UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended September 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		September 30, 2019		December 31, 2018
Current assets				
Cash	$	29,073	$	121,735
Restricted cash (Note 3)		356,957		1,025,667
Trade and other receivables (Note 4)		1,968,756		3,795,150
Prepaid expenses and deposits		722,992		241,742
		3,077,778		5,184,294
Non-current assets				
Plant and equipment (Note 5)		86,149		35,192
Deferred tax assets		25,761		1,035
Total assets	$	3,189,688	$	5,220,521
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		4,660,434		5,929,619
Loans payable (Note 6)		1,501,810		1,735,528
Deferred revenue		1,026,544		622,146
		7,188,788		8,287,293
Non-current liabilities				
Lease payable		68,200		-
Loans payable (Note 6)		1,677,663		1,579,470
		8,934,651		9,866,763
Shareholders' deficiency				
Share capital (Note 7)		20,170,439		19,592,790
Contributed surplus		4,607,126		4,464,701
Accumulated other comprehensive income		26,749		147,674
Accumulated deficit		(30,549,277)		(28,851,407)
		(5,744,963)		(4,646,242)
Total liabilities and shareholders' deficiency	$	3,189,688	$	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 September 30, 2018 and 2019
(Expressed in United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue (Note 8)	$ 496,404	$ 4,166,708	$ 3,505,927	$ 13,654,866
Cost of Sales	(405,340)	(3,629,087)	(2,500,919)	(11,818,949)
Gross profit	91,064	537,621	1,005,008	1,835,917
Operating expenses				
Selling, general, and administrative (Note 9)	(769,697)	(1,145,585)	(2,347,237)	(3,609,489)
Project-related (loss)	-	(159,115)	-	(809,293)
Share-based compensation	(15,873)	-	(142,125)	-
Loss from operating activities	(694,506)	(767,079)	(1,484,354)	(2,582,865)
Impairment loss	-	-	-	(2,981,198)
Other income	68,989	-	190,026	-
Bad Debts	(70,834)	-	(170,838)	-
Gain on conversion of debt to equity	37	939,534	25,124	939,534
Finance expense	(99,067)	(136,634)	(211,901)	(659,593)
Finance income	(2,467)	10,113	11,990	10,679
Accretion expense	(17,732)	-	(53,108)	-
Net Loss before income taxes	(815,580)	45,934	(1,693,061)	(5,273,443)
Income tax (expense)	72,153	66,880	(4,809)	(48,652)
Loss for the year	(743,427)	112,814	(1,697,870)	(5,322,095)
Other comprehensive (loss) income items that are or may be reclassified to profit or loss				
Foreign currency translation differences	33,837	(245,957)	(120,925)	(289,395)
Comprehensive loss for the period	$ (709,590)	$ (133,143)	$ (1,818,795)	$ (5,611,490)
Loss per share attributable to the shareholders of the Company				
Loss for the year - basic and diluted	$ (0.01)	$ 0.00	$ (0.02)	$ (0.13)
Weighted average number of shares				
Basic and diluted	78,253,030	43,379,878	77,651,075	41,652,319

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 September 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 period	-	-	-	(5,322,095)	(5,322,095)
Amount issued on the conversion of restricted share units	2,510	(2,510)	-	-	-
Public offering of share units, net of share costs	185,109	123,344	-	-	308,453
Shares for services	112,853	-	-	-	112,853
Shares for debt, net of transaction costs	1,656,108	-	-	-	1,656,108
Share-based compensation	-	(94,155)	-	-	(94,155)
Foreign currency translation differences	-	-	(289,395)	-	(289,395)
Balance - September 30, 2018	$ 18,531,827	$ 3,995,829	$ (102,031)	$ (28,030,075)	$ (5,604,450)

	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	-	-	-	(1,697,870)	(1,697,870)
Offering of share units, net of share costs	441,534	-	-	-	441,534
Shares for debt, net of transaction costs (Note 7)	136,115	-	-	-	136,115
Share-based compensation	-	142,425	-	-	142,425
Foreign currency translation differences	-	-	(120,925)	-	(120,925)
Balance - September 30, 2019	$ 20,170,439	$ 4,607,126	$ 26,749	$ (30,549,277)	$ (5,744,963)

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 September 30, 2018 and 2019
(Expressed in United States dollars)

