



UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021 and 2020

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 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 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.

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

Reporting entity and going concern (Notes 1 and 2)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Cash		\$ 1,268,601	\$ 1,000,069
Restricted cash	3	32,634	34,632
Trade and other receivables	4	1,500,185	1,781,392
Prepays and deposits	5	276,743	241,022
CURRENT ASSETS		3,078,163	3,057,115
Property plant and equipment	6	1,747,299	1,114,094
Right-of-use assets	10	5,836,380	1,504,712
Project development costs	7	998,609	208,649
Other non-current assets	8	499,730	306,405
NON-CURRENT ASSETS		9,082,018	3,133,860
TOTAL ASSETS		\$ 12,160,181	\$ 6,190,975
LIABILITIES			
Trade and other payables	9	\$ 3,330,896	\$ 3,849,195
Current portion of debt	11	738,937	1,656,835
Current portion of lease liabilities	10	83,017	34,633
Deferred revenue		732,261	947,875
CURRENT LIABILITIES		4,885,111	6,488,538
Debt	11	2,724,523	2,450,676
Lease liabilities	10	5,958,206	1,521,344
Decommissioning liabilities	6	17,521	10,948
NON CURRENT LIABILITIES		8,700,250	3,982,968
TOTAL LIABILITIES		\$ 13,585,361	\$ 10,471,506
EQUITY (DEFICIT)			
Share capital	14	26,874,905	22,854,278
Contributed surplus		7,347,715	5,307,304
Accumulated other comprehensive loss		(87,251)	(91,148)
Accumulated deficit		(35,560,549)	(32,350,965)
TOTAL EQUITY (DEFICIT)		\$ (1,425,180)	\$ (4,280,531)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		\$ 12,160,181	\$ 6,190,975

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Contingencies (Note 16)

Subsequent Events (Note 20)

Approved on behalf of the Board

“Nicolas Blitterswyk”
Director, President & Chief Executive Officer

“Jian Yang”
Director

UGE INTERNATIONAL LTD.

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
REVENUE					
EPC and consulting revenue		\$ 465,325	\$ 115,811	\$ 1,391,726	\$ 1,009,014
Cost of goods - EPC and consulting		399,017	71,243	1,041,121	735,135
Gross profit - EPC and consulting		66,308	44,568	350,605	273,879
Energy generation revenue		64,560	16,001	137,485	16,001
TOTAL GROSS PROFIT		130,868	60,569	488,090	289,880
OPERATING COSTS AND EXPENSES					
General and administrative	18	1,470,142	801,483	3,866,126	2,485,842
Expected credit losses	4, 17	-	37,488	22,000	85,827
Depreciation and amortization	6, 10	14,687	13,615	39,727	36,879
TOTAL OPERATING COSTS AND EXPENSES		1,484,829	852,586	3,927,853	2,608,548
OPERATING LOSS		(1,353,961)	(792,017)	(3,439,763)	(2,318,668)
OTHER EXPENSE (INCOME)					
Financing expense, net	11, 13	77,294	91,221	244,057	278,914
Other expense (income)	12	(104,259)	(1,247,475)	(485,977)	(1,408,288)
TOTAL OTHER (INCOME) EXPENSE, NET		(26,965)	(1,156,254)	(241,920)	(1,129,374)
NET INCOME (LOSS) BEFORE TAX		(1,326,996)	364,237	(3,197,843)	(1,189,294)
Income tax expense (recovery)		7,806	15,721	11,741	(65,614)
INCOME (LOSS) FOR THE PERIOD		(1,334,802)	348,516	(3,209,584)	(1,123,680)
Other comprehensive income (loss) items to be subsequently reclassified to net earnings when certain conditions are met					
Foreign currency translation		(19,476)	(93,981)	3,897	98,560
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		\$ (1,354,278)	\$ 254,535	\$ (3,205,687)	\$ (1,025,120)
INCOME (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS					
BASIC AND DILUTED	14	(\$0.04)	\$0.02	(\$0.10)	(\$0.05)
WEIGHTED AVERAGE NUMBER OF SHARES	14	31,201,112	21,886,746	30,648,808	23,446,486

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Changes in Equity (Deficit)

For the nine months ended September 30, 2021 and 2020

(Expressed in United States dollars) Unaudited

	Note	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2020		\$ 20,050,151	\$ 4,785,838	\$ (26,252)	\$(31,359,058)	\$ (6,549,321)
Net loss for the period					(1,123,680)	(1,123,680)
Common shares issued, net of costs	14	354,900	189,920	-	-	544,820
Common shares for debt, net of costs	14	275,023	22,777	-	-	297,800
Common shares issued for option exercises	14	107,803	(82,502)	-	-	25,301
Common shares issued for warrant exercises	14	635,758	(204,102)	-	-	431,656
Share-based compensation	14	-	268,486	-	-	268,486
Foreign exchange translation differences		-	-	98,560	-	98,560
Balance at September 30, 2020		\$ 21,423,635	\$ 4,980,417	\$ 72,308	\$(32,482,738)	\$ (6,006,378)
Balance at January 1, 2021		\$ 22,854,278	\$ 5,307,304	\$ (91,148)	\$(32,350,965)	\$ (4,280,531)
Net loss for the period		-	-	-	(3,209,584)	(3,209,584)
Common shares issued, net of costs	14	3,444,983	1,580,105	-	-	5,025,088
Common shares for debt, net of costs	14	445,413	151,269	-	-	596,682
Common shares issued for warrant exercises	14	76,230	(42,258)	-	-	33,972
Common shares issued for stock option exercises	14	54,001	(24,653)	-	-	29,348
Share-based compensation	14	-	375,948	-	-	375,948
Foreign exchange translation differences		-	-	3,897	-	3,897
Balance at September 30, 2021		\$ 26,874,905	\$ 7,347,715	\$ (87,251)	\$(35,560,549)	\$ (1,425,180)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30,
(Expressed in United States dollars) Unaudited

