



UGE INTERNATIONAL LTD.

Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2020 and 2019

(Expressed in United States dollars)

Notice to Reader

UGE International Ltd. (“UGE” or the “Company”) has restated its unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and the three and nine months ended September 30, 2020, which were previously filed on SEDAR (the “interim financial statements”) on August 25, 2020 and November 24, 2020, respectively. Subsequent to the original issuance of the interim financial statements, management and the Audit Committee of the Company’s Board of Directors reviewed the accounting for certain of the Company’s transactions and determined that there were material accounting errors in the originally issued interim financial statements. In particular, revenue and cost of goods sold were overstated due to computational errors, borrowing costs associated with project construction were not capitalized, development fees were expensed rather than recognized as intangible assets, right of use assets and liabilities associated with new leases were not recognized, and current debt was understated with non-current debt overstated by the same amount net of an incorrect calculation of foreign exchange translation. In addition to the items described above, the Company also corrected the classification of certain balances and transactions to conform with IFRS and the Company’s accounting policies, and updated note disclosures for related party transactions and new accounting policies as required. These errors have been corrected in the amended and restated unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and the three and nine months ended September 30, 2020. See Note 16 of these amended and restated unaudited condensed consolidated interim financial statements for more detail.

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 amended and restated 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 amended and restated unaudited condensed consolidated interim 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 amended and restated unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditors.

UGE INTERNATIONAL LTD.

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

	June 30, 2020	December 31, 2019
Assets	<i>Amended and Restated</i>	
Current assets		
Cash	\$ 223,572	\$ 206,433
Restricted cash (Note 3)	40	299,369
Trade and other receivables (Note 4)	2,170,923	1,991,307
Prepaid expenses and deposits	356,400	353,633
	2,750,935	2,850,742
Non-current assets		
Plant and equipment (Note 5)	742,478	494,828
Deferred development costs	4,081	-
Right of use assets	142,899	-
Deferred tax assets (Note 14)	1,033	1,083
Total assets	\$ 3,641,426	\$ 3,346,653
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 4,547,728	\$ 4,857,467
Lease payable - Current (Note 6)	39,024	48,405
Loans payable - Current (Note 8)	2,720,730	2,522,571
Deferred revenue	953,716	656,852
	8,261,198	8,085,295
Non-current liabilities		
Lease payable (Note 6)	118,172	10,436
Loans payable (Note 8)	2,116,954	1,800,243
	10,496,324	9,895,974
Shareholders' deficiency		
Share capital (Note 9)	20,644,308	20,050,151
Contributed surplus	5,165,759	4,785,838
Accumulated other comprehensive (loss) income	166,289	(26,252)
Accumulated deficit	(32,831,254)	(31,359,058)
	(6,854,898)	(6,549,321)
Total liabilities and shareholders' deficiency	\$ 3,641,426	\$ 3,346,653

Reporting entity and going concern (Note 1)

Contingencies (Note 10)

Subsequent events (Note 13)

Approved on behalf of the Board:

"Nicolas Blitterswyk"

Director, President & Chief Executive Officer

"Jian Yang"

Director

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

UGE INTERNATIONAL LTD.

Amended and Restated Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited) (Expressed in United States dollars)

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	<i>Amended and Restated</i>		<i>Amended and Restated</i>	
Revenue	\$ 253,190	\$ 943,967	\$ 893,203	\$ 3,009,523
Cost of Sales	(196,605)	(609,499)	(663,892)	(2,095,579)
Gross profit	56,586	334,468	229,312	913,944
Operating expenses				
Selling, general, and administrative (Note 13)	(618,388)	(798,174)	(1,535,395)	(1,601,748)
Expected credit loss	22,119	37,966	(31,040)	(100,004)
Share-Based Compensation (Note 9)	(137,622)	(23,450)	(172,228)	(126,252)
Loss from operating activities	(677,305)	(449,190)	(1,509,351)	(914,060)
Bad debts	(17,299)	-	(17,299)	-
Other Income (Note 15)	159,283	146,124	160,813	170,332
Finance expense	(46,608)	(48,303)	(153,764)	(112,834)
Finance income	-	2,760	-	14,457
Accretion expense	(16,848)	(17,369)	(33,929)	(35,376)
Net Loss before income taxes	(598,777)	(365,978)	(1,553,531)	(877,481)
Income tax expense	14,038	(40,601)	81,335	(76,962)
Loss for the period	(584,739)	(406,579)	(1,472,196)	(954,443)
Other comprehensive (loss) income items that are or may be reclassified to profit or loss				
Foreign currency translation differences	(184,560)	(65,334)	192,541	(154,761)
Comprehensive loss for the period	\$ (769,299)	\$ (471,913)	\$ (1,279,655)	\$ (1,109,204)
Loss per share attributable to the shareholders of the Company				
Loss for the period	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ (0.05)
Weighted average number of shares				
Basic and diluted (Note 9)	21,113,340	19,335,812	22,262,634	19,053,744

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

UGE INTERNATIONAL LTD.

Amended and Restated Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
For the six months ended June 30, 2019 and 2020
(Unaudited) (Expressed in United States dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2019	\$ 19,592,790	\$ 4,464,701	\$ 147,674	\$ (28,851,407)	\$ (4,646,242)
Net loss for the Period	-	-	-	(954,443)	(954,443)
Offering of share units, net of share costs	441,535	-	-	-	441,535
Shares for debt, net of transaction costs (Notes 8 and 9)	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)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
Balance - January 1, 2020	\$ 20,050,151	\$ 4,785,838	\$ (26,252)	\$ (31,359,058)	\$ (6,549,321)
Net loss for the Period	-	-	-	(1,472,196)	(1,472,196)
Common shares issued, net of costs	431,779	189,920	-	-	621,699
Common shares for debt, net of costs	162,379	22,777	-	-	185,155
Common shares issued for warrant exercises	-	-	-	-	-
Share-based compensation	-	167,224	-	-	167,224
Foreign exchange translation difference	-	-	192,541	-	192,541
Balance - June 30, 2020	\$ 20,644,308	\$ 5,165,759	\$ 166,289	\$ (32,831,254)	\$ (6,854,898)

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

UGE INTERNATIONAL LTD.

