# UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2021

*(In United States dollars)*

## CEO Message to Shareholders

Dear Shareholders,

When we released our 2020 year-end results, we stated that 2021's primary focus was to "enhance and accelerate origination and project development." While 2020 established our pivot to our develop/build/own/operate business model, in 2021 we aimed to strengthen our team and pipeline to achieve further scale and market share. We set out to double our backlog this year, while making additions to strengthen our team.

As 2021 draws to a close, we are exceeding our goals. As of today, our backlog has grown to 145MW, eclipsing our initial 120MW end of year goal. That is on top of our overall pipeline which has grown roughly seven-fold in the first nine months of 2021 as we benefit from the immensely talented individuals added to the team this year.

2022 will see project deployments ramp more significantly. So far this year we've reached commercial operation on one project in each of New York and one in the Philippines; we now have three projects under construction in New York and are prepping an additional 10MW of projects to reach Notice to Proceed soon.

UGE's overall project experience surpassed 500MW earlier this year, and as our track record of owning and operating projects also grows, funding costs continue to decline. While our most recent project financing set a new low for us, our expectations are for sub-5% interest rates on our next close by the end of the year.

Regulatory and industry support continues to be strong, with the recent U.S. Infrastructure Bill the latest example. At over one trillion in total funding, it provides significant support to help modernize the energy grid. Attention now turns to the Build Back Better Act which would provide specific incentives for our sector, including a 10-year extension of the investment tax credit. In addition, the U.S. Department of Energy announced its support for community solar when they announced in October a goal to grow the sector by approximately 8X in the next four years. Lastly, State-level support also continues to be strong, especially when it comes to enabling legislation for community solar.

As with all industries, supply chain constraints are on our radar as input prices have increased this year. While we watch this closely, the changes have not caused reason for us to delay projects and we remain focused on developing and deploying our portfolio. Looking into the medium term, we are optimistic that this year's historical expansions in manufacturing capacity will lead to decreasing costs in 2022, just as shipping costs should normalize, as well.

**Looking towards the future**

In the immediate future, we are focused on a strong finish to the year by securing new projects and developing the projects in our backlog, while preparing a record number of MWs for construction in 2022. By exceeding our 120MW backlog goal in 2021, we are well positioned to exceed our target of 100MW of operating assets by 2024 as well.

At UGE we believe this decade will see renewable energy overtake fossil fuels as the dominant source of energy and are focused on building the team to consistently move profitable projects forward from origination through to operational status, playing a leadership role in midscale solar. After making key additions to the team in the first half of the year we are now in fine-tuning mode, as we enhance our processes and technology for scalable long-term growth.

Thank you to the team at UGE for their hard work and commitment to exceeding our goals and thank you to our investors and advisors for funding and investing in our growth.

Kind regards,

Nick Blitterswyk

November 22, 2021

## Introduction

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows, and financial position of UGE International Ltd. ("UGE" or the "Company") for the three and nine months ended September 30, 2021 and is prepared as of November 22, 2021. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021, and the audited consolidated financial statements for the year ended December 31, 2020, both of which are expressed in the United States dollars ("USD") and prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which are accessible at [www.sedar.com](http://www.sedar.com).

As of the date of this MD&A, the Company has 32,234,408 common shares issued and outstanding including 779,918 common shares issued on October 14, 2021 as a result of the conversion of its maturing convertible debenture. In addition, there are 2,104,937 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options that have been granted to purchase an additional 3,527,285 common shares. The Company also has an outstanding convertible debenture maturing October 2023 with a face value of CAD $2.0 million, convertible into common shares at $1.80, which would result in an additional 1,111,111 common shares if converted, which closed on November 12, 2021. Please see *Note 14 Share Capital* and *Note 20 Subsequent Events* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Nine Months Ended September 30, 2021* (the "Q3 Financial Statements"), for more information.

## Forward-Looking Information

*This MD&A contains forward-looking information, including the Company's projected operating capacity and project development activities and estimates related to the values in Company's project backlog and the projects included therein. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. The forward-looking information involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such assumptions, risks, and uncertainties include, without limitation, those associated with loss of markets, expected sales, future revenue recognition, the ability to secure appropriate sites, the effect of global and regional economic conditions, equipment supply and pricing, changes in electricity prices, delays and over runs in construction, delays in or inability to obtain permits, changes in laws and regulations and changes in how they are interpreted and enforced, changes in tax policies and incentive programs, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, demand for the Company's services, and availability of capital and funding. Please also refer to the Risks and Uncertainties section of this MD&A for further discussion of risks and uncertainties.*

*The Company's performance could differ materially from that expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if they do occur, what benefits the Company will derive there from.*

*The forward-looking information is made as of the date of this MD&A, and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a* *result of new information, future events, or otherwise, except as may be required by applicable securities laws. Actual events or results could differ materially from the Company's expectations and projections.*

## Company History and Business Profile

UGE is a solar energy solutions company focused on commercial and community solar energy solutions that deliver cheaper, cleaner, and more reliable electricity. We develop, build, own/operate, and finance commercial and community solar projects in our target markets (currently the US and Philippines). We also provide worldwide renewable energy engineering and consulting services. UGE reached greater than 500 MW of solar project experience in 2021, a significant milestone since its founding in 2010.

UGE began as an energy solutions company, designing and supplying clean technology solutions to solve the needs of commercial and industrial clients. Over our history, we have developed expertise in solar, battery storage, and the financing of renewable energy projects, which we leverage to develop, deploy, finance, and operate solar energy facilities. These solar facilities are designed to provide immediate economic benefits once they reach commercial operation, such as reduced electricity costs and/or a long-term lease for real estate owners' roof space or vacant land.

On February 22, 2016, we acquired UGE Canada Ltd. ("UGE Canada", formerly Endura Energy Project Corp Ltd.), which strengthened our market position in Canada and added engineering and deployment experience. On September 6, 2016, we divested our former wind energy operations, UGE Holdings Ltd. ("UGE Holdings"), and its subsidiaries, which we had identified as non-core to our strategic plan. On April 3, 2017, we purchased substantially all the assets of Carmanah Solar Power Corp. ("CSPC"), further strengthening our project deployment capabilities. On January 17, 2020, after amalgamating UGE Canada and UGE RE into UGE Canada RE Ltd. ("UGE Canada RE"), we filed a Part III Division 1 of BIA Proposal (the "Proposal") to creditors of UGE Canada RE Ltd. ("UGE Canada RE"), to effectively exit the third-party EPC services business provided by UGE Canada RE. The Proposal received approval in November 2020, and all payments to creditors were completed in the first quarter of 2021, completing the wind-down.

Beginning in 2020, following years of experience with an engineer, procure and construct ("EPC") business model, which supplied our clients with turnkey solar facilities, UGE shifted its business model to develop, build, own and operate solar facilities for its own account. The Company energized its first self-financed systems within the last months of 2020, has four self-financed systems energized as of the date of this MD&A in the United States with a further four in the Philippines, and is focused on continued growth of its project portfolio.

Today, UGE primarily develops, finances, builds, and operates solar projects within the Northeast US and the Philippines and provides engineering and consulting services to third parties worldwide. Our focus is on leveraging the low cost of distributed solar energy to provide users with more affordable energy.