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
OPERATING ACTIVITIES					
Net income (loss)		\$ (1,334,802)	\$ 348,516	\$ (3,209,584)	\$ (1,123,680)
Items not affecting cash:					
Depreciation and amortization	6,10	14,687	13,615	39,727	36,879
Impairment and expected credit losses	4	-	34,229	22,000	85,827
Share-based compensation	14	152,334	101,262	375,948	273,490
Income tax expense (recovery)		7,806	15,721	11,741	(65,614)
Loss on debt to equity conversions		-	4,661	-	46,041
Loss (gain) on debt settlement	12	5,924	(1,148,224)	(52,639)	(1,148,224)
Gain on warranty expiry		(5,555)	-	(32,724)	-
Other non-cash (gains) losses		(2,834)	-	(4,982)	-
Finance expenses, net	13	77,293	25,808	244,056	278,912
Increase in right-of-use assets		(2,295,500)	(889,043)	(4,331,668)	(1,003,634)
Increase in lease liabilities		2,364,919	868,699	4,485,244	987,371
Decommissioning provision adjustment		-	16,253	6,573	16,253
Government-sponsored non-cash COVID relief		(10,316)	(99,967)	(150,666)	(99,967)
Tax attributes allocated to tax equity investors	11	(7,007)	(9,769)	(24,747)	(9,769)
Finance costs paid, net		(31,167)	30,256	(305,036)	(133,451)
Income taxes (paid) recovered		-	(5,718)	(3,935)	(5,718)
Change in trade and other receivables	4	110,014	142,742	20,482	96,029
Change in prepaid expenses and deposits		66,888	64,038	(35,360)	61,271
Change in deferred financing and customer acquisition costs	11	(66,989)	(11,170)	(66,989)	(11,170)
Change in trade and other payables	9	390,568	(83,439)	(231,423)	91,463
Change in deferred revenue		(144,596)	121,743	(215,614)	418,607
Cash used in operating activities		\$ (708,333)	\$ (459,787)	\$ (3,459,596)	\$ (1,209,084)
FINANCING ACTIVITIES					
Net proceeds from equity raises	14	-	240,096	5,025,088	544,820
Net proceeds from stock option and warrant exercises	14	5,476	456,957	63,320	456,957
Proceeds from investments by tax-equity investors		-	100,000	200,000	100,000
Government-sponsored COVID loans	11	350,000	-	502,515	341,570
Increases in long term debt, net of deferred finance charges	11	213,914	757,536	428,286	1,374,214
Repayment of long term debt	11	(252,695)	(565,201)	(1,072,534)	(1,093,910)
Cash provided by financing activities		\$ 316,696	\$ 989,388	\$ 5,146,675	\$ 1,723,651
INVESTING ACTIVITIES					
(Increase)/decrease in restricted cash	2	(2,497)	13,735	(1,998)	299,328
(Additions) to property, plant and equipment	6	(323,328)	(524,708)	(640,063)	(791,307)
(Additions) to project development costs	7	(235,150)	(84,274)	(789,960)	(88,355)
Cash used in investing activities		\$ (560,975)	\$ (595,247)	\$ (1,432,021)	\$ (580,334)
Increase (decrease) in cash for the period		(952,612)	(65,646)	255,058	(65,767)
Effect of exchange rate fluctuations on cash		(33,108)	(17,260)	13,474	-
Cash at beginning of period		2,254,321	223,572	1,000,069	206,433
Cash at end of period		\$ 1,268,601	\$ 140,666	\$ 1,268,601	\$ 140,666
Non-cash transactions:					
Shares for debt (\$ CAD)		-	107,983	758,462	267,330

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

1. 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 56 Temperance St., 7th Floor, Toronto, Ontario, Canada.

UGE has evolved its principal business activity from a focus on engineering, procurement and construction ("EPC") of commercial and community solar facilities to a develop, build, own, and operate model, in both the US and Philippines.

2. Basis of preparation

a) Statement of compliance

These 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 unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the audited consolidated financial statements of the Company for the year ended December 31, 2020 unless otherwise indicated, and they should be read in conjunction with those financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on November 22, 2021.

Certain comparative figures have been reclassified to conform to the current year's presentation but have no effect on the Company's financial position or results of operations.

b) Going concern and COVID 19

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern. The Company had negative working capital of \$1,806,948 and an accumulated deficit of \$35,560,549 at September 30, 2021. For the nine months ended September 30, 2021, the Company had a consolidated loss of \$3,209,584 and negative cash flow from operations of \$3,459,596.

The Company's ability to continue as a going concern, and to realize its assets and discharge its liabilities in the normal course of business, is dependent on generating sufficient cash flow from operations and on securing both project debt and operating debt or equity financing to fund its current and any future working capital needs, as it builds its portfolio of solar facilities. Various risks and uncertainties affect the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereof, the public policy environment for renewable energy solutions in the markets in which the Company operates, 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 development of solar facilities, asset and revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more debt instruments or equity investments. While the Company has sufficient capital to execute on its current business plans over the short and medium term, there are no guarantees that future funds raised will be sufficient to sustain the Company's ongoing operations or that additional

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

debt or equity financing will be available to the Company, or available at acceptable terms. Failure to implement the Company's business plan or the inability of the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are some material risks and uncertainties that may cast doubt about the Company's ability to continue as a going concern.

These 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 these unaudited condensed consolidated interim financial statements.

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

c) Basis of presentation, functional and presentation currency

These consolidated financial statements are presented in United States dollars ("USD"). The functional currency of the Company is Canadian dollars ("CAD"). These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

Entity	Functional Currency
UGE USA Inc. ("UGE USA")	USD
UGE Canada RE Ltd. ("UGE Canada RE")	CAD
UGE Consulting Services Ltd. ("UGE Consulting")	CAD
UGE Project Holdco Ltd. ("UGE Project Holdco")	CAD
UGE Project Development Holdco Ltd. ("UGE DevCo")	CAD
UGE Philippines Inc. ("UGE Philippines")	Filipino pesos ("PhP")

UGE USA includes the accounts of controlled or wholly owned special purpose vehicles ("SPVs"). These SPVs construct, own and operate solar facilities. All of the SPVs are located in the United States and their functional currency is USD.

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

d) Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments that are accounted for at fair value.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

e) Accounting assumptions, estimates and judgments

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

During the reporting periods management has made a number of estimates and assumptions in applying the Company's accounting policies, including the assessment of the Company's ability to continue as a going concern, as discussed above in Note 2. Other significant areas having estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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

Property, plant, and equipment is beginning, and will continue, to 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) Leases

The Company leases roof-tops, land and offices. In determining whether a lease contract should be accounted for as a right-of-use asset with a corresponding lease liability, management must make judgements about the rights conferred to the Company. To the extent that the Company determines a lease contract does not confer sufficient rights, the cost of the lease payment is expensed as incurred and no right-of-use asset or lease liability is recorded. Certain leases are not considered as leases for accounting purposes, given certain contractual restrictions, and no right of use and lease liabilities are currently recorded for these leases.

iii) Impairment of non-financial assets

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

iv) Decommissioning liabilities

The Company makes a number of estimates when calculating the fair value of asset decommissioning obligations, which represent the present value of future decommissioning costs for facilities. Estimates of these costs are dependent on labour and material costs, inflation rates, salvage values, discount rates, the risk specific to the obligation, and the timing of the outlays.

v) Determining control or significant influence of special purpose entities

The determination of whether the Company has control or significant influence over special purpose entities requires the Company to make assumptions and judgements in evaluating its specific control and influence characteristics. The Company exercises judgement in determining whether non-wholly owned special purpose entities are controlled by the Company, which involves the assessment of how the

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

decisions of the special purpose entities are made, whether the rights of other partners are protective or substantive in nature, and the ability of the Company to influence the returns of the special purpose entity.

vi) Allowances and provisions for expected credit losses

An expected credit loss (“ECL”) impairment model is applied to financial assets measured at amortized cost, in order to establish provisions for expected credit losses. The provisions are based on a forward-looking ECL, which includes possible default events of the accounts receivable over their entire holding period, including the consideration of the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, and 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.

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

vii) Stock-based compensation

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

viii) 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 estimation of total costs requires professional judgement and changes to these estimates may affect revenue, unbilled revenue, and deferred revenue.

ix) Tax equity liabilities

The Company makes estimates in the determination of expected future cash flows to calculate the effective interest rate (“EIR”) and amortization of tax equity liabilities. Future cash flows depend on certain estimations such as electricity production, facility life, costs to operate, required capital expenditures and timing of the exercise of any put/call options after the flip date.

x) 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.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

xi) Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. Restricted cash

At September 30, 2021, the Company has \$32,634 in restricted cash (December 31, 2020 - \$34,632), in the form of security held against a loan.

4. Trade and other receivables

	September 30, 2021	As at December 31, 2020
Trade receivables	\$ 1,231,336	\$ 1,381,321
Unbilled revenue	171,711	194,549
Current portion of notes receivable	14,501	6,403
Withholding and sales tax receivable	65,429	132,204
Other	17,208	66,914
	\$ 1,500,185	\$ 1,781,392

At September 30, 2021 approximately \$1 million (December 31, 2020 – approximately \$1 million) of the trade receivables relate to the litigation discussed in Note 16, which are mostly offset by a corresponding amount payable recorded in trade and other payables.