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

	2020 <i>Amended and Restated</i>	2019
Cash flow used in Operating activities		
Net loss for the period	(1,472,196)	(954,443)
Adjustment for:	-	
Depreciation and amortization	23,264	25,930
Expected credit loss	51,598	-
Income tax expense (recovery)	(81,335)	76,962
Share-based compensation	172,228	126,252
Loss on conversion of debt to equity	41,380	(25,087)
Net finance expense	219,175	98,377
Accretion expense	33,929	35,376
	(1,011,957)	(616,633)
Change in trade and other receivables	(46,713)	1,472,215
Change in prepaid expenses and deposits	(2,767)	(306,182)
Change in right-of-use assets	(114,591)	-
Change in deferred development costs	(4,081)	-
Change in accounts payable and accrued liabilities	174,855	(561,557)
Change in lease liabilities	118,672	-
Change in deferred revenue	296,864	(485,054)
	(589,718)	(497,211)
Income taxes recovered	-	(1,804)
Net finance expenses paid	(163,707)	(74,786)
Cash used in operating activities	(753,425)	(573,801)
Cash flow used in Investing activities		
(Addition) decrease to restricted cash	285,593	197,577
(Addition) decrease to plant and equipment	(266,599)	(15,223)
Cash from investing activities	18,994	182,354
Cash flow from financing activities		
Proceeds on issue of share capital and warrants, net of issuance costs	304,724	441,534
Net proceeds of loans payable	429,539	61,741
Cash from financing activities	734,263	503,275
Decrease in cash for the period	(168)	44,518
Effect of exchange rate fluctuations on cash	17,260	(6,462)
Cash at beginning of period	206,480	121,735
Cash at end of period	223,572	159,791
Non-cash transactions:		
Shares for debt	159,347	136,114

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

UGE INTERNATIONAL LTD.

Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
for the three and six months ended June 30, 2020 and 2019
(Unaudited) (Amounts expressed in United States dollars, unless otherwise indicated)

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 417 5th Avenue, Suite 804, New York, New York, United States. The principal business activity of the Company is to provide renewable energy solutions to its clients. Primarily, it provides project development, engineering, and project management work in the commercial solar sector.

(b) Going concern

These amended and restated unaudited 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 and has incurred losses from operations (Note 8) as of the approval date of these consolidated financial statements. For the six months ended June 30, 2020, the Company had a consolidated net loss of \$1,472,196 and negative cash flow from operations of \$753,425. As of June 30, 2020, the Company had cash of \$223,572, a working capital deficiency of \$5,510,263 and shareholders' deficiency of \$6,854,898.

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 secure additional debt or equity financing to fund its current and any future working capital needs. Various risks and uncertainties are affecting the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereof, the public policy environment for renewable energy solutions, the Company's ability to raise sufficient equity and/or debt financing, 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 or that additional debt or equity financing will be available to the Company or available at acceptable terms. Failure to implement the Company's business plan or the ability for the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, some material risks and uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These amended and restated 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 amended and restated unaudited condensed consolidated interim financial statements.

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Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
for the three and six months ended June 30, 2020 and 2019
(Unaudited) (Amounts expressed in United States dollars, unless otherwise indicated)

2. Basis of preparation

(a) Statement of compliance

These amended and restated unaudited 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 amended and restated unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2019, except for new accounting policies described in Note 3. These amended and restated unaudited condensed consolidated interim financial statements should be read in conjunction with consolidated financial statements of the Company for the year ended December 31, 2019.

These amended and restated unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 16, 2021.

(b) Basis of presentation and accounting

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

(d) Basis of measurement

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

(e) Accounting assumptions, estimates and judgments

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

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

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Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
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Significant areas having estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the amended and restated unaudited condensed consolidated interim financial statements are as follows:

i) Useful lives of property, plant and equipment and intangible assets

Property, plant, and equipment is beginning to and will represent a significant portion of the Company's total assets. The Company reviews its estimates of useful life of property, plant and equipment and intangible assets on an annual basis and adjusts depreciation on a prospective basis as required.

ii) Impairment of non-financial assets

The Company makes several estimates when calculating the recoverable amount of an asset, in particular property, plant and equipment. The recoverable amounts are a value in use calculation using discounted cash flows. Future cash flows depend on certain estimations such as electricity production, project life, costs to operate, capital expenditures, and the discount rates. For intangible development costs, the likelihood of being able to develop the project is assessed in respect of the competitive environment and government policy.

iii) Allowances for expected credit losses

An 'expected credit loss' impairment model applies to financial assets measured at amortized cost using the effective interest method, less a provision for ECL, which requires a loss allowance to be recognized based on expected credit losses. Provisions for expected credit losses are established using an ECL model. The provisions are based on a forward-looking ECL, which includes possible default events on the accounts receivable over the entire holding period of the accounts receivable, considering the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. The default rate is subject to significant estimate and judgement.

iv) 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.

v) Percentage of completion calculation

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

vi) Government loans and forgiveness – COVID 19

The Company has applied judgment in assessing whether it will qualify for loan forgiveness under certain COVID-19 relief programs. Additionally, in determining the fair value of the loans received under COVID-19 relief programs management makes estimates about the market interest rate it would otherwise receive for loans on similar terms.

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Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
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3. Significant accounting policies

The Company adopted new accounting policies during the three and six months related to new business transactions.

a) *Borrowing costs*

The Company capitalizes borrowing costs directly attributable to the acquisition and construction of Solar projects during active construction. Other borrowing expenses are expenses in the period in which they are incurred.

b) *Leases or arrangements containing a lease*

The Company leases roof-top sites and land for its solar projects and office space for corporate activities. At the inception of a contract, the Company assesses whether the contract is or contains a lease that conveys to the Company the right to control the use of an underlying asset in return for payment. If the contract meets the definition of a lease, a lease liability is recognized in an amount equal to the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that cannot be determined the Company's incremental borrowing rate. Lease payments include: (i) all fixed payments; (ii) variable payments that depend on an index or rate; and (iii) any purchase option or termination penalty reasonably certain to be incurred. A lease ROU asset is recognized in amount equal to the lease liability less any lease incentives received and plus: (i) any payments made prior to the start of the lease; (ii) any initial direct costs incurred; and (iii) an estimate of the cost to restore the asset as required by the lease contract.