## Self-financed Pipeline and Backlog Highlights

| | | | Q4 2020 | | Q3 2021 | |
|---|---|---|---|---|---|---|
| | | | # | KW | # | KW |
| Pipeline | **Pre-commitment Stages 1-2** | | | | | |
| | *Identified leads qualified* | **US** | 25 | 23,934 | **188** | **550,671** |
| | *Initial negotiations* | **Philippines** | 141 | 88,885 | **286** | **199,708** |
| | **Early Secured Stage 3.0** | | | | | |
| | *Real estate secured (lease or LOI signed)* | **US** | - | - | **6** | **22,072** |
| | *Material feasibility items outstanding* | **Philippines** | - | - | **6** | **17,440** |
| | **Total** | **US** | 25 | 23,934 | 194 | 572,743 |
| | | **Philippines** | 141 | 88,885 | 292 | 217,148 |
| | | **Total** | **166** | **112,819** | **486** | **789,891** |
| Development and Deployment | **Secured Stage 3.1** | | | | | |
| | *Real estate secured (lease or LOI signed)* | **US** | 14 | 43,778 | **24** | **97,275** |
| | *Material feasibility items determined* | **Philippines** | 12 | 2,217 | **24** | **10,863** |
| | **Secured Stage 3.2** | | | | | |
| | *Interconnection study completed* | **US** | 5 | 11,551 | **4** | **5,575** |
| | | **Philippines** | - | - | **0** | **-** |
| | **Secured Stage 3.3** | | | | | |
| | *Agreements finalized* | **US** | - | - | **0** | **-** |
| | *Permits obtained* | **Philippines** | 3 | 1,843 | **1** | **729** |
| | **Ready to Build Stage 4** | | | | | |
| | *Fully contracted and scheduled* | **US** | - | - | **1** | **740** |
| | *Financing secured* | **Philippines** | - | - | **1** | **219** |
| | **Construction Stage 5** | | | | | |
| | *Under construction* | **US** | 1 | 259 | **1** | **723** |
| | | **Philippines** | 2 | 150 | **1** | **100** |
| | **Total** | **US** | 20 | 55,588 | **30** | **104,313** |
| | | **Philippines** | 17 | 4,210 | **27** | **11,911** |
| | | **Total** | **37** | **59,798** | **57** | **116,224** |
| Operational | **Operating Stage 6** | | | | | |
| | *Generating power* | **US** | 3 | 637 | **4** | **995** |
| | | **Philippines** | 1 | 165 | **3** | **524** |
| | | **Total** | **4** | **802** | **7** | **1,519** |

The total backlog of self-financed projects in the US and the Philippines increased to 116.2MW (57 projects) in Q3 2021 from 59.8MW (37 projects) at the end of 2020 and 82.2MW (38 projects) at June 30, 2021. Additionally, there are 1.51MW of operating solar facilities over seven projects, up from 0.8MW over four solar facilities at the end of 2020 and consistent with June 30, 2021. Of the total backlog at the end of September, 0.82MW were under construction and expected to be operational by early 2022 and another 0.84MW had reached Notice to Proceed with construction to start soon.

The Company also signed seven new leases within the quarter, with a total projected capacity across the seven locations of 34.4MW. One of these leases was in Maryland, and another in New York, with the remaining five located in Pennsylvania.

In the Philippines, the Company signed nine new projects in the quarter with a total projected capacity of 5.8MW and corrected its project total to 24, accommodating for a portfolio containing several projects that was previously counted as a single project. One Philippines project with a capacity of 0.4MW reached commercial operation.

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. Four client financed projects totaling 4.4MW included in the backlog are associated with SM Supermalls, one of the largest mall operators in Southeast Asia. Current advanced discussions with SM Supermalls involve a total of 20MW of projects.

UGE had a goal of doubling its backlog to 120MW by the end of 2021 from 60MW at the end of 2020. This goal has been reached with a backlog as of the date of this report of 145MW. This is further supported by the pipeline of potential projects (stages 1, 2 and 3.0) that has increased to 790MW at September 30, 2021, from 113MW at the end of 2020.

## Financial Results Highlights

| | Quarterly | | | YTD | |
|---|---|---|---|---|---|
| | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 |
| **OPERATING RESULTS** | | | | | |
| Energy Production (KWh) | **295,155** | 234,680 | 58,799 | **633,176** | 58,799 |
| Revenue - Energy Production | **$ 64,560** | $ 47,096 | $ 16,001 | **$ 137,485** | $ 16,001 |
| Revenue - EPC and Consulting | **$ 465,325** | $ 527,778 | $ 115,811 | **$ 1,391,726** | $ 1,009,014 |
| Gross Margin % - EPC and Consulting | **14%** | 37% | 38% | **25%** | 27% |
| Operating costs | **$ 1,484,829** | $ 1,246,989 | $ 852,586 | **$ 3,927,853** | $ 2,608,548 |
| Net Income (Loss) | **$ (1,334,802)** | $ (801,986) | $ 348,516 | **$ (3,209,584)** | $ (1,123,680) |
| Adjusted Net Loss [1] | **$ (1,427,972)** | $ (1,054,290) | $ (884,562) | **$ (3,629,090)** | $ (2,498,187) |
| Adjusted EBITDA [1] | **$ (1,175,852)** | $ (843,031) | $ (662,743) | **$ (2,957,618)** | $ (1,974,518) |
| Income (loss) per share | **($0.04)** | ($0.03) | $0.02 | **($0.10)** | ($0.05) |
| Adjusted loss per share [1] | **($0.05)** | ($0.03) | ($0.04) | **($0.12)** | ($0.11) |

| | At at | | | At at |
|---|---|---|---|---|
| | 30-Sep-21 | 30-Jun-21 | 30-Sep-20 | 31-Dec-20 |
| **FINANCIAL POSITION** | | | | |
| Cash & Equivalents | **$ 1,268,601** | $ 2,254,321 | $ 140,666 | $ 1,000,069 |
| Working Capital | **$ (1,806,948)** | $ (304,222) | $ (4,027,600) | $ (3,431,423) |
| Solar Assets and Construction in Progress | **$ 1,718,790** | $ 1,442,816 | $ 1,216,177 | $ 1,098,286 |
| Operating Debt | **$ 1,356,709** | $ 1,021,180 | $ 2,176,985 | $ 2,215,691 |
| Project Debt | **$ 2,106,751** | $ 2,138,703 | $ 1,714,786 | $ 1,891,820 |
| Shareholders' Equity (Deficit) | **$ (1,425,180)** | $ (228,712) | $ (6,006,378) | $ (4,280,531) |
| Number of Shares Outstanding | **31,214,506** | 31,192,489 | 26,546,292 | 28,164,252 |
| **PROJECT VALUES** | | | | |
| Current Project Value - Self Financed [1] | **$ 204,308,323** | $ 165,316,241 | $ 105,202,319 | $ 115,753,297 |
| Remaining Project Value - EPC [1] | **$ 3,814,714** | $ 3,836,594 | $ 6,627,474 | $ 3,535,742 |
| Total Backlog Capacity (KW) [1] | **116,224** | 82,265 | 59,798 | 56,426 |
| Operating Capacity (KW) [1] | **1,519** | 1,425 | 802 | 717 |

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

### Key financial results in Q3 2021 and YTD 2021 included:

- Earned revenue of $465,325 from client-financed EPC agreements, Philippines projects, and engineering services in Q3 2021, increasing from $115,811 in Q3 2020 and decreasing from $527,778 in Q2 2021. These changes from prior periods are due primarily to the timing of projects progressing from contracting to construction. The Company earned $1,391,726 YTD 2021 from client-financed EPC agreements, Philippines projects and engineering services compared to $1,009,014 YTD 2020. In part, the increase year over year reflects the easing of COVID 19 restrictions compared with 2020.