At September 30, 2021, the allowance for expected credit losses provided against trade and other receivables and unbilled revenue was \$270,706 (December 31, 2020 - \$248,706). As shown below, during the first nine months of 2021, the Company increased its expected credit losses by net \$22,000 (nine months ended September 30, 2020 – net \$70,101 increase).

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

	Nine months ended September 30,	
	2021	2020
ECL allowance, beginning of period	\$ 248,706	\$ 176,705
Additions	22,000	87,575
Write offs	-	(17,474)
ECL allowance, end of period	\$ 270,706	\$ 246,806

The notes receivable are associated with solar facility acquisition loans to customers in the Philippines and are discussed in more detail in Note 8.

5. Prepaid expenses and deposits

	As at	
	September 30, 2021	December 31, 2020
Prepaid expenses	\$ 196,584	\$ 159,363
Deposits	80,159	81,659
	\$ 276,743	\$ 241,022

Prepaid expenses are primarily associated with general corporate items such as insurance premiums. Deposits are primarily associated with the Company's EPC contracts and solar facilities under construction.

6. Plant and equipment

The Company's plant and equipment consists almost entirely of solar facilities that are either in use or under construction. The cost of solar equipment includes expenditures that are directly attributable to constructing the asset and readying it for use. These costs include the present value of the decommissioning liability that the Company establishes when it begins construction of a solar facility, which is recognized as a liability on the statement of financial position. At September 30, 2021, the carrying value of the Company's decommissioning liabilities is \$17,521 (December 31, 2020 – \$10,948).

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

	Solar facilities in use	Solar facilities under construction	Corporate	Total
Year ended December 31, 2020				
Balance- beginning of the year	\$ -	\$ 428,030	\$ 17,260	\$ 445,290
Additions	928,016	681,146	3,369	1,612,531
Foreign exchange difference	-	-	370	370
Transfer to solar facilities in use	-	(928,016)	-	(928,016)
Depreciation	(10,890)	-	(5,191)	(16,081)
Balance - end of year	\$ 917,126	\$ 181,160	\$ 15,808	\$ 1,114,094
As at December 31, 2020				
Cost	\$ 928,016	\$ 181,160	\$ 30,335	\$ 1,139,510
Accumulated depreciation	(10,890)	-	(14,527)	(25,417)
Net carrying amount	\$ 917,126	\$ 181,160	\$ 15,808	\$ 1,114,094
Nine months ended September 30, 2021				
Balance - beginning of the year	\$ 917,126	\$ 181,160	\$ 15,808	\$ 1,114,094
Additions	-	653,258	19,559	672,817
Foreign exchange difference	-	-	115	115
Transfer to solar facilities in use	248,316	(248,316)	-	-
Depreciation	(32,754)	-	(6,973)	(39,727)
Balance - end of period	\$ 1,132,688	\$ 586,102	\$ 28,509	\$ 1,747,299
As at September 30, 2021				
Cost	\$ 1,176,333	\$ 586,102	\$ 50,114	\$ 1,812,549
Accumulated depreciation	(43,645)	-	(21,605)	(65,250)
Net carrying amount	\$ 1,132,688	\$ 586,102	\$ 28,509	\$ 1,747,299

7. Project Development Costs

	As at and for the nine months ended September 30, 2021	As at and for the year ended December 31, 2020
Cost		
Beginning of period	\$ 208,649	\$ -
Additions - consulting and design	303,456	181,933
Additions - commissions and finders' fees	320,600	-
Additions - right-of-use asset depreciation and lease interest expense	277,627	62,765
Transfers to solar facilities under construction	(101,898)	(36,049)
Write-off	(9,825)	-
Balance, end of period	\$ 998,609	\$ 208,649

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

8. Other non-current assets

	September 30, 2021	As at December 31, 2020
Notes receivable - third party - non-current portion	\$ 420,189	\$ 193,860
Note receivable - related party	-	100,000
Deferred loan fees	45,368	11,439
Deferred customer acquisition costs	33,061	-
Deferred income taxes	1,112	1,106
	\$ 499,730	\$ 306,405

The Notes receivable - third-party are associated with solar facility acquisition loans to customers in the Philippines. In the Philippines, in order to comply with local regulations, the current legal structure for self-financed (build/own/operate) projects is different from the US. In the Philippines legal structure, the ownership of the solar facility transfers to the customer once completed. Under the current business model, UGE finances the customer's acquisition of the solar facility, and then, subsequent to the commencement of commercial operations, receives interest income and service income over the life of the solar facility. The balance receivable at September 30, 2021 represents three notes with a total balance of \$434,690 at interest rates between 9.98% and 10.04%, and maturity dates between November 2034 and May 2036 (December 31, 2020 – two notes with a total balance of \$200,263, the same interest rates, and maturity dates between November 2034 and October 2035). Please see Note 4 for detail of the current portion of these notes.

The related party note receivable outstanding at December 31, 2020 was made to an officer of the Company, in connection with the officer's investment in a tax equity partnership controlled by the Company. The note was secured by the tax equity investment, with the proviso that cash distributions from the tax equity investment must first be directed to reduce the loan balance. The note was issued in August 2020, bore interest at 3%, was scheduled to mature in February 2022, and could be prepaid at any time, in full or in part, without penalty. The loan was repaid in full in June 2021, including \$2,518 of accrued interest.

The deferred loan fees are associated with the Company's project loans that are used to finance the construction of a solar facility. At construction completion, the project loans are converted to term loans, and the deferred fees are amortized over the loan term using the effective interest rate method.

The deferred customer acquisition costs are associated with the Company's solar facilities. During a facility's construction, the Company incurs costs related to obtaining customers for the energy that will be generated when the facility becomes operational. These costs are deferred until the facility begins commercial operations, after which they are amortized based on estimated customer life.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

9. Trade and other payables

	September 30, 2021	As at December 31, 2020
Trade payables	\$ 969,281	\$ 1,217,355
Accrued and other payables	2,160,352	2,284,882
Warranty provision	7,102	39,235
Taxes payable	179,613	292,283
Other	14,548	15,440
	\$ 3,330,896	\$ 3,849,195

At September 30, 2021 approximately \$1 million (December 31, 2020 – approximately \$1 million) of accrued payables relates to the litigation discussed in Note 16, which is mostly offset by a corresponding receivable recorded under trade receivables. Taxes payable at September 30, 2021 include the Company's 2020 income tax expense of \$90,496 (December 31, 2020 - \$90,496), with the remainder related to other ongoing corporate taxes associated with operations.

10. Right of use assets and lease liabilities

The Company enters into various leases in the conduct of its operations, primarily those related to right of use leases of land for the Company's solar facilities, including those under development or construction. The leases typically have initial terms between twenty and twenty-five years, most with subsequent options to renew. The Company generally expects to exercise renewal options to match its facilities' respective useful lives, which at the current time are estimated to be 30 years for the majority of the solar projects constructed on leased land. However, three of the Company's current projects have been estimated at 20 years, and three at 25 years, due to restrictions on lease renewal options. The Company uses estimated project life to calculate its lease liabilities and the amount and useful life of the associated right-of-use assets. As a general rule, contractual lease payments are minimal during development and construction, with payments increasing when commercial operations begin. As well, many of the leases require lease payment escalations in the range of 2% per annum to reflect inflation.