The Company applies the cost model to subsequently measure lease ROU assets and applies the same impairment policy as other PP&E. Lease ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The lease term includes any renewal or termination the Company is reasonably certain to exercise. Where leased assets are required for the operation of a Solar project, the Company assumes the lease will be renewed to match the term of the project's power purchase agreement (PPA). ROU asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

4. Trade and other receivables

	June 30, 2020	December 30, 2019
	<i>Amended and Restated</i>	
Trade receivables	\$ 1,779,950	\$ 1,415,811
Unbilled revenue	295,718	483,819
Withholding tax and sales tax receivables	95,255	91,677
	<u>\$ 2,170,923</u>	<u>\$ 1,991,307</u>

Trade receivables are reviewed for impairment on a case-by-case basis and are provided for based on the deterioration of credit risk since initial recognition, at which time a provision is recognized in the consolidated statements of operations and comprehensive loss within selling, general, and administrative expenses. If the credit risk has not increased significantly, allowances are based on 12-month expected losses. If the credit risk has increased significantly and if the receivable is impaired, the allowances will be based on lifetime expected losses. Subsequent recoveries of amounts previously

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provided for are credited against selling, general, and administrative expenses in the consolidated statements of operations. For the three and six months ended June 30, 2020 the Company recorded a reversal of \$22,119 and an expense of \$31,040 in expected credit losses, respectively (2019 – recovery of \$37,966 and expense of \$100,004, respectively) At June 30, 2020, there was an allowance for expected credit losses of \$207,745 (December 31, 2019 - \$176,705).

5. Plant and Equipment

		Office equipment	Right-of-use Asset	Total
			<i>Amended and Restated</i>	
Cost				
Balance as at	January 1, 2019	\$ 55,045	\$ -	\$ 55,045
Additions		25,961	92,000	117,961
Disposals		(56,681)	-	(56,681)
Foreign exchange difference		2,075	-	2,075
<hr/>				
Balance as at	December 31, 2019	26,400	92,000	118,400
Additions - land lease right-of-use assets		-	116,125	116,125
Foreign exchange difference		(1,210)	-	(1,210)
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Balance as at	June 30, 2020	\$ 25,190	\$ 208,125	\$ 233,315
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Accumulated depreciation				
Balance as at	January 1, 2019	\$ 19,853	\$ -	\$ 19,853
Depreciation expense		7,403	42,462	49,865
Disposals		(27,848)	-	(27,848)
Foreign exchange difference		9,732	-	9,732
<hr/>				
Balance as at	December 31, 2019	9,140	42,462	51,602
Depreciation - expensed		2,033	21,231	23,264
Depreciation - allocated to deferred development costs		-	1,534	1,534
Foreign exchange difference		(414)	-	(414)
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Balance as at	June 30, 2020	\$ 10,759	\$ 65,227	\$ 75,986
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Carrying amounts				
	December 31, 2019	\$ 17,260	\$ 49,538	\$ 66,798
	June 30, 2020	\$ 14,431	\$ 142,898	\$ 157,329
	Construction-in-progress	-	-	728,048
Total Plant and equipment				\$ 885,377

Construction-in-Progress – As of June 30, 2020, construction was in progress on three self-owned and self-financed projects that will be operated by UGE USA. Capitalized amounts include borrowing costs, all costs of construction, including materials purchased and subcontractor labour.

Right-of-Use Assets

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

UGE INTERNATIONAL LTD.

Notes to Amended and Restated Unaudited Consolidated Interim Financial Statements
for the three and six months ended June 30, 2020 and 2019
(Unaudited) (Amounts expressed in United States dollars, unless otherwise indicated)

6. Lease Liability

The following table reconciles the Company's operating lease commitments at June 30, 2020 to the lease liabilities recognized on the initial application of IFRS 16 at December 31, 2019.

	Office equipment	Land Leases	Total
		<i>Amended and Restated</i>	
Lease liabilities up adoption of IFRS 16 in 2019	\$ 92,000	\$ -	\$ 92,000
Lease payments	(55,736)	-	(55,736)
Lease interest	22,577	-	22,577
Lease Liability balance at December 31, 2019	\$ 58,841	\$ -	\$ 58,841
Lease liability opening balance 2020	\$ 58,841	\$ -	\$ 58,841
Liabilities entered into during 2020	-	116,125	116,125
Lease payments	(31,606)	(500)	(32,106)
Lease interest	11,289	3,047	14,335
June 30, 2020	\$ 38,524	\$ 118,672	\$ 157,195
Current portion of lease liability	\$ 38,524	\$ 500	\$ 39,024
Long term portion of lease liability	-	118,172	118,172
Fiscal 2020 future payments	24,130	500	24,630
Fiscal 2021 and beyond future payments	9,821	673,125	682,946
Total future lease payments	\$ 33,951	\$ 673,625	\$ 707,576

The Company did not have any short-term leases or leases of low-value assets included in the statement of loss and comprehensive loss for the periods ended June 30, 2020 and 2019.

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Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
for the three and six months ended June 30, 2020 and 2019
(Unaudited) (Amounts expressed in United States dollars, unless otherwise indicated)

7. Accounts payable and accrued liabilities

	June 30, 2020	December 30, 2019
	<i>Amended and Restated</i>	
Trade Payables	\$ 2,407,712	\$ 3,508,613
Accrued & Other Payables	1,926,273	1,059,397
Warranty Provision	45,446	47,628
Income Taxes Payable	168,297	241,828
	<u>\$ 4,547,728</u>	<u>\$ 4,857,467</u>

8. Loans payable

Operating Debt

	UGE Entity	June 30, 2020	December 31, 2019	Interest expensed during	
		<i>Amended and Restated</i>		March 31, 2020	June 30, 2020
					<i>Amended and Restated</i>
<u>UGE International Debt</u>					
Acquisition Loan (CAD\$750,000)(i)	UGE	549,750	576,150	14,790	14,640
Convertible Debenture (ii) (CAD\$720,000)	UGE	453,117	445,215	10,569	10,426
Debt to former Subsidiary (iii)	UGE	350,000	350,000	7,729	7,883
Short term Loan (iv)	UGE	74,673	78,188	3,820	369
<u>UGE Canada RE Debt</u>					
Construction Financing Facility (v)	UGE Canada RE	957,734	1,200,000	12,097	3,049
Revolving Credit Facility (CAD\$315,000)(vi)	UGE Canada RE	230,895	241,983	26,084	-
Canada Emergency Business Account (vii)	UGE Canada RE	29,320	-	-	-
<u>UGE Consulting Debt</u>					
Canada Emergency Business Account (vii)	UGE Consulting	29,320	-	-	-
<u>UGE USA Debt</u>					
PPP Loan (viii)	UGE USA	131,998	-	-	-
SBA EIDL (ix)	UGE USA	149,900	-	-	-
<u>UGE PHP Debt</u>					
Unionbank Loan (PHP 29,800,000) (x)	UGE PHP	598,980	587,060	11,255	11,764
Sub-total operating debt		<u>\$3,555,687</u>	<u>3,478,596</u>	<u>\$86,344</u>	<u>\$32,892</u>

(i) Acquisition Loan – As at June 30, 2020, the Company has a loan bearing interest at 8.0% per annum (plus a quarterly service charge of CAD \$3,750) due September 24, 2021 of CAD \$750,000 (\$549,750). For the six months ended June 30, 2020, the Company incurred \$21,930 (2019 – \$11,456) in interest expense and CAD \$7,500 in service charges which are recognized as finance expenses in the consolidated statement of operations and comprehensive loss.