- Energy generation of 295,155KWh in Q3 2021 from four operating solar facilities in the US contributed $64,560 in revenue, compared to 234,680KWh and $47,096 from three facilities in Q2 2021, and 58,799KWh and $16,001 from two facilities in Q3 2020. Solar generation in the regions where the Company operates facilities follows seasonal weather patterns including the significant snowfall in February 2021 that affected production in Q1 2021. Energy generation YTD 2021 is 633,176KWh, producing $137,485 in recurring revenue.

- Focus on building capabilities and capacity for growth, such that operating costs, which include compensation and general and administrative expenses, were $1.48 million in Q3 2021, up from $0.85 million in Q3 2020 and $1.25 million in Q2 2021. The increases mainly reflect a full quarter of additions to our origination and development teams as we scale those efforts in line with growing the backlog and moving projects through to development and operations. The lower operating costs in Q3 2020 also reflect the impact of temporary salary reductions and other cost-saving measures relating to the onset of COVID 19. YTD 2021 operating costs were $3.93 million compared to $2.61 million YTD 2020, primarily reflecting the YTD impact of the additions to the team.

- Recognition of a net loss of $1.33 million in Q3 2021 compared to net income of $0.35 million in Q3 2020 and a net loss of $0.80 million in Q2 2021. The increased loss over Q3 2020 is mainly due to the increased operating costs noted above, and also to Q3 2020 including a gain on debt settlement of $1.01 million. YTD 2021 net loss was $3.21 million compared to $1.12 million YTD 2020, mainly due to the factors noted above, although partially offset by higher COVID-19 relief in 2021. The Company expects to sustain quarterly losses until a greater portion of projects reach operational status as its backlog matures.

- An adjusted net loss of $1.43 million in Q3 2021 compared to an adjusted net loss of $0.88 million in Q3 2020 and $1.05 million in Q2 2021. Adjusted net loss excludes the effect of items related to the settlement of outstanding debt at a discount, the relief and grants received under COVID 19 programs, and gains or losses attributable to the exchange of debt for common shares or warrants. YTD 2021 adjusted net loss was $3.63 million compared to $2.50 million YTD 2020. The most significant difference, quarter over quarter and year over year, was the increase in operating costs referenced above, partially offset by greater operating revenue YTD 2021. Please see the section *Non-GAAP Measures* for more detail on the calculation of adjusted net loss.

- Improvement in the financial position of the Company in 2021:

    - Raised net $5.03 million through a fully bought brokered private placement in February 2021, as previously disclosed.

    - Settled a total of $1.3 million in debt through the settlement of $0.70 million in debt with cash and CAD $0.75 million (US $0.59 million) with equity in Q1 2021.

    - Settled the remaining $0.49 million owing under the creditor proposal related to the wind-down of the Canadian EPC business at a discount, realizing net gains of $27,595 in 2021.

    - Subsequent to September 30, 2021, issued CAD $2.0 million of debt convertible into shares at CAD $1.80 per share and converted debt of CAD $720,000 issued in October 2019 into 779,918 common shares.

Overall, the Company has improved its balance sheet position compared to the end of 2020, moving to a working capital deficit of $1.81 million compared to a working capital deficit of $3.43 million. As noted above, included in current liabilities in the calculation of working capital is a $0.56 million convertible debenture with a conversion price of CAD $0.96 that was converted to 779,918 shares on October 14, 2021. On November 12, 2021, the Company issued longer term convertible debentures valued at CAD $2.0 million, convertible into shares at CAD $1.80.

The improvements in the balance sheet from earlier in the year together with the incremental funding in Q4 2021 have positioned UGE to invest in development activities, and support operations as the Company continues to execute on its develop/build/own business model.

**Key operating highlights in Q3 2021 included:**

- After growing the origination, development, and acquisition staff in the first half of 2021, in Q3 we began to realize the benefits of the team with pipeline growing more than 100% between June 30, 2021 and September 30, 2021, and backlog growing 41% over the same time period.

As UGE continues to focus on its project development business model, particularly in the US, the recurring revenues from operating solar facilities are expected to become the dominant revenue source for the Company. UGE expects to experience negative operating cash flows until reaching scale in operating solar facilities.

During the rest of 2021, UGE will continue to execute against its strategic objectives, including its goal of owning and operating at least 100MW of operational assets by 2024. Simultaneously, UGE will continue to focus on project development, with the goal of reaching an annual project deployment capacity of 100MW by 2024.

The Company will continue to build its pipeline of solar facilities in our target markets. This activity is being supported by strategic additions to our origination, development, project finance, and operational teams. We will also continue to focus on the value our platform provides to real estate owners, energy users, and UGE's shareholders, while producing cleaner energy. To support this effort, we plan to continue to improve the efficiency of our project development and deployment processes, while expanding our asset management and project finance capabilities.

## Project Backlog

The Company believes it is essential to analyze our pipeline of solar facilities as a measure of UGE's potential to earn future revenue. Certain amounts presented in the table below are Non-GAAP measures; please see the *Non-GAAP Measures* section of this MD&A for more information. The Company includes solar facilities in the project backlog from the point of a binding commitment (stage 3.1) to deployment/construction (stage 5) and reports these separately from its operating (stage 6) assets.

The project backlog chart below does not include solar facilities in stages 1, 2, and 3.0, which represent the Company's broader origination and development pipeline. Please see the *Self-financed Pipeline and Backlog Highlights* section above.

**Stages 3 to 6 are defined as follows:**

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

> **Stage 3.0 –** signed a binding commitment or received a letter in response to an RFP with specific material feasibility assessments outstanding (not included in the backlog table below).
>
> **Stage 3.1** - signed a binding commitment or received an award letter in response to an RFP with material feasibility items determined.
>
> **Stage 3.2** – completion of the interconnection study with the local utility, representing a key milestone.
>
> **Stage 3.3** - all material agreements between UGE and the client, and necessary permits, are in place. Finalizing project financing is the only remaining material item required to reach Stage 4 (for self-financed solar facilities).

**Stage 4 – Contracted** – fully contracted, where the client has a binding contract(s) and the deployment schedule is identified.

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

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

The following table provides information on the Company's project backlog for UGE's self-financed solar facilities as at September 30, 2021:

| | # of projects | | Capacity in KW | | Current Project (Backlog) Value | | Capex | | Average Annual Revenue | | Average Facility Life | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** |
| **Secured Stage 3.1** | | | | | | | | | | | | |
| **US** | 14 | **24** | 43,778 | **97,275** | 88,645,604 | **175,989,889** | 59,362,400 | **164,344,823** | 6,851,228 | **15,967,285** | 29 | **28** |
| **Philippines** | 12 | **24** | 2,217 | **10,863** | 2,350,301 | **10,064,008** | 1,933,731 | **6,643,764** | 164,579 | **528,196** | 17 | **18** |
| **Secured Stage 3.2** | | | | | | | | | | | | |
| **US** | 5 | **4** | 11,551 | **5,575** | 21,220,945 | **10,860,954** | 14,372,845 | **8,834,248** | 1,960,822 | **959,419** | 27 | **28** |
| **Philippines** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** |
| **Secured Stage 3.3** | | | | | | | | | | | | |
| **US** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | | **-** |
| **Philippines** | 3 | **1** | 1,843 | **729** | 1,353,392 | **724,611** | 1,243,295 | **445,771** | 149,544 | **52,386** | 15 | **15** |
| **Ready to Build Stage 4** | | | | | | | | | | | | |
| **US** | - | **1** | - | **740** | - | **1,691,923** | - | **1,896,933** | - | **192,027** | | **25** |
| **Philippines** | - | **1** | - | **219** | - | **165,268** | - | **159,756** | | **19,843** | 18 | **15** |
| **Construction Stage 5** | | | | | | | | | | | | |
| **US** | 1 | **1** | 259 | **723** | 761,488 | **2,009,622** | 499,700 | **1,381,621** | 67,378 | **205,363** | 25 | **25** |
| **Philippines** | 2 | **1** | 150 | **100** | 89,767 | **118,427** | 83,031 | **77,842** | 10,158 | **10,158** | 15 | **15** |
| **Operating Stage 6** | | | | | | | | | | | | |
| **US** | 3 | **4** | 637 | **995** | 1,138,872 | **2,175,094** | 984,213 | **1,442,144** | 141,451 | 149,291 | 25 | **25** |
| **Philippines** | 1 | **3** | 165 | **524** | 192,928 | **508,527** | 96,852 | **342,788** | 15,472 | **44,742** | 15 | **15** |
| **Totals** | | | | | | | | | | | | |
| **US** | 23 | 34 | 56,225 | 105,308 | 111,766,909 | **192,727,482** | 75,219,158 | **177,899,769** | 9,020,879 | **17,473,385** | | |
| **Philippines** | 18 | 30 | 4,375 | 12,435 | 3,986,388 | **11,580,841** | 3,356,909 | **7,669,921** | 339,753 | **655,325** | | |
| **Total** | **41** | **64** | **60,600** | **117,743** | **115,753,297** | **204,308,323** | **78,576,067** | **185,569,690** | **9,360,632** | **18,128,710** | | |