During the development and construction period, the Company defers expenses that are considered part of the development costs of the solar facilities, including commissions and finders' fees (see Note 7). For solar facilities constructed on leased land, these also include the depreciation expense associated with the right-of-use assets, and the interest expense associated with the lease liabilities. The deferred costs are amortized as a component of the solar facilities when they begin commercial operation. Commissions related to obtaining a land lease agreement are considered part of the cost of the lease and included in the associated right of use asset. During the nine months ended September 30, 2021, the Company capitalized \$78,005 depreciation and \$199,622 lease interest, and included \$78,200 of commissions in right of use assets. There were no similar amounts in the nine months ended September 30, 2020.

Please see the tables below for more information regarding the Company's right-of-use assets and lease liabilities.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

Right-of-use assets	Land	Other	Total
Year-ended December 31, 2020			
Balance - beginning of year	\$ -	\$ 49,538	\$ 49,538
Additions	1,520,675	-	1,520,675
Impairment	-	-	-
Amortization	(15,963)	(35,385)	(51,348)
Termination adjustment	-	(14,154)	(14,154)
Balance - end of year	\$ 1,504,712	\$ -	\$ 1,504,712
As at December 31, 2020			
Cost	\$ 1,520,675	\$ -	\$ 1,520,675
Accumulated depreciation	(15,963)	-	(15,963)
Net carrying amount	\$ 1,504,712	\$ -	\$ 1,504,712

Nine months ended September 30, 2021			
Balance - beginning of period	\$ 1,504,712	\$ -	\$ 1,504,712
Additions	4,409,673	-	4,409,673
Impairment	-	-	-
Amortization	(78,005)	-	(78,005)
Termination adjustment	-	-	-
Balance - end of period	\$ 5,836,380	\$ -	\$ 5,836,380
As at September 30, 2021			
Cost	\$ 5,930,347	\$ -	\$ 5,930,347
Accumulated depreciation	(93,967)	-	(93,967)
Net carrying amount	\$ 5,836,380	\$ -	\$ 5,836,380

Lease liabilities	Land	Other	Total
Year-ended December 31, 2020			
Balance - beginning of year	\$ -	\$ 58,841	\$ 58,841
New obligations	1,520,674	-	1,520,674
Payments	(11,500)	(34,405)	(45,905)
Interest accretion	46,803	-	46,803
Termination adjustment	-	(24,436)	(24,436)
Balance - end of year	\$ 1,555,977	\$ -	\$ 1,555,977
As at December 31, 2020			
Current	\$ 34,633	\$ -	\$ 34,633
Long term	1,521,344	-	1,521,344
Net carrying amount	\$ 1,555,977	\$ -	\$ 1,555,977

Nine months ended September 30, 2021			
Balance - beginning of period	\$ 1,555,977	\$ -	\$ 1,555,977
New obligations	4,331,474	-	4,331,474
Payments	(45,850)	-	(45,850)
Interest accretion	199,622	-	199,622
Termination adjustment	-	-	-
Balance - end of period	\$ 6,041,223	\$ -	\$ 6,041,223
As at September 30, 2021			
Current	\$ 83,017	\$ -	\$ 83,017
Long term	5,958,206	-	5,958,206
Net carrying amount	\$ 6,041,223	\$ -	\$ 6,041,223

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

11. Debt

OPERATING DEBT	Maturity	Contractual Rate	Original Currency	As at	As at	Financing costs ¹		
				September 30, 2021	December 31, 2020	September 30, 2021	September 30, 2020	
UGE International								
Convertible debenture	(i)	Oct-21	8.0%	CAD 720,000	\$ 564,302	\$ 515,707	\$ 80,720	\$ 74,352
Aquisition loan	(ii)	Sep-21	8.0%	CAD 750,000	-	588,525	6,682	43,275
Short term loan	(iii)	none	7.5%	CAD 101,873	-	79,940	1,655	6,626
UGE CanadaRE								
Canada Emergency Business Account	(iv)	Dec-22	0.0%	CAD 60,000	40,559	29,080	2,079	-
UGE Consulting								
Canada Emergency Business Account	(iv)	Dec-22	0.0%	CAD 60,000	40,559	29,080	2,079	-
UGE USA								
Paycheck protection program (PPP 1)	(v)	Apr-22	1.0%	USD 131,998	31,830	31,851	2,119	582
Economic injury disaster loan (EIDL)	(vi)	Jun-50	3.75%	USD 500,000	509,844	152,481	10,467	1,618
Debt to former subsidiary	(vii)	Sep-23	8.0%	USD 350,000	-	350,000	5,684	23,653
UGE Philippines								
Bank loan	(viii)	Dec-27	8.00%	PhP 9,000,000	169,615	439,027	13,873	35,250
Total					\$ 1,356,709	\$ 2,215,691	\$ 125,358	\$ 185,356
Current portion					\$ 654,867	\$ 1,466,074		
Non-current portion					\$ 701,842	\$ 749,617		

¹ Financing costs include all finance charges including capitalized interest and accretion.

Please see Note 17(d) *Liquidity risk* for a maturity profile for the above loans.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

- (i) *Convertible debenture* - This debenture is convertible to common shares of the Company at the option of the holder at a conversion price of CAD \$0.96, at any time prior to the October 23, 2021 maturity date. Interest accrued is payable in cash or in common shares at the option of the holder at the same conversion price. In addition, the Company issued 60,000 broker warrants at an exercise price of CAD \$1.40 which expired unexercised on October 23, 2020. The debenture is secured by the Company's assets under a general security agreement.

At issue, the debentures' net proceeds of CAD \$619,439 (US \$467,800) were separated into the liability component of CAD \$486,210 (US \$367,186), the equity component of CAD \$100,067 (US \$75,571), and broker warrants valued at CAD \$26,162 (US \$19,758). The liability is carried at amortized cost using the EIR method with an effective interest rate of 18.12% per annum. Transaction costs of CAD \$107,561 (US \$81,230) were paid in relation to the debentures. The fair value of the 60,000 broker warrants issued with the debentures was valued using the Black-Scholes option pricing model based on the following assumptions: volatility of 113% using the historical trading prices of the Company, risk-free interest rate of 2.350%, expected life of 2 years and share price of CAD \$0.58. During the nine months ended September 30, 2021, the Company recorded accretion expense of \$46,288 (nine months ended September 30, 2020 - \$42,637). Interest is payable semi-annually with principal due at maturity if not converted.

On October 14, 2021, subsequent to the date of these financial statements, the convertible debenture, together with CAD \$28,721 of accrued interest, was converted into 779,918 common shares.

On November 12, 2021, subsequent to the date of these financial statements, the Company issued a convertible debenture with a principal amount of CAD \$2.0 million. The debenture has an interest rate of 6.5%, payable semi-annually, matures on October 31, 2023, and is convertible into common shares at a rate of CAD \$1.80 per share.