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(ii) Convertible Debenture – As at June 30, 2020, the Company has a convertible debenture with a coupon rate of 8% on the face amount of CAD \$720,000 (\$527,760). The debenture is convertible into common shares of the Company at the option of the holder at a conversion price of CAD \$0.96 per share. Interest accrued under the debenture is payable in cash or in shares at the option of the holder, and if payable in shares, such shares shall be issued at a conversion price of CAD \$0.96. In addition, the Company issued 60,000 broker warrants at an exercise price of \$1.40 expiring October 23, 2020. The debentures are secured against the Company pursuant to a subordinated general security agreement.

The Debentures' net proceeds of CAD \$619,439 (\$467,800) were separated into the liability component of CAD \$486,210 (\$367,186), equity component of CAD \$100,067 (\$75,571), and broker warrants value of CAD \$26,162 (\$19,758). The liability is carried at amortized cost using the effective interest rate method with an effective interest rate of 18.12% per annum. Transaction costs of CAD \$107,561 (\$81,230) were paid in relation with the Debentures. The fair value of 60,000 broker warrants issued with the Debentures was valued using the Black-Scholes option-pricing model based on the following assumptions: volatility of 113% using the historical prices of the Company, risk-free interest rate of 2.350%, expected life of 2 years and share price of \$0.58. During the six months ended June 30, 2020, the Company recorded interest of \$20,995 (2019 - \$8,925) and accretion expense of \$28,225 (2019 - \$11,519) which were recorded as finance expense and accretion expense in the consolidated statements of operations and comprehensive loss.

(iii) Debt to Former Subsidiary - This \$350,000 loan bears interest at 8.0% per annum due September 23, 2023. During the six months ended June 30, 2020 the Company recorded \$15,612 (2019 - \$7,140) of interest as finance expense in the consolidated statements of operations and comprehensive loss.

(iv) Short term Loan – As at September 30, 2020, the Company has a loan advance agreement of CAD \$101,873 (\$74,763) bearing interest of 7.5% per annum where repayment will be in line with a repayment schedule of a loan agreement still being negotiated, and the timing of which is not yet known. During the six months ended June 30, 2020 the Company recorded USD \$4,189 (2019 - \$nil) of interest as finance expense in the consolidated statement of operations and comprehensive loss.

(v) Construction Financing Facility – As of June 30, 2020, the Company has a construction financing facility with a maximum limit of \$957,734, guaranteed by Export Development Canada. The facility bears interest at a rate equal to prime + 1.45% (5.4%) and is due on demand and is secured by a general security agreement covering all assets of UGE Canada RE Ltd. ("UGE Canada RE"). During the 12 months ended December 31, 2018, the Company made draws from the facility of \$1,200,000 to fund the construction of a project in Massachusetts. The Company had provided a deposit on all draws that totaled to \$309,981, which has since been redeemed and applied against the facility. In addition to the redemption of restricted cash, the Company has an interest Demand Loan housing interest accrued on this facility in the amount of \$67,715 (CAD\$92,380.63). The Company recorded \$14,146 (December 31, 2019 - \$81,000) in interest as finance expense in the consolidated statement of operations and comprehensive loss. Subsequent to the close of the quarter, the Company reached an agreement with the lender and settled the remaining balance

(vi) Revolving Credit Facility - As of June 30, 2020, the Company has a revolving demand credit facility with a maximum limit of CAD\$315,000 (\$230,895), which was fully drawn (December 31, 2019 - \$241,983). The credit facility bears interest at prime + 1.45% (5.4%) per annum and is secured by a general security agreement covering all assets of UGE Canada. As of June 30, 2020, the Company had a balance of CAD\$315,000. The Company recorded \$8,435 (December 31, 2019 - \$22,411) of interest as finance expense in the consolidated statement of operations and comprehensive loss. Subsequent to the close of the quarter, the Company reached an agreement with the lender and settled the remaining balance.

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(vii) Canada Emergency Business Account – During the six months ended June 30, 2020, UGE Canada RE and UGE Consulting, two wholly-owned subsidiaries of UGE, applied and received the Canada Emergency Business Account loan offered in response to the COVID-19 pandemic. The loans are in the amount of \$29,320 (CAD \$40,000) due December 31, 2022. There are forgiveness rules in place where 25% of the loan amount will be forgiven if 75% (or CAD \$30,000) of the loan is repaid by the due date.

(viii) Paycheck Protection Program (PPP) – In response to the COVID-19 pandemic, the Company has received a loan for \$131,998 due April 20, 2022 bearing interest of 1% from the Small Business Administration (SBA) as a form of coronavirus relief. The SBA is currently working out forgiveness rules as well as calculations for how much of the loan can be eligible for forgiveness.

(ix) Economic Injury Disaster Loan (EIDL) – During the six months ended June 30, 2020, in response to the COVID-19 pandemic, the Company received a loan of \$150,000 bearing interest of 3.75% due June 2050. The SBA has offered a one-year deferment on the first monthly payment beginning June 15, 2021.

(x) Union Bank Loan Line – As of June 30, 2020, the Company has a loan line for PHP 29,800,000 (\$598,980) with PHP 19,050,000 due August 19, 2020 and the remainder due September 16, 2020 with interest payable monthly at 7.75%. The Company recorded interest of \$23,019 (December 31, 2019 - \$3,499) in the consolidated statement of operations and comprehensive loss. Subsequent to the close of the quarter, the Company paid the due amount prior to the due date.