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

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

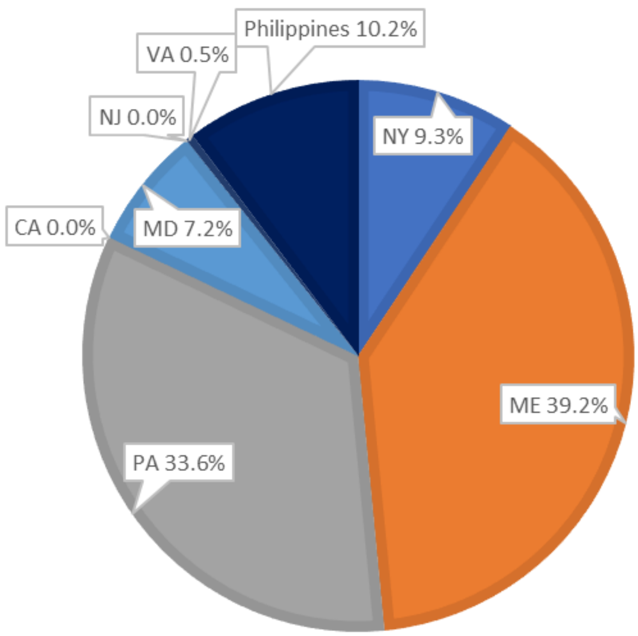
**Capital Expenditures -** *are the estimated undiscounted costs to construct the solar facility. These costs include solar components, engineering services, labour, roof contributions, interconnection, and subscriber acquisition. These amounts will differ from the solar facility asset recorded under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

**Average Annual Revenue at Operation** – *is the undiscounted average annual revenue from the sale of electricity generated and renewable energy credits over the project's expected life.*

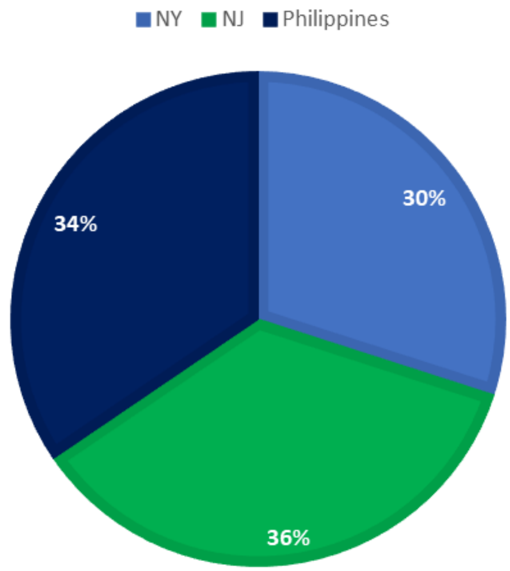
As seen in the backlog table above, the Company has increased its self-financed (build/own/operate) total backlog capacity inclusive of Stage 6 operating assets to 117.7MW at September 30, 2021, or 116.2MW when excluding operating assets. This represents an increase of 94% from the end of 2020. The growth reflects 49.1MW and 8.1MW increases in backlog in the US and Philippines, respectively, since December 31, 2020, or 48.7MW and 7.7MW when excluding operating assets.

Within the US, the Company is currently most active in New York, Pennsylvania and Maine, with increasing activity in other states throughout the U.S. Northeast. New York City is predominantly a roof-top market, with projects typically less than 1MW AC in per-facility rated capacity, whereas most Maine and other states' projects are ground-mounted with a rated capacity of 1 to 6MW AC. Within the Philippines, the Company's current focus is almost exclusively on rooftop solar facilities.

DEPLOYMENT AND DEVELOPMENT BY LOCATION



## OPERATING SOLAR FACILITIES BY LOCATION




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

Given the increase in project backlog and the time generally required to reach deployment, we expect a growing portion of the backlog will enter construction in 2022. The solar facilities currently in Stages 4 and 5 should energize and reach the operating stage in early 2022.

The following table provides information on the Company's project backlog for UGE client-financed EPC projects and engineering services as at September 30, 2021:

| | # of projects | | Total project Value | |
|---|---|---|---|---|
| | Q4 2020 | **Q3 2021** | Q4 2020 | **Q3 2021** |
| **Secured stages 3.1 - 4** | | | | |
| **US** | - | | - | |
| **Philippines** | - | | - | |
| **Construction Stage 5** | | | | |
| **US** | 3 | **2** | 2,872,519 | **2,919,987** |
| **Philippines** | 4 | **3** | 423,298 | **476,654** |
| **Engineering and Consulting** | | | | |
| **Contracted and in Progress** | 5 | **28** | 239,925 | **418,073** |
| **Total** | **12** | **33** | **3,535,742** | **3,814,714** |

***Total Project Value*** *– represents the total contract value to be recognized over the contract life; a portion of this contract value may have been recognized as percentage of completion revenue in prior periods.*