- (ii) *Acquisition loan* - This loan was secured by project receivables generated by UGE RE Inc. and a general security on UGE Canada Ltd., with the entities subsequently amalgamating to form UGE Canada RE Ltd. In addition to the interest charges the loan incurred quarterly service charges of CAD \$3,750, which were recognized as financing costs. Interest was paid quarterly with the principal due at maturity. In Q1 2021, the outstanding principal amount of the loan plus accrued interest and service charges was converted to common shares of the Company for CAD \$2.65/unit, resulting in the issuance of 286,220 common shares and 143,110 warrants.
- (iii) *Short term Loan* - In Q1 2021 the principal amount of this loan plus accrued interest was paid in full.
- (iv) *Canada Emergency Business Account* – In 2020 UGE Canada RE and UGE Consulting each received an initial CAD \$40,000 under the Canada Emergency Business Account loan program that was offered in response to the COVID-19 pandemic, and in April 2021 each entity received an additional CAD \$20,000 under an expansion to the program, bringing each entity's loan to CAD \$60,000. If 75% of the loan is repaid by the December 2022 maturity date, 33% (CAD \$20,000) of each loan will be forgiven. The Company has not recorded the potential loan forgiveness. If not repaid, the loans will be converted to 3-year term loans at 5% annual interest, paid monthly, with the full principal due on December 31, 2025.

The interest rate on these loans is below market terms and each loan's estimated benefit of CAD \$29,716 associated with the below market terms is being recognized over the term of the loan. The loans are being amortized using an effective interest rate of 12%.

- (v) *Paycheck Protection Program* – In response to the COVID-19 pandemic the US government, through the Small Business Administration ("SBA"), provided loans to qualifying companies. The Company

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

received a loan of \$131,998 under this program. In 2020, the Company applied for loan forgiveness in the amount of \$99,967, which in management's judgment would be approved, and as such this amount was recognized as other income in 2020. The Company received approval of the forgiveness in May 2021. At the date of these financial statements management had not yet been informed of the repayment terms for the remaining balance, but the loan must be paid in full no later than April 20, 2022. The interest rate on this loan is at below market terms and the estimated benefit of \$7,848 associated with the below market terms is being recognized over the term of the loan. The loan is being amortized using an effective interest rate of 11%.

In February 2021 the Company received an additional \$120,811 under this program. The Company determined that it meets the terms for the loan to be forgiven, and in Q2 2021 the Company recognized \$120,811 in Other Income associated with this forgiveness. The SBA informed the Company that beginning August 4, 2021 borrowers would be eligible to submit forgiveness applications, and the Company was able to submit its application in November 2021.

- (vi) *Economic Injury Disaster Loan ("EIDL")* - In response to the COVID-19 pandemic the US government, through the SBA, provided loans to qualifying companies. In 2020, the Company received a loan of \$150,000 under this program. The interest rate on the EIDL is at below market terms and at June 30, 2021 the estimated benefit of \$68,306 associated with the below market terms was being recognized over the term of the loan. The loan was being amortized using an effective interest rate of 9.05%. Under the terms of the loan agreement in place at June 30, 2021, the first payment on this loan was made on June 15, 2021.

Subsequently, on July 13, 2021, the SBA advanced an additional \$350,000, bringing the Company's total advances under the EIDL program to \$500,000. In connection with the additional advance, the terms of the loan agreement were modified. Payments on the total advances of \$500,000 have been deferred until June 15, 2022. As the interest rate on this loan continues to be at below market terms, the total estimated benefit of \$226,090 is being recognized over the term of the loan, which continues to be amortized at an effective interest rate of 9.05%.

- (vii) *Debt to Former Subsidiary* - Upon conversion of a divestment loan from debt to equity, a \$350,000 loan was issued to the Company's former subsidiary, Urban Green Energy HK Ltd. Interest was payable quarterly with principal due at maturity. In Q1 2021 the principal amount of this loan plus accrued interest was paid in full.
- (viii) *Bank Loan* - Term loans are due upon completion of the construction of projects and have a security interest in the projects. In Q1 2021, the \$251,680 current portion of the \$439,027 outstanding balance at December 31, 2020 was repaid.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

PROJECT DEBT	Note	Maturity	Contractual Rate	Original Currency	As at	As at	Financing costs ¹	
					September 30, 2021	December 31, 2020	September 30, 2021	September 30, 2020
UGE USA								
Construction financing	(i)		8.5%		\$ 150,623	\$ 205,630	\$ 3,263	\$ 20,880
Operating project debt	(ii)	2028	5.9%-7.4%		1,093,617	987,204	69,106	37,445
Tax equity financing	(iii)				422,082	249,131	42,282	2,372
UGE Project Holdco.								
Green Bonds	(iv)	Sep-23	7.0%	CAD 500,000	369,061	357,813	30,282	28,006
Green Bonds	(iv)	Jan-25	7.0%	CAD 105,000	71,368	68,501	6,898	4,070
UGE Project Development Holdco.								
Secured debentures	(v)	2021	12.0%	CAD 30,000	-	23,541	1,244	1,972
Total					\$ 2,106,751	\$ 1,891,820	\$ 153,075	\$ 94,745
Current portion					\$ 84,070	\$ 190,761		
Non-current portion					\$ 2,022,681	\$ 1,701,059		
¹ Financing costs include all finance charges including capitalized interest and accretion.								
Construction loan finance costs are capitalized.								
TOTAL DEBT								
Current portion					\$ 738,937	\$ 1,656,835		
Non-current portion					\$ 2,724,523	\$ 2,450,676		

Please see Note 17(d) *Liquidity risk* for a maturity profile for the above loans.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

- (i) *Construction financing* – The Company enters into construction financing arrangements to fund the construction of solar facilities, with funds drawn based on project milestones. The construction financing is secured against the solar facility under construction and is converted to long term project debt when commercial operations begin. At September 30, 2021, the Company had outstanding advances for one solar facility. The Company defers origination fees and capitalizes borrowing costs (see Note 6 and Note 10) during the construction period. Origination fees are subsequently amortized over the project debt term, and borrowing costs are included in the carrying cost of the underlying project.
- (ii) *Operating project debt* – At September 30, 2021, the Company had project loans for four solar facilities. The loans have 7-year terms with 20-year amortization schedules, and interest rates between 5.90% and 7.39%. Interest and principal are payable monthly. The project debt is secured by the underlying solar facilities.
- (iii) *Tax equity financing* – The Company owns and operates certain solar facilities in the US under subsidiaries that are set up as tax equity structures (“TEIs”) to finance the capital cost of solar facilities. Amounts paid by the TEIs for their equity stakes are classified as debt on the consolidated statements of financial position and are measured at amortized cost using the EIR method. Amortized cost is affected by the allocation of ITCs, taxable income, and accelerated tax depreciation. Financing expenses represents the interest accretion using the EIR. The average EIR of the tax equity financing is 22.12%.
- (iv) *Green Bonds* – On October 23, 2018, the Company completed an offering of \$500,000 of Secured Green Bonds. 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 could be exercised by the holder for one common share of the Company at an exercise price of \$1.40 per share up to October 23, 2020. The Bond Unit Warrants expired unexercised. In addition, 21,429 broker warrant purchase units were issued at an exercise price of \$1.40, expiring October 23, 2020. Each warrant entitled 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 \$1.40 per share for a period of 24 months from the Closing Date. The broker warrants expired unexercised. On January 24, 2020 the Company completed a second offering of Secured Green Bonds in the aggregate amount of CAD \$105,000 (US \$83,073). The effective interest rate is 11.18%. The Bonds are secured against projects of the Company with security interest owned by the Company's wholly owned subsidiary, UGE Project HoldCo Ltd. During the nine months ended September 30, 2021, the Company recorded accretion expense of \$11,876 (nine months ended September 30, 2020 - \$9,065). Interest is payable semi-annually with the principal due at maturity.
- (v) *Secured debentures* – In February and October of 2019, the Company's wholly-owned subsidiary, UGE DevCo, issued debentures secured by the Company's solar projects, in aggregate equal to CAD \$30,000 and paying 12% interest. Interest was payable quarterly with principal due at maturity. In Q1 2021 these debentures plus accrued interest were paid in full.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