Project Debt

	UGE Entity	June 30, 2020	December 31, 2019
<u>UGE HoldCo Debt</u>		<i>Amended and Restated</i>	
Green Bonds (CAD\$605,000) (xi)	UGE Holdco	401,559	338,254
<u>Project Development Capital</u>			
Secured Debentures (xii)	UGE Devco	21,990	23,046
Term Loan (xiii)	UGE USA	-	25,000
Term Loan (xiv)	UGE USA	-	84,410
<u>Project-Level Debt</u>			
Wunder Capital (xv)	UGE USA	858,448	373,508
Subtotal project debt		1,281,997	844,218
Total debt		\$ 4,837,684	\$ 4,322,814
Current portion		\$ 2,720,730	\$ 2,522,571
Non-current portion		\$ 2,116,954	\$ 1,800,243

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(xi) Green Bonds – On October 23, 2018, the Company completed an offering of Secured Green Bonds in the aggregate principal amount of CAD \$500,000 (\$374,100), accruing interest at the rate of 7% per annum and maturing on September 1, 2023. The effective interest rate is 10.38%. For each \$1,000 of principal issued in Bonds, the Company issued 25 bonus units (the "Bond Units") consisting of one common share of the Company (the "Bond Unit Shares") and half of one common share purchase warrant (each whole warrant, a "Bond Unit Warrant") resulting in the issuance of 12,500 Bond Unit Shares, and 6,250 Bond Unit Warrants. Each Bond Unit Warrant may be exercised by the holder for one common share of the Company at an exercise price of \$1.40 per share for 24 months from the date of issuance, being October 23, 2020. Also, 21,429 broker warrant purchase units were issued at an exercise price of \$1.40 expiring October 23, 2020. On January 24, 2020, the Company completed a second offering of Secured Green Bonds in the aggregate amount of CAD \$105,000 (\$78,561). The Bonds are secured against projects of the Company with security interests owned by the Company's wholly-owned subsidiary, UGE Project HoldCo Ltd. Total interest and accretion expense for the six months ended June 30, 2020 was \$28,320 (2019 - \$38,108) and transaction costs of \$nil (2019 - \$nil) was recorded.

(xii) Secured Debentures – As of June 30, 2020, UGE Devco had two debentures secured by early-stage solar projects of the Company paying interest equal to 12% per annum and due in 2021. Total interest expense for the six months ended June 30, 2020 was \$2,132 (2019 - \$3,077).

(xiii) Term Loan – As of June 30, 2020, UGE USA has repaid a short-term loan unsecured facility of \$50,000, used for short-term project development investments, based on a fixed weekly repayment schedule. The Company paid total interest of \$1,234 (2019 - \$1,234) which is recorded in finance expense in the consolidated statement of operations and comprehensive loss.

(xiv) Term Loan - As of June 30, 2020, UGE USA, a wholly-owned subsidiary of UGE, has since repaid a short-term loan unsecured facility used to fund short-term project development investments with a maximum limit of \$130,000 and secured by UGE USA assets based on fixed weekly payments at 0.64%. The Company recorded interest of \$6,351 (2019 - \$3,952) in finance expense in the consolidated statement of operations and comprehensive loss.

(xv) Wunder Capital – As of June 30, 2020, the Company had secured Project-level Debt for four self-financed projects. The Project-level Debt has a 7-year term with interest rates of 7.39% for two of the loans and 6.19% for the third and fourth loan. During the projects' construction phase (until the project reaches commercial operation), the interest rate is increased to 11.49% and 9% for drawn portions of the facilities, which totaled \$858,448 as of June 30, 2020. An origination fee of \$12,185 (2019 - \$27,713) and interest of \$33,369 (2019 - \$4,844) was paid and capitalized to construction in progress during the year. Subsequent to the close of the quarter, but prior to the date of these Financial Statements, one of the projects has reached commercial operation, with the interest rate adjusting as described herein.

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9. Share capital

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

The issued and outstanding share capital for six months ending June 30, 2020 is as follows:

	<u>2020</u>		<u>2019</u>	
	Number of shares	Amount	Number of shares	Amount
		<i>Amended and Restated</i>		
Balance at beginning of period	20,250,439	\$ 20,050,151	10,192,507	\$ 16,575,247
Private placement of share units, net of share costs	3,000,000	431,779	312,500	190,428
Shares issued for conversion of restricted share units	-	-	2,500	2,510
Shares for services	-	-	98,109	112,853
Shares issued in relation to Green Bonds	-	-	12,500	-
Shares issued for conversion of debt to equity	864,792	162,379	6,956,056	2,711,752
Amount issued for exercise of special warrants	-	-	500,000	-
Balance at end of period	24,115,231	\$ 20,644,308	18,074,172	\$ 19,592,790

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

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Private placement equity financing

On February 25, 2020, the Company completed a non-brokered private placement of 3,000,000 units ("Units"), with each such unit consisting of one common share in the capital of the Company (the "Common Shares") and half of one common share purchase warrant (each whole warrant, a "Unit Warrant") at an issuance price of \$CAD 0.26 per Unit for aggregate gross proceeds of \$CAD 780,000 (the "Offering"). Each Unit Warrant entitles the holder to purchase one Common Share at an exercise price of \$CAD 0.33 per share for 18 months from the date of issuance. Certain finders of purchasers in the Offering were entitled to receive a cash commission equal to 5% of the gross proceeds from subscribers sourced by such finders as well finder's warrants (the "Finder's Warrants") equal to 5% the number of Units sourced by such finders, resulting in the payment by the Company of \$18,200 in commission and fees and the issuance of 80,000 Finder's Warrants today. Each Finder's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of \$0.33 per share for 18 months from the date of issuance. 98% of the warrants described herein were exercised by holders of the Unit Warrants and Finder's Warrants prior to September 30, 2020.

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

Shares for conversion of debt to equity

On January 8, 2020 the Company converted six accounts payable balances totaling CAD \$61,042 to 382,292 common shares. In particular two officers and three directors elected to receive certain bonuses and directors' fees in the form of equity, which accounted for the majority of the conversion.

On February 14, 2020, the Company converted two accounts payable balances totaling CAD \$39,226 to 157,500 common shares and realized a non-cash loss of CAD \$7,724 (US \$5,646) on the conversion. In particular, one officer of the Company elected to receive certain bonuses owed in the form of equity, which accounted for the majority of the conversion.

On March 17, 2020, the Company converted two accounts payable balances totaling CAD\$ 84,806 to common shares and warrants of the Company, resulting in the issuance of 325,000 common shares and 125,000 warrants and realized a non-cash loss of CAD \$48,882 (US \$35,732) on the conversion. In particular, one officer of the Company, elected to receive certain bonuses owed in the form of equity.

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Shares for conversion of debt to equity (continued)

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

On June 10, 2019, the Company converted seven accounts payable balances totaling CAD \$83,345 for 138,907 common shares.

On September 17, 2019, the Company converted one accounts payable balance totaling CAD \$7,500 for 31,250 common shares.