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

## Q3 2021 and YTD 2021 Earnings Review

### *Operating Revenue*

| | Quarterly | | | YTD | |
|---|---|---|---|---|---|
| | **Q3 2021** | **Q2 2021** | **Q3 2020** | **2021** | **2020** |
| **REVENUE** | | | | | |
| Revenue EPC and consulting | **$ 465,325** | $ 527,778 | $ 115,811 | **$ 1,391,726** | $ 1,009,014 |
| Cost of goods - EPC and consulting | **399,017** | 334,300 | 71,243 | **1,041,121** | 735,135 |
| Gross profit - EPC and consulting | **66,308** | 193,478 | 44,568 | **350,605** | 273,879 |
| Gross profit % | **14%** | 37% | 38% | **25%** | 27% |
| Energy generation revenue | **64,560** | 47,096 | 16,001 | **137,485** | 16,001 |
| TOTAL OPERATING REVENUE | **130,868** | 240,574 | 60,569 | **488,090** | 289,880 |
| **OPERATING COSTS AND EXPENSES** | | | | | |
| General & administrative | **1,470,142** | 1,226,553 | 801,483 | **3,866,126** | 2,485,842 |
| Expected credit losses & impairment | **-** | 7,000 | 37,488 | **22,000** | 85,827 |
| Depreciation and amortization | **14,687** | 13,436 | 13,615 | **39,727** | 36,879 |
| TOTAL OPERATING COSTS AND EXPENSES | **1,484,829** | 1,246,989 | 852,586 | **3,927,853** | 2,608,548 |
| **OPERATING INCOME (LOSS)** | **(1,353,961)** | (1,006,415) | (792,017) | **(3,439,763)** | (2,318,668) |
| **OTHER EXPENSES (INCOME)** | | | | | |
| Financing expenses | **77,294** | 73,870 | 91,221 | **244,057** | 278,914 |
| Other (income) expense | **(104,259)** | (282,234) | (1,247,475) | **(485,977)** | (1,408,288) |
| TOTAL OTHER EXPENSES (INCOME), NET | **(26,965)** | (208,364) | (1,156,254) | **(241,920)** | (1,129,374) |
| **NET INCOME (LOSS) BEFORE TAX** | **(1,326,996)** | (798,051) | 364,237 | **(3,197,843)** | (1,189,294) |
| Income tax expense (recovery) | **7,806** | 3,935 | 15,721 | **11,741** | (65,614) |
| **INCOME (LOSS) FOR THE PERIOD** | **$ (1,334,802)** | $ (801,986) | $ 348,516 | **$ (3,209,584)** | $ (1,123,680) |
| **ADJUSTED NET LOSS** | **$ (1,427,972)** | $ (1,054,290) | $ (884,562) | **$ (3,629,090)** | $ (2,498,187) |
| **ADJUSTED EBITDA** | **$ (1,175,852)** | $ (843,031) | $ (662,743) | **$ (2,957,618)** | $ (1,974,518) |
| **ADJUSTED EBITDA MARGIN** | **(899%)** | (350%) | (1094%) | **(606%)** | (681%) |

Operating revenue in Q3 2021 decreased compared to Q2 2021 as a result of timing of percentage of completion of EPC projects in the US and the Philippines. Gross profit increased over Q3 2020, as that quarter saw slower progress on projects, partly due to the effects of COVID-19 lockdowns.

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

In the Philippines, to comply with local regulations, the legal structure for self-financed (build/own/operate) solar facilities is different from the US. In the Philippines, 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, after the commencement of commercial operations, receives interest income and service income over the life of the solar facility. The structure results in a different revenue recognition model under IFRS than in the US. UGE Philippines earns EPC and developer margin throughout the construction phase and collects the interest and service income over the life of the solar facility.

In the U.S., the Company earns energy generation revenue based on production volume and, where applicable, the sale of renewable energy credits. On September 30, 2021, the Company had 995KW (four solar facilities) of online generation capacity in the US. Two solar facilities were operational beginning in Q3 2020, UGE energized one at the end of 2020, and one at the end of Q2 2021. There is seasonality to the energy generated and the earned revenue, consistent with weather patterns in the location of the solar facilities, such as the heavy snow cover that occurred in New York during February 2021. Weather anomalies aside, the online solar facilities are currently operating within our expectations.

***Operating Costs and Expenses***

General and administrative costs include salaries and benefits, corporate expenses, insurance, travel, marketing, and non-cash share-based compensation expenses. During the first nine months of 2021, the Company has invested in resources and people to support origination growth and development targets, along with underlying operational capabilities. Some additional investment is planned for the final quarter of the year, focused on building scalable processes and systems. The Company ended the quarter with 50 employees across the US, Canada and the Philippines, up from 36 employees at the end of 2020. Much of that employee growth took place in the first half of 2021 with net 9 additions to June 30, 2021 and net 5 additions in Q3.

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

Depreciation and amortization includes the amortization of operating solar facilities and right-of-use lease assets. During development and construction, the Company capitalizes the depreciation of the right-of-use lease assets, which correspond to leased land, to construction in progress. The expense recognition is delayed until the solar facility becomes operational.

***Financing Expenses***

Financing expenses include costs associated with operating and project debt and with tax equity financing. Year over year, financing expenses have declined as operating debt levels have decreased. As the Company's portfolio of solar facilities grows, the Company expects that project and tax equity financing expenses will increase in line with the size of the portfolio. The Company capitalizes finance expenses (borrowing costs) incurred during the construction phase to construction in progress.

***Other Income***

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

- Covid related: Recognized $99,096 in Q3 2021 in COVID-19 relief benefits associated primarily with cash payments of wage subsidies. Recognized $234,852 in Q2 2021, of which $122,408 was non-cash, primarily consisting of $120,811 associated with meeting the SBA's loan forgiveness requirements for a Paycheck Protection Program loan received in Q1 2021. In Q1 2021, recognized $32,922 in COVID-19 relief benefits. YTD COVID-19 relief totals $366,870. The Company expects COVID-19 relief cash benefits to decline in Q4 as government-sponsored relief programs are wound down.

- Settlement of accounts payable at a discount: Recognized $12,420 from settling accounts payable at a discount in Q2 with no similar activity in Q3 and total gains YTD 2021 of $25,043.

- Settlement of creditor proposal: In Q1 2021 - settled the remaining $494,865 owing under the 2020 creditor proposal related to the wind-down of the Canadian EPC business at a discount, realizing a gain of $28,488. In Q2 2021, a payment of $5,032 was refunded to the Company and in Q3 the Company paid $5,925 to settle the trust account resulting in a YTD gain of $27,595.

- Warranty expiration: during 2021 warranties that the Company's Canadian EPC business had provided in prior years expired, resulting in gains of $5,555 and $32,724 in the three and nine months ended September 30, 2021, representing a total of CAD $41,000.

- In Q3 2020 – recognized $190,794 of COVD-19 relief, of which $99,967 was associated with meeting the SBA's loan forgiveness requirements for a Paycheck Protection Program loan received in Q2 2020.

- In Q3 2020 – recognized $36,695 from settling accounts payable at a discount.

- In Q3 2020 – recognized a $4,661 loss to bring the nine month net loss to $46,041 on exchanging CAD $306,678 for 1,382,407 common shares and CAD $24,313 for 125,000 common share warrants.

- In Q3 2020 – 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.

## Q3 2021 Financial Position Review

| | As at | | |
|---|---|---|---|
| | **30-Sep-21** | **30-Jun-21** | **31-Dec-20** |
| **ASSETS** | | | |
| Cash | **$ 1,268,601** | $ 2,254,321 | $ 1,000,069 |
| Restricted Cash | **32,634** | 34,133 | 34,632 |
| Trade and other receivables | **1,500,185** | 1,701,154 | 1,781,392 |
| Construction in progress | **586,102** | 56,492 | 181,160 |
| Solar facilities in use | **1,132,688** | 1,386,324 | 917,126 |
| Right of use assets | **5,836,380** | 3,540,880 | 1,504,712 |
| Project development costs | **998,609** | 725,627 | 208,649 |
| Other assets | **804,982** | 815,547 | 563,235 |
| Total assets | **$ 12,160,181** | $ 10,514,478 | $ 6,190,975 |
| **LIABILITIES AND EQUITY (DEFICIT)** | | | |
| Trade payables and accrued liabilities | **$ 3,330,896** | $ 3,012,929 | $ 3,849,195 |
| Deferred revenue | **732,261** | 876,857 | 947,875 |
| Operating debt | **1,356,709** | 1,021,180 | 2,215,691 |
| Project debt | **1,684,669** | 1,723,456 | 1,642,689 |
| Tax equity liabilities | **422,082** | 415,247 | 249,131 |
| Lease liabilities | **6,041,223** | 3,676,302 | 1,555,977 |
| Decomissioning liability | **17,521** | 17,219 | 10,948 |
| Total liabilities | **13,585,361** | 10,743,190 | 10,471,506 |
| Shareholders' equity (deficit) | **(1,425,180)** | (228,712) | (4,280,531) |
| Total liabilities and shareholders' equity (deficit) | **$ 12,160,181** | $ 10,514,478 | $ 6,190,975 |
| Working capital (deficit) | **$ (1,806,948)** | $ (304,222) | $ (3,431,423) |

### *Cash and restricted cash*

The Company's cash position has increased from the end of Q4 2020 primarily due to the net equity raise of $5.03 million in February 2021. The decline from the end of Q2 2021 reflects the net use of cash for operations and development activities.