12. Other expense (income)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Government grants and loan forgiveness - COVID 19 related	\$ (99,096)	\$ (190,794)	\$ (366,870)	\$ (275,913)
Net gain on debt settlement	-	(1,010,251)	-	(1,010,251)
Net gain on proposal under the BIA	5,925	-	(27,595)	-
Net gain on other trade payables settlements	-	(36,695)	(25,043)	(134,386)
Net (gain) loss on exchange of shares and warrants for debt	-	4,661	-	46,041
Warranty expiration	(5,555)	(4,430)	(32,724)	(4,430)
Tax equity investor allocations	(7,007)	(9,769)	(24,747)	(9,769)
Other	1,474	(195)	(8,998)	(19,580)
	\$ (104,259)	\$ (1,247,475)	\$ (485,977)	\$ (1,408,288)

During 2020 and continuing during the first nine months of 2021, the Company has received grants through the Canadian employer wage subsidy program that have been recognized as government grant income. Additionally, during 2021 the Company received a second loan under the US SBA Paycheck Protection Program. The Company has met all requirements for the loan to be forgiven, and therefore recognized loan forgiveness of \$120,811 in Q2 2021. The Company became eligible to submit a formal application for loan forgiveness in August 2021 and was able to submit the application in November 2021.

In Q4 2020, the Company's Canadian business unit (UGE Canada RE Ltd.) received approval from the Ontario Court of Justice for its Proposal under the BIA (Bankruptcy and Insolvency Act). Under the terms of the proposal the Company agreed to pay CAD \$678,390 (US \$532,333) in quarterly installments over 24 months, in settlement of CAD \$1,831,136 in accounts payable to creditors. This resulted in a gain of CAD \$1,122,620 (US \$849,037) on the settlement of accounts payable in 2020. In Q1 2021 the Company pre-paid the remaining amount owing under the proposal at a discount of CAD \$36,079 (US \$28,488) recognizing a gain on early settlement, and in Q2 2021 the Company was refunded one payment in the amount of CAD \$6,180 (US \$5,032). During Q3 2021, the Company paid \$5,925 to settle the trust account, reducing the total gain recognized during 2021 to \$27,595.

During the first six months of 2021, the Company negotiated settlements of outstanding balances with individual creditors, resulting in gains of \$25,043. There were no similar items during the three months ended September 30, 2021.

During the first nine months of 2021, warranties that the Company's Canadian EPC business had provided in prior years expired, resulting in a gain of CAD \$41,000 (US \$32,724).

Tax equity investor allocations include the allocation of taxable income and tax benefits to the investors, net of any cash allocations made to the investors based on their percentage allocation.

During the third quarter of 2020, the Company settled net \$1,200,000 and \$241,983 in operating debt for less than the amount owing, resulting in a gain on debt settlement of \$1,010,251.

During the third quarter of 2020, the Company had a total loss of \$4,661 on exchanges of CAD \$145,917 accounts payable for 517,615 shares. During the nine months ended September 30, 2020 the Company recognized total losses of \$46,041 on exchanges of CAD \$306,677 for 1,382,407 shares, and CAD \$24,313 debt for 125,000 common share warrants. The Company did not experience a gain or loss on the Q1 2021 exchange of shares for debt that is described above under Note 11, (ii) *Acquisition Loan*, and had no other shares for debt exchange transactions during the nine months ended September 30, 2021.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

13. Finance expenses

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest on operating and project debt	\$ 55,340	\$ 57,755	\$ 161,409	\$ 199,362
Interest on tax equity financing	14,094	2,372	42,282	2,372
Interest on lease liabilities	-	1,173	-	7,301
Accretion expenses	19,086	18,059	58,165	51,988
Finance Income	(11,488)	(385)	(27,374)	(385)
Other	262	12,247	9,575	18,276
	\$ 77,294	\$ 91,221	\$ 244,057	\$ 278,914

The Company's finance expenses are primarily associated with its operating and project debt. Please see Note 11 for more detail of individual loan finance expenses.

14. 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 shown below:

	Nine months ended September 30,			
	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of period	28,164,252	\$ 22,854,278	20,250,439	\$ 20,050,151
Private placement of shares, net of costs	2,645,000	3,444,983	3,000,000	354,900
Stock option exercises	71,233	54,001	216,780	107,803
Warrant exercises	47,801	76,230	1,696,666	635,758
Debt to equity conversions	286,220	445,413	1,382,407	275,023
Balance at end of period	31,214,506	\$ 26,874,905	26,546,292	\$ 21,423,635

Private placement equity financing and warrants

On February 17, 2021, the Company completed a brokered private placement of 2,645,000 units ("Units") for gross proceeds of CAD \$7.01 million (US \$5.51 million). Each Unit consists of one common share of the Company and one half of one common share purchase warrant for an issuance price of CAD \$2.65 per Unit. Each Unit warrant entitles the holder to purchase one common share of the Company for CAD \$3.30 for 24 months from the date of issuance. Following the one-year anniversary of the issuance the Unit warrants accelerate expiry if the price of the common shares of the Company equals or exceeds CAD \$4.50 for ten consecutive trading days. In connection with the offering the Company paid the underwriters a cash commission of CAD \$420,555 (US \$330,851) and issued 158,700 in broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company for CAD\$2.65 until February 17, 2023.

The Unit and broker warrants were valued at CAD \$1,777,043 (US \$1,398,000) and CAD \$231,480 (US \$182,105), respectively, using the following significant assumptions: expected life of 24 months, volatility of 117%, and a risk-free rate of 0.15%.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

As also described above in Note 11, on February 17, 2021 the Company converted CAD \$750,000 (US \$596,682) of debt and CAD \$8,462 (US \$6,657) in accrued interest and fees, originally issued on September 24, 2018 and otherwise maturing September 24, 2021, into 286,220 units. Each unit consisted of one common share of the Company and one half of one common share purchase warrant at a conversion price of \$2.65 per unit. Each unit warrant entitles the holder to purchase one common share of the Company for CAD \$3.30 for 24 months from the date of issuance. Following the one-year anniversary of the issuance the Unit warrants accelerate expiry if the price of the common shares of the Company equals or exceeds CAD \$4.50 for ten consecutive trading days. The warrants were valued at CAD \$192,283 (US \$151,269) using the significant assumptions described above for the Unit warrants and broker warrants.

On December 23, 2020, the Company completed a non-brokered private placement of 908,155 units ("Units") for gross proceeds of CAD \$1,634,679 (US \$1,280,719). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant for an issuance price of CAD \$1.80 per Unit. Each Unit warrant entitles the holder to purchase one common share of the Company for CAD \$2.40 for 18 months from the date of issuance. The Unit warrants accelerate expiry if the price of the common shares of the Company equals or exceeds CAD \$3.00 for ten consecutive trading days. Certain finders of the private placement received cash commissions equal to 5% of gross proceeds from subscribers sourced and finder's warrants equal to 5% of the Units from subscribers sourced. Cash commissions and fees totaled CAD \$96,650 (US \$75,704) and finder's warrants issued totaled 26,550. Each finder's warrant entitles the holder to purchase one common share of the Company for CAD \$1.80 for 24 months from the date of issuance. The warrants were valued at CAD \$396,888 (US \$310,587), using the following significant assumptions: expected lives of 18 and 24 months, volatilities of 116% and 117%, and a risk-free rate of 0.26%.