Warrants

The Warrant activity is as follows:

Exercise price	Expiry	December 31, 2019 Outstanding	Issued	Expired	June 30, 2020 Outstanding
<i>Amended and Restated</i>			<i>Amended and Restated</i>		<i>Amended and Restated</i>
0.80	June 26, 2019	-	-	-	-
0.60	June 26, 2019	-	-	-	-
1.60	June 14, 2020	312,500	-	(312,500)	-
1.40	October 23, 2020	87,679	-	-	87,679
0.80	February 8, 2021	517,467	-	-	517,467
0.33	August 27, 2021	-	1,580,000	-	1,580,000
0.33	September 5, 2021	-	125,000	-	125,000
		917,646	1,705,000	(312,500)	2,310,146

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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:

	Six months ended June 30, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
	<i>Amended and Restated</i>	<i>Amended and Restated</i>		
Balance at beginning of period	1,255,626	\$ 0.42	1,051,166	\$ 1.08
Granted	1,416,802	0.24	1,076,825	0.34
Expired	(37,500)	0.71	-	N/A
Forfeited	(47,725)	0.39	(245,692)	0.68
Canceled	-	-	(626,673)	2.12
Balance at end of period	2,587,203	\$ 0.37	1,255,626	\$ 0.42
Balance exercisable at the end of period	500,992	\$ 0.66	398,917	\$ 3.00

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

Exercise price (CAD)	Options outstanding at June 30, 2020	Weighted average remaining life (months)	Weighted average exercise price (CAD)	Options exercisable at June 30, 2020	Weighted average exercise price (CAD)
	<i>Amended and Restated</i>			<i>Amended and Restated</i>	<i>Amended and Restated</i>
\$2.44	17,525	24	\$2.44	17,525	\$2.44
1.80	13,250	12	1.80	13,250	1.80
1.32	10,000	35	1.32	10,000	1.32
1.16	64,925	35	1.16	64,925	1.16
1.12	10,000	18	1.12	10,000	1.12
0.52	200,876	41	0.52	115,292	0.52
0.36	50,000	42	0.36	50,000	0.36
0.70	62,500	44	0.70	62,500	0.70
0.32	421,325	48	0.32	-	0.32
0.50	320,000	54	0.50	-	0.50
0.13	80,000	30	0.13	40,000	0.13
0.33	100,000	13	0.33	100,000	0.33
0.27	17,500	10	0.27	17,500	0.27
0.24	300,000	59	0.24	-	0.24
0.24	919,302	60	0.24	-	0.24
	2,587,203	51	0.37	500,992	0.66

For the six months ended June 30, 2020, the Company recorded share-based compensation expense of \$172,228 (June 30, 2019 - \$126,252) respectively, relating to stock options in the consolidated statement of operations and comprehensive loss. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option-pricing model with the below weighted average assumptions:

	2020	2019
Expected life	5 years	5 years
Expected volatility in market price of shares	192.2%	153.4%
Expected dividend rate	0.0%	0.0%
Risk-free interest rate	0.38%	1.40%

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9. Segmented information

The Company has determined that it operates in one operating segment, renewable energy solutions. During the six months ended June 30, 2020 the Company had revenues in the United States, Canada, the Philippines, and in its global consulting practice, and is organized into sales areas consisting of these markets.

Total revenue by geographic area for the six months ended June 30, 2020 was as follows:

	2020	2019
	<i>Amended and Restated</i>	
Canada	\$ 178,110	\$ 2,538,284
United States	117,011	246,998
Philippines	598,082	224,241
	<u>\$893,203</u>	<u>\$3,009,523</u>

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

During the six months ended June 30, 2020 the Company had three (2019 - one) customers that accounted for more than 10% of consolidated revenue as listed below. No other customer accounted for more than 10% of the Company's consolidated revenue.

	Six months ended June 30,	
	2020	2019
	<i>Amended and Restated</i>	
Customer 1	23%	87%
Customer 2	20%	0%
Customer 3	16%	0%

10. Contingencies

Contingencies

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

UGE has 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 has been included in project-related loss in the statement of operations and comprehensive loss. The total amount accrued on this project is \$974,706. Settlement discussions have not yielded an acceptable outcome and the lawsuit continues, with UGE demanding payment for amounts owed which exceed \$1,000,000. Currently, trial is scheduled for May 2021.

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10. Contingencies (continued)

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. 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 consisted of costs and accumulated interest. Until the action has been determined, the Company has taken a project loss of \$213,000 which was written off to bad debts during the year ended December 31, 2019.

In the process of winding down the UGE Canada RE business unit, several claims were filed against UGE Canada RE. When the Company filed a Notice of Intent to File a Proposal on December 18, 2019, all such claims were stayed. A stay of proceedings by operation of the BIA (Bankruptcy and Insolvency Act) is binding on the debtor company's (UGE Canada RE) creditors, barring all creditors from taking proceedings to recover debts claimed, and any existing proceeds have stayed. On February 14, 2020, 96% of creditors voted in favor of the Proposal, and the Company is currently awaiting approval from the Ontario Court of Justice, with the Proposal to be heard on November 25, 2020. Upon approval of the proposal, UGE Canada RE's activities and operations will be classified and disclosed as discontinued operations on the consolidated statement of operations and comprehensive loss.

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

11. Financial Instruments

Fair value

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

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

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

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

Financial risk management

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

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11. Financial Instruments (continued)

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

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

	2020	2019
Financial assets		
Cash	\$ 41,906	\$ (33,094)
Restricted Cash	-	299,338
Trade Receivable	411,507	1,393
Financial liabilities		
Accounts payable	208,217	278,024
Loan payable	-	1,200,000

Based on financial assets and liabilities held as at June 30, 2020, a 5% increase or decrease in the financial instruments which have foreign currency exposure, with all other variables held constant, would result in a foreign exchange gain or loss of approximately \$80,864 (December 31, 2019 - \$87,283).

(c) Credit risk

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

The Company limits its exposure to credit risk on cash and restricted cash by placing these financial instruments with high-quality financial institutions. Credit risk relating to trade receivables and overdue Accounts receivable from vendors are managed on a case by case basis. As of June 30, 2020, the Company had overdue accounts receivable outstanding and payable due to litigation with the Developer as noted in Note 12. UGE is requesting full payment of amounts owing of \$1,130,274.