	2019	2018
Cash flow used in operating activities		
Net loss	$ (1,697,870)	$ (5,322,095)
Adjustment for:		
Depreciation and amortization	38,383	29,518
Bad Debts	170,838	-
Gain/Loss on disposal	3,674	-
Impairment Loss	-	2,981,198
Income tax expense	4,809	48,652
Share-based compensation	142,125	(93,523)
Gain on conversion of debt to equity	(25,124)	(939,534)
Net finance expense	199,911	648,914
Accretion expense	53,108	-
	(1,110,146)	(2,646,870)
Change in trade and other receivables	1,753,252	1,535,412
Change in inventory	-	158,879
Change in prepaid expenses and deposits	(476,129)	(46,673)
Change in accounts payable and accrued liabilities	(1,258,308)	1,655,891
Change in deferred revenue	386,766	(1,252,690)
	(704,565)	(596,051)
Income taxes recovered (paid)	(1,937)	11,426
Net finance expenses paid	(154,221)	(270,096)
Cash used in operating activities	(860,723)	(854,721)
Cash flow used in investing activities		
(Addition) decrease to restricted cash	698,321	(157,311)
(Addition) decrease to plant and equipment	(23,800)	-
Cash used in investing activitiies	674,521	(157,311)
Cash flow from financing activities		
Proceeds on issue of share capital and warrants, net of issuance costs	441,534	274,857
Net proceeds (repayments) of loans payable	(339,249)	77,739
Cash from financing activities	102,285	352,596
(Decrease) increase in cash for the period	(83,917)	(659,436)
Effect of exchange rate fluctuations on cash	(8,745)	(56,218)
Cash, at beginning of Period	121,735	1,390,427
Cash, at end of Period	$ 29,073	$ 674,773

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 through its expertise in developing, engineering, project managing, and financing projects in the commercial and community solar sectors.

(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 nine months ended September 30, 2019, the Company had a consolidated net loss of $1,697,870 and negative cash flow from operations of $860,723. As at September 30, 2019, the Company had restricted cash of $356,957, unrestricted cash of $29,073, a working capital deficiency of $4,111,010 and shareholders' deficiency of $5,744,963.

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 November 14, 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 September 30, 2019, the Company has restricted cash of $356,957 (September 30, 2018 - $728,137) related to cash security for a construction financing facility (Note 6) and funds reserved for financing solar projects.

4. Trade and other receivables

	September 30, 2019	September 30, 2018
Trade receivables, net of allowance for expected credit loss	$ 1,467,140	$ 3,344,182
Notes receivables	8,787	-
Interest receivables	5,064	-
Unbilled revenue	501,775	2,804,211
Corporate income taxes receivable	(14,010)	276,687
	$ 1,968,756	$ 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	-	1,606	(4,127)	(652)	**(3,173)**
Additions	92,000	-	-	-	**92,000**
Disposals		(6,888)			**(6,888)**
Balance as at September 30, 2019	$ 92,000	$ 49,763	$ -	$ -	**$ 141,763**
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	31,846	6,537	-	-	**38,383**
Disposals	-	(3,214)	-	-	**(3,214)**
Foreign exchange difference	-	592	(414)	(392)	**(214)**
Balance as at September 30, 2019	$ 31,846	$ 23,768	$ -	$ -	**$ 55,614**
Carrying amounts					
December 31, 2018	-	$ 35,192	$ -	$ -	**$ 35,192**
September 30, 2019	$ 60,154	$ 25,995	$ -	$ -	**$ 86,149**

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

6. Loans payable

	UGE Entity	September 30, 2019	December 31, 2018
UGE International Corporate Debt			
Acquisition Loan (CAD$750,000)(i)	UGE	$566,400	$ 550,200
Convertible Debenture (ii) (CAD$720,000)	UGE	422,941	367,668
Debt to former Subsidiary (iii)	UGE	350,000	350,000
UGE Canada Debt			
Construction Financing Facility (iv)	UGE Canada	1,200,000	1,200,000
Revolving Credit Facility (CAD$315,000)(v)	UGE Canada	237,888	535,528
UGE Project HoldCo Debt			
Green Bonds (CAD$500,000)(vi)	UGE PHC	329,551	311,602
Project Development Capital			
Secured Debentures (vii)	UGE Devco	8,772	-
Term Loan (viii)	UGE USA	50,000	-
Credit Line (ix)	UGE USA	13,922	-
Total debt		$3,179,474	$3,314,998
Current portion		$1,501,810	$1,735,528
Non-current portion		$1,677,663	$1,579,470

(i) Acquisition Loan – As at September 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 ($566,400).

(ii) Convertible Debenture – On October 23, 2018, the Company closed an offering of 8% convertible debentures in the aggregate principal amount of CAD$720,000 ($543,744) 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.

The Debentures net proceeds of CAD$619,439 ($467,800) received were separated into the liability component of $CAD 486,210 ($367,186), equity component of $CAD 100,067($75,571), and broker warrants value of $CAD 26,162 ($19,758) using the effective interest rate method with an effective interest rate of 18.12% per annum. During the nine months ended September 30, 2019, the Company recorded interest of $33,009 and accretion expense of $44,353 which were recorded as finance

6. Loans payable (continued)

expense and accretion expense in the condensed consolidated interim statement of operations and comprehensive loss. Transaction costs of $CAD 107,561 ($81,230) 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.

(iii) Debt to Former Subsidiary - Upon conversion of a divestment loan from debt to equity, a $350,000 long-term loan was issued to Urban Green Energy HK Ltd. bearing interest at 8.0% per annum due September 23, 2023.

(iv) Construction Financing Facility – As at September 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 September 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).