On February 25, 2020, the Company completed a non-brokered private placement of 3,000,000 units ("Units") for gross proceeds of CAD \$780,000 (US \$559,577). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant for an issuance price of CAD \$0.26 per Unit. Each Unit warrant entitled the holder to purchase one common share of the Company for CAD \$0.33 for 18 months from the date of issuance. Certain finders of the private placement received cash commissions equal to approximately 5% of gross proceeds from subscribers sourced and finder's warrants equal to 5% of the Units from subscribers sourced. Cash commissions and fees totaled CAD \$24,166 (US \$18,200) and finder's warrants issued totaled 80,000. Each finder's warrant entitled the holder to purchase one common share of the Company for CAD \$0.33 for 18 months from the date of issuance. During 2020, 1,555,000 of the Unit warrants and finders' warrants associated with this issuance were exercised for proceeds of CAD \$513,150. The warrants were valued at CAD \$251,151 (US \$189,920), using the following significant assumptions: an expected life of 18 months, volatility of 126% and a risk-free rate of 1.51%.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

Shares for conversion of accounts payable to equity

In Q1 and Q3 of 2020, the Company converted certain accounts payable balances to common shares, as shown below, recording associated losses of \$41,380 in Q2 2020 and \$4,661 in Q3 2020. There were no conversions of accounts payable balances during the first nine months of 2021. The Company did convert CAD \$758,462 of debt to equity in connection with the February 2021 private placement, as described above under *Private placement equity financing and warrants*.

Date	Type	Balance converted (CAD)	Average conversion price (CAD)	Number of common shares
08-Jan-20	Accounts payable & executive bonuses	\$ 61,042	\$0.160	382,292
14-Feb-20	Accounts payable & executive bonuses	39,226	0.249	157,500
06-Mar-20	Accounts payable & executive bonuses	60,493	0.186	325,000
06-Jul-20	Accounts payable & executive bonuses	115,917	0.264	438,667
17-Aug-20	Accounts payable & executive bonuses	30,000	0.380	78,948
Total for the nine months ended September 30, 2020		\$ 306,677	\$0.22	1,382,407

On March 15, 2020 the Company settled CAD \$24,313 (US \$17,773) in payables through the issuance of 125,000 common share warrants with a strike price of \$0.33 and an 18-month term to expiry. All of the warrants were exercised during 2020. There were no similar transactions in either Q2 or Q3 2020 or during the first nine months of 2021.

Warrants

The Warrant activity is as shown below:

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2020	Issued	Expired	Exercised	Outstanding at September 30, 2021
08-Feb-19	08-Feb-21	\$0.80	47,801	-	-	(47,801)	-
23-Dec-20	23-Jun-22	\$2.40	454,077	-	-	-	454,077
23-Dec-20	23-Dec-22	\$1.80	26,550	-	-	-	26,550
17-Feb-21	17-Feb-23	\$3.30	-	1,465,610	-	-	1,465,610
17-Feb-21	17-Feb-23	\$2.65	-	158,700	-	-	158,700
			528,428	1,624,310	-	(47,801)	2,104,937

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2019	Issued	Expired	Exercised	Outstanding at September 30, 2020
15-Jun-18	14-Jun-20	\$1.60	312,500	-	(312,500)	-	-
23-Oct-18	23-Oct-20	\$1.40	87,679	-	-	-	87,679
08-Feb-19	08-Feb-21	\$0.80	517,467	-	-	(16,666)	500,801
27-Feb-20	27-Aug-21	\$0.33	-	1,580,000	(25,000)	(1,555,000)	-
05-Mar-20	05-Sep-20	\$0.33	-	125,000	-	(125,000)	-
			917,646	1,705,000	(337,500)	(1,696,666)	588,480

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

Stock Options

The Company offers an incentive stock option plan that provides for granting options to purchase its common shares to directors, officers, employees, and consultants. In 2020, the Board of Directors approved an amendment to change the stock option plan from a “rolling” stock option plan, which defines a maximum number of options available as 10% of total issued and outstanding shares at time of grant, to one with a fixed number of stock options available. The number of options was fixed at 3,800,000, with the condition that any options issued above the options available under the 10% cap could not be exercised until the change to the stock option plan was approved by shareholder vote. The change was approved at the Company’s annual meeting held on September 17, 2021.

The stock option activity is as shown below:

	Nine months ended September 30,			
	2021		2020	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Balance beginning of period	2,997,617	\$ 0.49	1,255,626	\$ 0.42
Granted	831,002	1.44	2,246,802	0.35
Exercised	(71,233)	0.51	(216,780)	0.34
Expired	(8,500)	1.18	(37,500)	0.71
Forfeited	(81,601)	0.29	(68,725)	0.34
Balance at end of period	3,667,285	\$ 0.70	3,179,423	\$ 0.39
Balance exercisable at end of period	2,088,349	\$ 0.50	1,028,732	\$ 0.44

During the nine months ended September 30, 2021, the Company recorded share-based compensation expense of \$375,948 (nine months ended September 30, 2020 - \$273,490) in the consolidated statement of operations and comprehensive loss, relating to stock options issued to employees, directors, and consultants. 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.

The Company made the following option grants during the first nine months of 2021:

456,002 options to its officers and employees on June 17, 2021. The inputs to the Black-Scholes option pricing model were an expected life of 2.78 years, expected volatility of 112.7%, expected dividend rate of 0%, and a risk-free interest rate of 0.30%.

375,000 options to its directors on September 29, 2021. The inputs to the Black-Scholes option pricing model were an expected life of 3.00 years, expected volatility of 109.9%, expected dividend rate of 0%, and a risk-free interest rate of 0.78%.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

The Company's outstanding options at September 30, 2021 are as shown below:

Exercise price CAD \$	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
\$0.125	200,000	200,000	1.24
0.13	80,000	80,000	1.24
0.24	916,800	427,600	3.72
0.28	200,000	200,000	2.79
0.32	326,075	204,383	2.75
0.36	50,000	50,000	2.22
0.43	300,000	300,000	0.79
0.52	87,458	48,916	2.16
0.70	62,500	62,500	2.43
0.78	330,000	330,000	1.97
1.16	64,925	64,925	1.67
1.32	2,500	2,500	1.62
1.41	375,000	-	3.00
1.46	454,502	-	2.72
1.80	200,000	100,000	4.18
2.44	17,525	17,525	0.73
\$0.70	3,667,285	2,088,349	2.69

Dilutive shares

The Company had a net loss for all periods presented, and therefore did not include potential common share equivalents in the calculation of diluted net loss per share, as these would be anti-dilutive. The Company's potential dilutive common share equivalents include its convertible debenture (see Note 11), its outstanding common share purchase warrants, and its outstanding options to purchase common shares. The effect of including these dilutive common share equivalents would increase the weighted average number of common shares outstanding to 37,364,889 and 36,396,031 for the three and nine months, respectively, ended September 30, 2021.

15. Segmented information

Management has determined that the Company operates in one operating segment, renewable energy solutions. Operations take the form of consulting, EPC, or the build-own-operate solar facilities model. Revenue is the primary means by which management evaluates operations. During the nine months ended September 30, 2021 and 2020 the Company had revenues in the United States, Canada and the Philippines, and is organized into geographic sales areas consisting of these countries.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

Total revenue by geographic area for the three and nine months ended September 30 was as shown below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Canada (Engineering)	\$ 33,665	\$ 47,391	\$ 95,469	\$ 225,501
United States	344,912	12,813	831,963	129,824
Philippines	151,308	71,608	601,779	669,690
	\$ 529,885	\$ 131,812	\$ 1,529,211	\$ 1,025,015

The majority of the Company's non-current assets are related to its United States operations.