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11. Financial Instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans. As of June 30, 2020, the contractual maturities of financial liabilities, including estimated interest payments are as follows:

<i>Amended and Restated</i>	Carrying Value	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Accounts payable and accrued liabilities	4,547,729	4,547,729	4,547,729	-	-	-
Loans payable	4,837,684	5,628,286	2,880,673	188,170	2,156,587	402,856
Lease liability	157,196	733,772	56,236	5,411	39,325	632,800
	9,542,609	10,909,787	7,484,638	193,581	2,195,912	1,035,656

12. Selling, general, and administrative expense

	Six months ended June 30, 2020	Six months ended June 30, 2019
	<i>Amended and Restated</i>	
Employee compensation	\$ 767,084	\$ 747,236
Corporate, professional & office	430,792	671,860
Depreciation and amortization	23,264	25,930
Insurance	125,256	107,559
Travel and entertainment	36,152	47,999
Advertising and marketing	6,981	1,164
Project development costs	145,866	-
	<u>\$ 1,535,395</u>	<u>\$ 1,601,748</u>

13. Subsequent Events

On July 6, 2020, the Company converted three accounts payable balances totaling CAD \$115,917 for 438,667 common shares realizing a non-cash loss of CAD\$ 5,523 (US \$4,078). In particular, one officer of the Company elected to receive certain bonuses owed in the form of equity.

On July 15, 2020, the Company granted 300,000 stock options to a consultant of the Company. The options are exercisable at a price of \$CAD 0.43 per share and expire on July 15, 2022. The options vested in equal parts of 75,000 per quarter beginning October 2020.

On July 15, 2020, the Company granted 200,000 stock options to a consultant of the Company. The options were immediately exercisable at a price of \$CAD 0.28 per share and expire on July 15, 2024.

On July 16, 2020, the Company's stock price closed at CAD \$0.38 or higher for 10 straight days, triggering expiration acceleration to August 17, 2020 of all \$0.33 warrants issued in the private placement completed during the first quarter. Prior to the date of these financial statements, 1,555,000 of the warrants have been exercised for a total of CAD \$513,150, with 25,000 warrants expiring unexercised.

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On August 19, 2020, the Company converted one account payable balance totaling CAD \$30,000 for 78,948 common shares of the Company realizing a non-cash loss of CAD \$789. The holder of the account payable was an officer of the company, who elected to receive a bonus payable in the form of equity.

On August 20, 2020, the Company reached an agreement with the counterparty for two loans payable, being the Construction Financing Facility (v) and the Revolving Credit Facility (vi) in section 8. Loans Payable. For full and final release of the amounts owed, which were \$957,734 and \$230,895 on June 30, 2020, the Company paid CAD \$180,000.

14. Government Grants

During the six months ended June 30, 2020, the Company received government grants in response to the COVID-19 pandemic. For the Company's subsidiaries, the Canada Emergency Wage Subsidy (CEWS) became available for eligible businesses as of March 15, 2020. This program provides a salary subsidy to allow employers to retain employees during the COVID-19 pandemic. It provides employers with wage subsidies up to CAD \$847/ week/ employee. UGE International and UGE Consulting have applied for this program for consecutive periods since its release.

For the Company's U.S. subsidiary, UGE USA, the U.S. Small Business Administration provided a one-time grant to small businesses to help them sustain their business during COVID-19 in the amount of \$1,000 per employee. This is a grant that does not need to be repaid and no interest payments are required.

Method of Presentation

The Company has chosen to present the government grants as Other Income on the consolidated statement of comprehensive income.

Nature and Extent of amounts recognized and benefits received

Summary of amounts recognized are as follows:

	<u>2020</u>
CEWS Subsidy:	
March 15 - April 11	26,029
April 12 - May 9	19,904
May 10 - June 6	<u>25,606</u>
	<u>71,539</u>
SBA Grant - May 2020:	7,000
	<u>78,539</u>

Unfulfilled Conditions

The Company has met all conditions in regards to recognition of the government grants.

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15. 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 management personnel as defined by IFRS, 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 key management personnel

As at, and during the six months ended June 30, 2020, the Company had the following related party transactions:

- a director held CAD \$30,000 secured debentures payable by the Company. The debentures, had market terms and conditions;
- the Company settled \$55,050 in executive bonuses with two officers for 342,917 common shares, realizing a non-cash other loss of \$9,178. Please see *Note 9 Share Capital* for more information;
- the Company settled \$22,930 in director compensation with one current and two former directors for 187,500 in common shares. Please see *Note 9 Share Capital* for more information.

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16. Restatement

The Company has amended and restated its unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020, and the three and nine months ended September 30, 2020. Subsequent to the original issuance of the interim financial statements, management and the Audit Committee of the Company's Board of Directors reviewed the accounting for certain of the Company's transactions and determined that there were material accounting errors in the originally issued interim financial statements as described below. These errors have been corrected in the amended and restated unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and the three and nine months ended September 30, 2020. As at and for the six months ended June 30, 2020 these errors resulted in:

- revenue being overstated by \$241,272 and consequently deferred revenue being understated by \$241,481;
- cost of goods sold being overstated by \$11,597;
- financing expenses being overstated by \$34,707 for borrowing costs that were not capitalized;
- property, plant and equipment, being understated by \$142,122 primarily due to right-of-use assets not being recognized plus the capitalization of development fees; partially offset by lease liabilities being understated by \$118,172;
- current debt was understated by \$780,432 and non-current debt was overstated by the same amount, net of a \$277,139 foreign exchange calculation error that is offset in Accumulated Other Comprehensive Income;

In addition to the items described above the Company also corrected the classification of certain balances and transactions to conform with IFRS and the Company's accounting policies.

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Notes to Amended and Restated Unaudited Condensed Consolidated Interim Financial Statements
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Summary of adjustments made to the Amended and Restated Unaudited Condensed Consolidated Interim Statements of Financial Position:

	As at June 30, 2020		
	As previously reported	Adjustments	Restated
Assets			
Current assets			
Cash	223,572	-	223,572
Restricted cash	40	-	40
Trade and other receivables	1,828,765	342,158	2,170,923
Prepaid expenses and other assets	237,204	119,196	356,400
	2,289,581	461,354	2,750,935
Non-current assets			
Plant and equipment	743,255	(777)	742,478
Deferred development costs	-	4,081	4,081
Right of use assets	-	142,899	142,899
Deferred tax assets	1,033	-	1,033
	744,288	146,203	890,491
Total assets	3,033,869	607,557	3,641,426
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,069,998	477,730	4,547,728
Lease payable - current	38,524	500	39,024
Loans payable - current	1,940,298	780,432	2,720,730
Deferred revenue	712,235	241,481	953,716
	6,761,055	1,500,143	8,261,198
Non-current liabilities			
Lease payable	-	118,172	118,172
Loans payable	2,620,247	(503,293)	2,116,954
	2,620,247	(385,121)	2,235,126
Total liabilities	9,381,302	1,115,021	10,496,323
Shareholders' deficiency			
Share capital	20,810,622	(166,314)	20,644,308
Contributed surplus	4,959,654	206,105	5,165,759
Accumulated other comprehensive (loss) income	442,957	(276,668)	166,289
Accumulated deficit	(32,560,666)	(270,588)	(32,831,254)
Total deficit	(6,347,433)	(507,465)	(6,854,898)
Total liabilities and deficit	3,033,869	607,557	3,641,426