(v) Revolving Credit Facility - As at September 30, 2019, the Company has a revolving demand credit facility with a maximum limit of CAD$315,000, which was fully drawn (December 30, 2018 - $535,528, CAD$705,000 at which time the maximum limit was CAD$750,000). 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 at September 30, 2019, 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.

(vi) Green Bonds – On October 23, 2018, The Company completed an offering of Secured Green Bonds in the aggregate principal amount of CAD$500,000 ($377,600), 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 $8,755 while transaction 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.

(vii) Secured Debentures – As at September 30, 2019, UGE Devco, a wholly owned subsidiary of UGE, had two secured debentures paying interest equal to 12%, due in 2021. One of the secured debentures, at $5,000, was repaid subsequent to September 30, 2019.

(viii) Term Loan – As at September 30, 2019, UGE USA, a wholly owned subsidiary of UGE, has a short-term loan facility of $50,000 paying interest equal to 20.56%, which was fully drawn.

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

6. Loans payable (continued)

(ix) Line of credit - As at September 30, 2019, UGE USA, a wholly owned subsidiary of UGE, has a line of credit facility used to fund short-term project development expenses with a maximum limit of $85,000, of which $13,922 had been drawn. The equivalent interest on the drawn amount was equal to 33.69%.

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:

	Nine months ended Sept 30, 2019			Nine months ended Sept 30, 2018		
	Number of shares		Amount	Number of shares		Amount
Balance at beginning of year	72,296,685	$	19,592,790	40,770,026	$	16,154,214
Private placement of share units, net of share costs	4,053,333		441,534	1,250,000		203,242
Shares issued for conversion of restricted share units	-		-	10,000		2,510
Shares issued for conversion of debt to equity	4,526,744		136,115	16,020,633		1,800,986
Balance at end of year	80,876,762	$	20,170,439	58,050,659	$	18,160,952

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 September 30, 2019. Upon vesting, the Company will issue shares from treasury to the employees for no additional consideration.

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

7. Share capital (continued)

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.

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 September 30, 2019, the Company converted and exercised its outstanding 3,100,000 special warrants held by related parties, leaving nil special warrants outstanding.

Warrants

As at September 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 September 30, 2019, the Company has warrants outstanding allowing the holders to purchase an additional 2,026,667 common shares at an exercise price of CAD$0.20 per share until February 19, 2021.

As at September 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.

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

7. Share capital (continued)

The stock option activity is as follows:

	Three months ended September 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	(1,965,692)	0.18	(2,587,911)	0.44
Canceled	(982,766)	-	(232,023)	0.32
Balance at end of period	4,283,504	$ 0.14	4,204,662	$ 0.27
Balance exercisable at end of period	1,622,868	$ 0.19	1,938,576	$ 0.33

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

Exercise price (CAD)	Options outstanding at Sept 30, 2019	Weighted average remaining life (months)	Weighted average exercise price (CAD)	Options exercisable at Sept 30, 2019	Weighted average exercise price (CAD)
$ 1.15	30,000	9	$ 1.15	-	$ 1.15
0.61	70,101	33	0.61	46,734	0.61
0.45	23,000	21	0.45	53,000	0.45
0.33	40,000	44	0.33	40,000	0.33
0.29	259,701	44	0.29	173,134	0.29
0.28	80,000	27	0.28	80,000	0.28
0.23	50,000	42	0.23	50,000	0.23
0.13	1,253,402	50	0.13	630,000	0.13
0.09	200,000	51	0.09	200,000	0.09
0.15	100,000	4	0.15	100,000	0.15
0.175	250,000	53	0.18	250,000	0.18
0.080	1,927,300	57	0.08	-	0.08
	4,283,504	51	0.14	1,622,868	0.19

During the nine months ended September 30, 2019, the Company recorded share-based compensation expense of $142,125 (2018 – recovery of $148,357), 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 nine months ended September 30, 2019, there were two options grants. On February 14, 350,000 stock options were granted with an exercise price between

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

7. Share capital (continued)

$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.

[I feel we should probably touch on the options that were cancelled, as well]

	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%

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 nine months ended September 30, was as follows:

	2019	2018
Canada	$ 2,446,568	$ 8,167,482
Philippines	437,803	2,916,002
United States	621,556	2,571,382
	$ 3,505,927	$ 13,654,866

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

During the nine months ended September 30, 2019 the Company had one (2018 - three) 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.

	Nine months ended September 30,	
	2019	2018
Customer 1	63%	46%
Customer 2	5%	18%
Customer 3	4%	12%

9. Selling, general, and administrative expense

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

	Nine months ended Septmber 30, 2019	2018
Employee compensation	$ 1,141,133	$ 2,179,580
Corporate and professional	895,306	1,062,528
Depreciation and amortization	38,383	29,518
Office related	1,724	65,907
Insurance	192,783	135,171
Travel and entertainment	76,165	114,065
Advertising and marketing	1,743	22,720
	$ 2,347,237	$ 3,609,489