unvested restricted share units outstanding.

Shares for conversion of debt to equity

On February 12, 2019, the Company converted four accounts payable balances totalling $98,432 to common shares of the Company at a price of CAD$0.15 per share resulting in the issuance of 871,112 common shares. In particular, two officers of the Company, including its Chief Executive Officer, elected to receive certain bonuses owed in the form of equity, which accounted for the majority of the conversion.

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

7. Share capital (continued)

On June 10, 2019, the Company converted seven accounts payable balances totalling $83,345 to common shares of the Company at a price of CAD$0.15 per share resulting in the issuance of 555,632 common shares.

Special warrants

As at June 30, 2019, the Company had 3,100,000 special warrants outstanding held by related parties. All are exercisable and would provide no additional consideration to the Company.

Warrants

As at June 30, 2019, the Company has warrants outstanding allowing the holders to purchase an additional 1,250,000 common shares at an exercise price of CAD$0.40 per share until June 15, 2020.

As at June 30, 2019, the Company has broker warrants outstanding related to the convertible debt which allows the holder to purchase 240,000 common shares. The Company also has broker warrants outstanding for the issuance of Green Bonds allowing the holders to purchase 85,714 common shares. The Company also has bonus warrants outstanding allowing the holders to purchase an additional 25,000 common shares due in relation to the issuance of Green Bonds. All have an exercise price of CAD$0.35 per share until October 23, 2020.

Stock options

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

The stock option activity is as follows:

	Three months ended June 30, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Balance at beginning of year	4,204,662	$ 0.27	3,665,455	$ 0.47
Granted	3,027,300	0.11	3,359,141	0.18
Forfeited	(1,958,690)	0.18	(2,587,911)	0.44
Canceled	-	-	(232,023)	0.32
Balance at end of period	5,273,272	$ 0.21	4,204,662	$ 0.27
Balance exercisable at end of period	2,070,627	$ 0.33	1,938,576	$ 0.33

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

7. Share capital (continued)

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

Exercise price (CAD)	outstanding at June 30, 2019	average remaining life (months)	average exercise price (CAD)	exercisable at June 30, 2019	average exercise price (CAD)
$ 1.15	36,300	15	$ 1.15	36,300	$ 1.15
0.78	72,000	20	0.78	72,000	0.78
0.61	343,623	39	0.61	114,541	0.61
0.45	420,949	27	0.45	444,553	0.45
0.36	240,000	44	0.36	240,000	0.36
0.33	40,000	50	0.33	40,000	0.33
0.29	259,701	50	0.29	86,567	0.29
0.28	80,000	32	0.28	80,000	0.28
0.23	50,000	48	0.23	50,000	0.23
0.13	1,259,402	56	0.13	456,666	0.13
0.09	200,000	57	0.09	100,000	0.09
0.15	100,000	10	0.15	100,000	0.15
0.175	250,000	10	0.18	250,000	0.18
0.080	1,927,300	60	0.08	-	0.08
	5,279,275	49	0.21	2,177,463	0.33

During the six months ended June 30, 2019, the Company recorded share-based compensation expense of $126,252 (2018 - $66,954), relating to stock options in selling, general, and administrative expenses. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the below weighted average assumptions. For the six months ended June 30, 2019, there were two options grants. On February 14, 350,000 stock options were granted with an exercise price between $0.15 and $0.175 and expiry between February 14, 2020 and March 5, 2024. On June 28, 1,927,300 options were granted with an exercise price of $0.08 and expiry on June 28, 2024.

	2019
Expected life	5 years
Expected volatility in market price of shares	185.0%
Expected dividend rate	0.0%
Risk-free interest rate	1.40%

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

8. Segmented information

The Company has determined that it operates in one operating segment, renewable energy solutions. During the six months ended June 30, the Company had revenues in the United States, Canada and the Philippines, and is organized into geographic sales areas consisting of these countries.

Total revenue by geographic area for the six months ended June 30, was as follows:

	2019	2018
Canada	$ 2,538,284	$ 4,470,744
Philippines	224,241	2,659,738
United States	246,998	2,357,676
	$ 3,009,523	$ 9,488,158

In terms of non-current assets, 71% are related to the Company's Canadian operations, while 29% relate to US operations.

During the six months ended June 30, 2019 the Company had three (2018 - two) customers that accounted for more than 10% of consolidated revenue as listed below. No other customer accounted for more than 10% of the Company's consolidated revenue.

	Six months ended June	
	2019	2018
Customer 1	73%	28%
Customer 2	5%	4%
Customer 3	4%	0%
Customer 4	0%	0%

9. Selling, general, and administrative expense

	Six months ended June 30,	
	2019	2018
Employee compensation	$ 747,236	$ 1,640,153
Corporate and professional	696,361	493,549
Depreciation and amortization	25,930	25,871
Office related	(24,501)	52,439
Insurance	107,559	94,055
Travel and entertainment	47,999	83,228
Advertising and marketing	1,164	20,337
	$ 1,601,748	$ 2,409,632