During the nine months ended September 30, 2021 the Company had three (nine months ended September 30, 2020 - three) customers that individually accounted for more than 10% of consolidated revenue as listed below.

	Nine months ended September 30,	
	2021	2020
Customer 1	35%	18%
Customer 2	17%	18%
Customer 3	10%	18%

16. 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.

In 2019 UGE settled the dispute related to one of the three projects with the Developer. The Company has accrued for damages that could be levied on the settlement of the third project, all of which were included in project-related loss in the statement of operations and comprehensive loss for the year ended December 31, 2019. The total amount accrued on this project is \$1,074,707, which is included in trade and other payables (see Note 9). Settlement discussions have been progressing. Until such time as there is a fully executed settlement agreement, UGE will continue to record amounts owed of \$1,130,274 which is included in trade receivables (see Note 4). In the event a settlement is not reached, the case is expected to go to trial in early 2022.

UGE Canada RE is a party to a collaboration agreement with a Canadian solar developer, Soventix Canada Inc. ("Soventix"), which saw the two parties complete a portfolio of solar projects, mostly throughout 2017 with the final two sites being completed in early 2018. During the second quarter of 2018, UGE filed a Statement of Claim with the Ontario Superior Court of Justice for unpaid invoices and contractual damages totaling \$376,369 (CAD \$500,425), which consists of costs and accumulated interest. The Company took a project-related loss of \$213,000 in 2018 and will book no further recognition of this project until the action has been determined.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

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

17. Financial Instruments

Fair value

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

The Company's exposure to financial instruments is limited to the cash and restricted cash it holds, trade and other receivables excluding HST and VAT, trade and other payables, and debt. The fair values of these financial instruments, except for certain loans payable that are discussed in Note 11, approximate carrying value because of the short-term nature of these instruments. The carrying values of the majority of the Company's loans payable approximate their fair value, given that interest rates have not changed materially during the term the Company has held the loans.

Financial risk management

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

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

(b) Foreign currency risk

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

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

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

	September 30, 2021	As at December 31, 2020
Financial assets		
Cash	41,154	16,566
Trade Receivables	9,880	30,259
Financial liabilities		
Accounts payable	83,195	5,875

Based on the financial assets and liabilities held at September 30, 2021, a 5% increase or decrease in foreign exchange rates, with all other variables held constant, would result in a foreign exchange gain or loss of approximately \$55,586 (December 31, 2020 - \$2,600).

(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 receivable and overdue accounts receivable from customers are managed on a case-by-case basis. At September 30, 2021, the Company had overdue accounts receivable and accounts payable outstanding due to litigation with the Developer as noted in Note 16. The Company is demanding full payment of amounts owing of \$1,130,274.

At September 30, 2021 the Company has provided \$270,706 (September 30, 2020 - \$246,806) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. Excluding the receivables associated with the litigation discussed above, at September 30, 2021 there were \$25,432 outstanding accounts receivable aged more than 30 days, which the Company believes will be collected. Please see Note 4 for more information.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

(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. At September 30, 2021 the contractual maturities of financial liabilities, including estimated interest payments are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Trade and other payables	\$ 3,330,896	\$ 3,330,896	\$ 3,330,896	\$ -	\$ -	\$ -
Project loans payable	1,684,669	2,391,325	206,047	587,650	507,579	1,090,049
Operating loans payable	1,356,709	1,750,250	650,758	162,483	190,369	746,640
Lease liabilities	6,041,223	23,309,092	161,483	365,996	1,994,479	20,787,134
	\$12,413,497	\$30,781,563	\$ 4,349,184	\$ 1,116,129	\$ 2,692,427	\$22,623,823

18. General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 846,523	\$ 409,758	\$ 2,130,954	\$ 1,176,842
Share based compensation	152,334	101,262	375,948	273,490
Corporate and office	392,180	202,525	1,163,360	779,183
Insurance	43,953	66,566	125,608	191,822
Travel and marketing	35,152	21,372	70,256	64,505
	\$ 1,470,142	\$ 801,483	\$ 3,866,126	\$ 2,485,842

19. 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 nine months ended, September 30, 2021 and the year ended December 31, 2020 the Company had the following related party transactions:

- during 2020, two directors and one officer became tax equity investors in tax equity partnerships controlled by the Company for a total investment of \$268,000; at September 30, 2021 the carrying amount of the associated tax equity liabilities was \$222,082. During the second quarter of 2021 one director became a tax equity investor in a tax equity partnership

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

controlled by the Company for a total investment of \$200,000, with the carrying amount of the associated tax equity liability also being \$200,000 at September 30, 2021.

- during 2020 the Company issued a \$100,000 note receivable to one officer of the Company in connection with the officer's investment in a tax equity partnership controlled by the Company. The note was secured by the tax equity investment, with the proviso that cash distributions from the tax equity investment must first be directed to reduce the loan balance. The note was issued in August 2020, bore interest at 3%, was scheduled to mature in February 2022, and could be prepaid at any time, in full or in part, without penalty. The loan was repaid in full in June 2021, including \$2,518 of accrued interest.
- during 2020 the Company entered into a land lease agreement with one officer, with the intention of constructing a solar facility. At September 30, 2021 the lease liability associated with this lease is \$159,892 with expected future cash flows over 30 years of \$492,817. The lease agreement has market terms and conditions;
- at December 31, 2020 a director held CAD \$30,000 secured debentures payable by the Company. The debentures, which had market terms and conditions, were repaid in full in March 2021;
- during the first quarter of 2021, the Company's engineering division began providing engineering and consulting services to a company for which one of the Company's directors is in a management and ownership position. The Company's director was not involved in negotiating the contracts, which are on the market terms and conditions offered by the Company's engineering division. The Company recognized revenue of \$23,913 during the first nine months of 2021, which activity may continue for at least the balance of the current fiscal year. The director did not stand for re-election at the Company's annual meeting on September 17, 2021 but following the annual meeting the director became a consultant to the Company.
- during 2020 the Company settled \$91,808 in executive bonuses with two officers for 488,532 common shares, realizing a non-cash other loss of \$9,759. There were no similar transactions during the first nine months of 2021.
- during 2020 the Company settled \$22,930 in director compensation with one then-current and two former directors for 187,500 in common shares. There were no similar transactions during the first nine months of 2021.

20. Subsequent Events

Subsequent to September 30, 2021, on October 4, 2021, the Company appointed a new Chief Financial Officer. The terms of employment included a grant of 100,000 options.

Subsequent to September 30, 2021, on October 14, 2021, the holder of the Company's convertible debenture, which had a face value of CAD \$720,000, converted the debenture and CAD \$28,721 of accrued interest into 779,918 common shares. Please see Note 11 for more detail regarding the convertible debenture.

Subsequent to September 30, 2021, on November 12, 2021, the Company issued a convertible debenture with a principal amount of CAD \$2.0 million. The debenture has an interest rate of 6.5%, payable semi-annually, matures on October 31, 2023, and is convertible into common shares at a rate of CAD \$1.80 per share.

UGE INTERNATIONAL LTD.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended September 30, 2021 and 2020
(Amounts expressed in United States dollars, unless otherwise indicated)

Subsequent to September 30, 2021, the Company entered into four long-term leases for locations in New York and Pennsylvania, and two letters of intent for locations in New Jersey, for the purpose of constructing self-financed solar facilities. Additionally, the Company entered into two term sheets in the Philippines for the purpose of constructing client financed solar facilities.