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Summary of adjustments made to the Amended and Restated Unaudited Condensed Consolidated Interim Statements of Operations for the three months ended June 30, 2020:

	Three months ended June 30, 2020		
	As previously reported	Adjustments	Restated
Revenue	494,462	(241,272)	253,190
Cost of sales	(208,202)	11,597	(196,605)
Gross Profit	286,260	(229,674)	56,586
Operating expenses			
Selling, general and administrative	(563,547)	(54,841)	(618,388)
Expected credit loss	30,409	(8,290)	22,119
Share-based compensation	(139,243)	1,621	(137,622)
Income (loss) operating activities	(386,121)	(291,184)	(677,305)
Bad debt	(17,299)	(0)	(17,299)
Other income	160,800	(1,517)	159,283
Finance expense	(28,927)	(17,681)	(46,608)
Finance income	-	-	-
Accretion expense	(16,848)	(0)	(16,848)
Net income (loss) before income taxes	(288,395)	(310,382)	(598,777)
Income tax expense	11,378	2,660	14,038
Income (loss) for the period	(277,017)	(307,722)	(584,739)
Other comprehensive income (loss) income items that			
Foreign currency translation	92,107	(276,667)	(184,560)
Comprehensive income (loss) for the period	(184,910)	(584,389)	(769,299)
Loss per share attributable to the shareholders of the Company			
Loss for the period	(0.01)	(0.02)	(0.03)
Weighted average number of shares			
Basic and diluted	21,113,340	-	21,113,340

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Summary of adjustments made to the Amended and Restated Unaudited Condensed Consolidated Interim Statements of Operations for the six months ended June 30, 2020:

	Six months ended June 30, 2020		
	As previously reported	Adjustments	Restated
Revenue	1,134,475	(241,272)	893,203
Cost of sales	(675,489)	11,597	(663,892)
Gross Profit	458,986	(229,674)	229,312
Operating expenses			
Selling, general and administrative	(1,362,755)	(172,640)	(1,535,395)
Expected credit loss	(59,885)	28,845	(31,040)
Share-based compensation	(173,849)	1,621	(172,228)
Income (loss) operating activities	(1,137,503)	(371,848)	(1,509,351)
Bad debt	(17,299)	(0)	(17,299)
Other income	162,330	(1,517)	160,813
Finance expense	(253,882)	100,118	(153,764)
Finance income	-	-	-
Accretion expense	(33,929)	(0)	(33,929)
Net income (loss) before income taxes	(1,280,283)	(273,248)	(1,553,531)
Income tax expense	78,675	2,660	81,335
Income (loss) for the period	(1,201,608)	(270,588)	(1,472,196)
Other comprehensive income (loss) income items that			
Foreign currency translation	469,208	(276,667)	192,541
Comprehensive income (loss) for the period	(732,400)	(547,255)	(1,279,655)
Loss per share attributable to the shareholders of the Company			
Loss for the period	(0.05)	(0.02)	(0.07)
Weighted average number of shares			
Basic and diluted	22,262,634	-	22,262,634

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Summary of adjustments made to Amended and Restated Unaudited Condensed Consolidated Interim Statements of Changes in Equity for the six months ended June 30, 2020:

	Six months ended June 30, 2020		
	As previously reported	Adjustments	Restated
Balance - January 1, 2020	(6,549,321)	-	(6,549,321)
Net loss for the period	(1,201,608)	(270,588)	(1,472,196)
Offering of share units, net of costs	601,124	20,575	621,699
Common shares for debt, net of costs	159,347	25,808	185,155
Conversion feature	5,004	(5,004)	-
Share based compensation	168,812	(1,588)	167,224
Foreign currency translation differences	469,209	(276,668)	192,541
Total shareholders deficit	(6,347,433)	(507,464)	(6,854,898)

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Summary of adjustments made to the Amended and Restated Unaudited Condensed Consolidated Interim Statement of Cash Flows for the six months ended June 30, 2020:

	Six months ended June 30, 2020		
	As previously reported	Adjustments	Restated
Cash flow used in Operating activities			
Net loss for the period	(1,204,867)	(267,329)	(1,472,196)
Adjustment for:		-	-
Depreciation and amortization	23,264	-	23,264
Expected credit loss	80,443	(28,845)	51,598
Income tax expense (recovery)	(78,675)	(2,660)	(81,335)
Share-based compensation	173,849	(1,621)	172,228
Loss on conversion of debt to equity		41,380	41,380
Net finance expense	253,882	(34,707)	219,175
Accretion expense	33,929	-	33,929
	(718,175)	(293,782)	(1,011,957)
Change in trade and other receivables	363,183	(409,896)	(46,713)
Change in prepaid expenses and deposits	108,860	(111,627)	(2,767)
Change in right-of-use assets		(114,591)	(114,591)
Change in deferred development costs		(4,081)	(4,081)
Change in accounts payable and accrued liabilities	(329,578)	504,433	174,855
Change in lease liabilities		118,672	118,672
Change in deferred revenue	50,904	245,960	296,864
	(524,806)	(64,913)	(589,718)
Income taxes recovered	(2,660)	2,660	-
Net finance expenses paid	(198,414)	34,707	(163,707)
Cash used in operating activities	(725,880)	(30,206)	(753,425)
Cash flow used in Investing activities			
(Addition) decrease to restricted cash	285,593	-	285,593
(Addition) decrease to plant and equipment	(294,131)	27,532	(266,599)
Cash from investing activities	(8,538)	27,532	18,994
Cash flow from financing activities			
Proceeds on issue of share capital and warrants, net of issuance costs	304,724	-	304,724
Net proceeds of loans payable	429,539	-	429,539
Cash from financing activities	734,263	-	734,263
Decrease in cash for the period	(155)		(168)
Effect of exchange rate fluctuations on cash	17,247	13	17,260
Cash at beginning of period	206,480	-	206,480
Cash at end of period	223,572	-	223,572
Non-cash transactions:			
Shares for debt	159,347	-	159,347