### *Trade and other receivables*

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

The Company has provided $270,706 for expected credit losses for trade and other receivables and unbilled revenue at September 30, 2021 (December 31, 2020: $248,706); trade and other receivables are net of this amount.

***Solar facilities in use and under construction***

| | Solar facilities in use | Solar facilities under construction |
|---|---|---|
| **Nine months ended September 30, 2021** | | |
| Balance - beginning of the year | **$ 917,126** | **$ 181,160** |
| Additions | **-** | **653,258** |
| Transfer to solar facilities in use | **248,316** | **(248,316)** |
| Depreciation | **(32,754)** | **-** |
| **Balance - end of period** | **$ 1,132,688** | **$ 586,102** |
| **As at September 30, 2021** | | |
| Cost | **$ 1,176,333** | **$ 586,102** |
| Accumulated depreciation | **(43,645)** | **-** |
| **Net carrying amount** | **$ 1,132,688** | **$ 586,102** |

In 2020 the Company completed three US projects. Two of these became operational in 2020, and the other in early Q1 2021. In Q2 2021, the Company completed the construction and energization of an additional US solar facility, bringing the total of operating facilities in the US to 995KW. One solar facility project (723KW), consisting of two sites, began construction at the end of Q2 2021 with expected energization in early 2022, while an additional 0.74MW U.S. project reached Notice to Proceed in Q3 2021 and is now in its deployment phase.

***Right of use assets and lease liabilities***

These assets and liabilities represent the Company's rights and obligations under long-term leases associated with solar facilities. The carrying values will increase to the extent the Company is adding new projects to the project backlog. There is usually one lease contract for each solar facility project; however, not all long-term leases are recognized as leases under IFRS as the determination is made on a lease-by-lease basis. As a result, the Company recognizes the lease expense as incurred, with no corresponding right of use asset and lease liability. Please see *Note 10* in the *Q3 Financial Statements* for more information.

The Company added seven new land leases in Q3 2021 and there was a commensurate increase in these balances, as required under IFRS accounting standards.

***Project development costs***

The Company capitalizes project development costs incurred pre-construction. Costs include items such as lease option payments, commissions, interconnection studies, permits, engineering reports, and commissions or finders' fees. They also include depreciation of associated right-of-use assets, such as land leases, and interest on the associated lease liabilities. Once construction commences, capitalized costs are reclassified to solar facilities under construction. As origination and development activities accelerate, the capitalized amounts are also expected to increase. Please see *Note 7* in the *Q3 Financial Statements* for more information.

***Trade payables and accrued liabilities***

Trade payables generally will fluctuate with business activities. The balance includes the $1.07 million related to the contingency discussed under *Trade and other receivables* above.

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

***Operating debt***

| OPERATING DEBT | Maturity | Contractual Rate | As at September 30, 2021 | As at December 31, 2020 |
|---|---|---|---|---|
| **UGE International** | | | | |
| Convertible debenture | Oct-21 | 8.0% | **$ 564,302** | $ 515,707 |
| Aquisition loan | Sep-21 | 8.0% | **-** | 588,525 |
| Short term loan | none | 7.5% | **-** | 79,940 |
| **UGE CanadaRE** | | | | |
| Canada Emergency Business Account | Dec-22 | 0.0% | **40,559** | 29,080 |
| **UGE Consulting** | | | | |
| Canada Emergency Business Account | Dec-22 | 0.0% | **40,559** | 29,080 |
| **UGE USA** | | | | |
| Paycheck protection program (PPP 1) | Apr-22 | 1.0% | **31,830** | 31,851 |
| Economic injury disaster loan (EIDL) | Jun-50 | 3.75% | **509,844** | 152,481 |
| Debt to former subsidiary | Sep-23 | 8.0% | **-** | 350,000 |
| **UGE Philippines** | | | | |
| Bank loan | Dec-27 | 8.00% | **169,615** | 439,027 |
| **Total** | | | **$ 1,356,709** | $ 2,215,691 |
| **Current portion** | | | **$ 654,867** | $ 1,466,074 |
| **Non-current portion** | | | **$ 701,842** | $ 749,617 |

In Q1 2021, the Company fully settled $681,250 of operating debt with cash and settled an additional $596,682 of operating debt with common shares. In Q4, the Company fully settled the $564,302 convertible debenture and its related interest for common shares.

***Project debt and tax equity financing***

| PROJECT DEBT | Maturity | Contractual Rate | | As at September 30, 2021 | | As at December 31, 2020 |
|---|---|---|---|---|---|---|
| **UGE USA** | | | | | | |
| Construction financing | | 8.5% | **$** | **150,623** | $ | 205,630 |
| Operating project debt | 2028 | 5.9%-7.4% | | **1,093,617** | | 987,204 |
| Tax equity financing | | | | **422,082** | | 249,131 |
| **UGE Project Holdco.** | | | | | | |
| Green Bonds | Sep-23 | 7.0% | | **369,061** | | 357,813 |
| Green Bonds | Jan-25 | 7.0% | | **71,368** | | 68,501 |
| **UGE Project Development Holdco.** | | | | | | |
| Secured debentures | 2021 | 12.0% | | **-** | | 23,541 |
| **Total** | | | **$** | **2,106,751** | $ | 1,891,820 |
| **Current portion** | | | **$** | **84,070** | $ | 190,761 |
| **Non-current portion** | | | **$** | **2,022,681** | $ | 1,701,059 |

Project debt includes both construction financing for solar facilities under construction and long-term debt associated with operating solar facilities. These balances will generally increase in line with the growth in the Company's solar facilities.

In addition to traditional project financing, the Company also finances solar facilities (projects) through Tax Equity Investment ("TEI") structures. These structures are designed to allocate the majority of renewable tax incentives, such as investment tax credits ("ITCs") and accelerated depreciation, to the Tax Equity Investors ("TEIs"). In management's judgment, these TEI structures are an appropriate vehicle for UGE at this time, given that with its current portfolio of solar facilities, the Company cannot fully monetize such tax incentives. Generally, tax equity structures allocate the majority of the project's US taxable income and renewable tax incentives, along with a portion of the project's cash flows, to the TEIs until they receive an agreed-upon after-tax investment return (the "flip point"). The flip points are generally dependent on the projects' respective returns but also may be contractually determined. At all times, both before and after the projects' flip points, the Company retains control over the projects financed with a tax equity structure. After the flip point, the Company receives the majority of the projects' taxable income, cash flows, and remaining tax incentives. The Company expects TEI structures to remain an important financing source in order to monetize its ITCs. To the extent the ITC structure became refundable, as has been proposed in the Build Back Better Act currently being negotiated, the Company would be less reliant on TEI structures for project funding.

***Shareholders' equity (deficit)***

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 |

Shareholders' deficit was $1,425,180 on September 30, 2021, compared to a shareholders' deficit of $4,280,531 on December 31, 2020. The improvement in shareholder's deficit reflects a net increase in share capital as shown in the table above, combined with a net increase in contributed surplus of $2,040,411 related to stock-based compensation, the exercise of stock options, the conversion of debt to equity, and warrant issues associated with the February 2021 private placement. Offsetting the increases were net losses of $3,209,584 in the nine months ended September 30, 2021. Please see *Note 14 Share Capital* in the *Q3 Financial Statements* for more information.

## Liquidity and Capital

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30-Sep-21** | **30-Sep-20** | **30-Sep-21** | **30-Sep-20** |
| **OPERATING ACTIVITIES** | | | | |
| Cash flows used in operating activities | **$ (708,333)** | $ (459,787) | **$ (3,459,596)** | $ (1,209,084) |
| **FINANCING ACTIVITIES** | | | | |
| Cash flows from financing activities | **$ 316,696** | $ 989,388 | **$ 5,146,675** | $ 1,723,651 |
| **INVESTING ACTIVITIES** | | | | |
| Cash flows used in investing activities | **$ (560,975)** | $ (595,247) | **$ (1,432,021)** | $ (580,334) |
| Effects of changes in foreign exchange rates on cash and cash equivalents | **$ (33,108)** | $ (17,260) | **$ 13,474** | $ - |
| Net change in cash and cash equivalents | **(985,720)** | (82,906) | **268,532** | (65,767) |
| Cash and cash equivalents, beginning of period | **$ 2,254,321** | $ 223,572 | **$ 1,000,069** | $ 206,433 |
| **Cash and cash equivalents, end of period** | **$ 1,268,601** | $ 140,666 | **$ 1,268,601** | $ 140,666 |

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

### *Cash flow from operations*

In Q3 2021, the Company generated negative cash flow from operating activities of $0.71 million including its net loss of $1.33 million. For the nine months ended September 30, 2021, negative cash flow from operating activities is $3.46 million inclusive of its net loss of $3.21 million. YTD, after operating expenses, the most significant contributions to the use of cash for operating activities have been $0.23 million used to pay down trade payables and $0.31 million used to pay down financing costs, of which $0.22 million was related to the operating debt paid out in Q1 2021.

As discussed, the Company has largely migrated to the build/own/operate model in the US. Revenue recognition under IFRS for this build/own/operate model is based on long-term recurring earnings that require scale in operating solar facilities to create positive IFRS earnings. The Company can, however, generate positive cash flows during the construction to energization stages of solar facility development by retaining a "developer fee." UGE can use the funds generated from the developer fee for operations, investments in growth, and new development activities.

To the extent that the Company does not generate positive cash flows from operations and development activities in the future, or cannot access financing or capital on reasonable terms, the Company may need to reduce expenditures and it may not continue as a going concern. Certain conditions discussed above and in the *Risks and Uncertainties* section of this MD&A raise doubt about our ability to continue as a going concern.

### *Financing activities*

Financing activities in the nine months ended September 30, 2021 include cash inflows of $5.03 million from the equity raise in Q1 2021, $63,320 from exercises of warrants and stock options, and repayment of $1,072,534 in debt. The majority of the debt repayment, $805,712, occurred in Q1 2021 following the closing of the equity raise. The debt repayment in Q3 2021 is composed of regular and one-time payments on the Company's project debt associated with owned and operating solar facilities.

Financing activities in Q3 2021 included $213,914 in cash inflows from project debt financing and $nil of tax equity financing (YTD:  $428,286 cash inflows and $200,000 tax equity financing). The Company used these funds to finance the construction of solar facilities. Generally, the total cash generated from project debt financing and tax equity financing exceeds the capital cost outlay of the associated solar facility. The Company retains the excess funds as a developer fee, as discussed above.

In Q3 2021, the Company received an additional $350,000 in COVID relief funds from the Economic Injury Disaster Loan program. Together with the $120,811 additional funds received from the SBA Paycheck Protection Program in Q1 2021 and the $31,704 received from the Canada Emergency Business Account program in Q2 2021, the total received for government sponsored COVID loans for the nine months ended September 30, 2021 is $502,515.

### *Investing activities*

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

### *Capital management*

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

## Selected Quarterly Financial Highlights

| In $000s except per share information | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
|---|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | | |
| Energy production (KWh) | - | - | - | 58,799 | 61,079 | 103,341 | 234,680 | **295,155** |
| Generation revenue | $ - | $ - | $ - | $ 16 | $ 16 | $ 26 | $ 47 | **$ 65** |
| EPC and consulting revenue | $ 1,555 | $ 640 | $ 253 | $ 116 | $ 398 | $ 399 | $ 528 | **$ 465** |
| Net income (loss) from operations | $ (529) | $ (832) | $ (695) | $ (792) | $ (917) | $ (1,079) | $ (1,006) | **$ (1,354)** |
| Net income (loss) | $ (810) | $ (887) | $ (585) | $ 349 | $ 132 | $ (1,073) | $ (802) | **$ (1,335)** |
| **Net operating income (loss) per share** | | | | | | | | |
| basic and diluted | ($0.03) | ($0.04) | ($0.03) | ($0.04) | ($0.03) | ($0.04) | ($0.03) | **($0.04)** |
| **Net income (loss) per share** | | | | | | | | |
| basic and diluted | ($0.04) | ($0.04) | ($0.03) | $0.02 | $0.00 | ($0.04) | ($0.03) | **($0.04)** |

*Quarter to quarter comparisons of the financial results are not necessarily meaningful and should not be relied upon to indicate future performance. The quarterly information is unaudited. Revenues and earnings may fluctuate from quarter to quarter. Several factors could cause such fluctuations, including the timing of substantial orders and the seasonality of energy generation revenue. Because operating expenses are incurred based on anticipated sales, and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in revenues and earnings in any given quarter.*

### *Fluctuating Results of Operations*

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

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

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

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

## Related Party Transactions

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

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

As at, and during 2020 and the nine months ended September 30, 2021, the Company had the following related party transactions:

- during 2020, two directors and one officer became tax equity investors in tax equity partnerships controlled by the Company for a total investment of $268,000; at 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 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 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.

## Commitments and Contingencies

### *Contractual commitments*

As of September 30, 2021, the Company had contractual commitments as follows:

| | Carrying amount | Contractual cash flows | Within 1 year | 1-2 years | 2-5 years | 5+ years |
|---|---|---|---|---|---|---|
| Trade and other payables | $ 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** |

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

Additionally, operating loans include $564,302 (CAD $720,000) in debt due October 2021 that is convertible into common shares at the holder's option with a conversion price of CAD $0.96. This convertible note, together with accrued interest of CAD $28,721, was converted to 779,918 shares in October 2021 and required no cash outflow.

Therefore, subsequent to September 30, 2021, the amount contained within short term debt due within one year was reduced by $564,302 with the potential for it to be reduced by a further $1,074,707.

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

### *Contingencies*

UGE USA, a wholly-owned subsidiary of the Company, was contracted to complete a portfolio consisting of three projects with a US-based solar developer (the “Developer”). In July 2018, a dispute arose between UGE USA and the Developer. The Developer named UGE USA in 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 two of the three projects with the Developer. The Company has accrued damages that could be levied on the settlement of the third project, all of which were included in a 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 Trade and other payables* of the *Q3 Financial Statements*). 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 and other receivables* (see Note 4 of the Q3 Financial Statements). 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.

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

## Off-Balance Sheet Arrangements

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

## Financial Instruments

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 Company does not currently hedge its financial risks with derivative instruments or hold an investment portfolio. Please see *Note 17 Financial instruments* in the *Q3 Financial Statements* for more information. The Company's risk exposures and their impact on our financial instruments are summarized below:

***Credit risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company manages credit risk by requiring payment from customers before the delivery, where possible. However, the Company does have trade receivables outstanding with several customers.

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

***Liquidity risk***

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's typical spending requirements on an ongoing basis, as well as its strategic expansion plans. Our objective in managing liquidity risk is to ensure sufficient liquidity to meet financial obligations when due by maintaining adequate cash and cash equivalents to settle current liabilities and meet anticipated working capital requirements.

On September 30, 2021, the Company had cash of $1,268,601, restricted cash of $32,634, and a working capital deficit of $1,806,948. Discussion regarding our ability to manage our liabilities is outlined in the *Liquidity and Capital Resources* and *Commitments* sections of this MD&A. The Company plans to realize its assets, increase revenues and gross profit margins, and raise further capital, as necessary, to maintain sufficient liquidity. If the Company is unable to achieve some or all of these plans within a reasonable timeframe, the Company may not be able to continue as a going concern.

***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

*(a) Interest rate risk*

Interest rate risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

*(b) Foreign currency risk*

The Company primarily operates in the United States, Canada, and the Philippines, and therefore enters into transactions denominated in USD, CAD, and Filipino Pesos. Each entity may be exposed to foreign currency risks from exchange rate fluctuations by entering into transactions outside their respective functional currency. 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 affect the Company's financial performance, financial position, and cash flows. The Company does not currently hedge its exposure to foreign currency risk using financial instruments.

## Risks and Uncertainties

UGE is exposed to risks and uncertainties in the normal course of its business, as outlined below. Management and the Board of Directors review and evaluate material risks associated with the Company's business activities and take mitigating actions as required. In addition, UGE maintains a level of liability, property, and business interruption insurance that is believed to be adequate for UGE's size and activities but cannot obtain insurance to cover all risks within the business or in amounts to cover all possible claims. There may also exist additional risks and uncertainties that are currently unknown to the Company or that are now considered immaterial that may adversely affect the Company.

**Going concern risk**

The Q3 2021 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 on September 30, 2021, and for the nine months ended September 30, 2021, the Company had a consolidated net loss of $3,209,584, negative cash flow from operations of $3,459,596, and has an accumulated deficit of $35,560,549 at the end of the quarter with a history of losses.

The Company's ability to continue as a going concern, and to realize its assets and discharge its liabilities in the normal course of business, is dependent on generating sufficient cash flow from operations and on securing 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 renewable energy solutions, asset and revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more debt or equity investments. While the Company has sufficient capital to execute on its current business plans over the short and medium-term, there are no guarantees that future funds raised will be sufficient to sustain the Company's ongoing operations or that additional debt or equity financing will be available to the Company, or available at acceptable terms. Failure to implement the Company's business plan or the inability of the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are some material risks and uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Q3 2021 unaudited condensed consolidated interim financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the unaudited condensed consolidated interim financial statements.

*COVID 19*

To combat the spread of the COVID-19 pandemic, authorities in all regions where the Company operates have 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.

**Risks related to operations**

*Solar radiation*

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

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

*Global Climate Change*

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

*Natural Disasters*

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

*Delays and cost over-runs*

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

*Third-party supplier and contractor performance*

The Company's product suppliers and subcontractors including, without limitation, installers and solar panel, inverter, and racking manufacturers, may encounter funding, supply chain, technical, and/or other difficulties. As a result, they could be unable to deliver essential services or components on time and could cause significant delays in the delivery of the Company's solar projects. Any significant delivery delays could negatively impact the Company's future revenue and may have a material adverse effect on the business, financial position, or results of operations of the Company. In addition, it is possible that certain vendors may face high demand for their services or products and not be able to supply the Company with what it needs, and/or supply it when needed. Trade barriers, such as tariffs imposed by governments on imports, also have the potential to disrupt the Company's supply chain, necessitating the Company to find other suppliers, sometimes on short notice. Such tariffs could also impose additional costs on the Company, negatively impacting its profitability.

Over the Company's history, the declining cost of solar panels has been a driver in the adoption of solar energy. If solar panel prices materially increased over a prolonged period of time, the Company's growth could slow, and the Company's financial results could suffer. Such events could harm the Company's financial results by requiring it to pay higher prices.

*Pandemics or Other Public Health Emergencies*

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

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

*Permits and studies*

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

*Community solar programs*

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

*Power purchase agreements*

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

*Foreign exchange risk*

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

*Warranty*

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

*Regulatory*

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

**Risks related to growth and strategy**

*Availability of capital and capital markets*

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

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

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

*Interest rate fluctuations*

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

*Sales risk*

Particularly with respect to client-financed EPC projects, our sales efforts target medium and large organizations, and the Company spends significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from six to 12 months, and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our backlog and pipeline and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively.

*Significant Competition*

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

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

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

*Ability to secure appropriate land or roof-top sites*

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

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

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

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

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

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

*Dependence on Management and Ability to Hire and Retain Key Personnel*

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

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

*Government Policies*

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

*Industry Regulations*

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

*Sufficiency of Insurance Coverage*

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

*Management of Growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

**Risk related to public shares**

*Controlling Shareholders*

Major shareholders collectively own almost 30% of UGE and will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, and the sale of all or substantially all of the Company's assets, the election of directors, and other significant corporate actions. Major shareholders may also have the power to prevent or cause a change in control. In addition, without the consent of one or more of the major shareholders, the Company could be prevented from entering into transactions that may otherwise be beneficial to the Company.

At the date of this MD&A, the following entities and individuals own significant percentages (on-a non-diluted basis) of the Company's issued and outstanding common shares:

- Junfei Liu - 4,988,066 shares, representing 15.5%,
- Xiangrong Xie - 3,287,984 shares, representing 10.2%
- Nicolas Blitterswyk (Director and CEO) - 1,283,919 shares, representing 4.0%

*Dilution*

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

*Resale of Shares*

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

*Dividends*

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

*Issuance of Debt*

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

*Price Volatility of Publicly Traded Securities*

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

*No Guarantee of Active Liquid Market*

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

**Other risks**

*Enforcing Judgments Internationally*

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

*Limited Business History*

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

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

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

*Negative Cash Flows and Profitability*

During the year ended December 31, 2020, and the nine months ended September 30, 2021, the Company had negative cash flow from operations and since its inception has not been profitable. There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

*Commercial and Industrial Customers*

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

*Damage to Reputation*

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

*International Operations*

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

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

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

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

*Conflicts of Interest*

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

*Issues Related to Acquisitions*

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

## Critical Accounting Judgements and Estimates

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

During the reporting periods management has made several estimates and assumptions in applying the Company's accounting policies, the most significant being: assessment of the Company's ability to continue as a going concern; useful lives of property, plant and equipment; determination of whether a contract is a lease; impairment of non-financial assets; estimation of decommissioning liabilities; determining control or significant influence of special purpose entities; estimating allowances and provisions for expected credit losses, the value of stock-based compensation, revenue recognition, carrying value of tax equity liabilities and government loans and forgiveness; capitalization of project development costs and intangible assets, and the determination of the functional currency of the principal operations of the Company. Please refer to *Note 2 e)* in the *Q3 Financial Statements* for more information on critical accounting judgements and estimates.

## Significant Accounting Policies

Please refer to *Note 3* of the *Audited Consolidated Financial Statements for the years ended December 31, 2020, and 2019.* There have been no significant changes to these policies during the nine months ended September 30, 2021.

## Internal Control over Financial Reporting and Disclosure Controls

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

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

Disclosure controls and procedures ensure that reporting requirements are satisfied, and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provides reasonable assurance regarding the reliability of financial reporting.

However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021, and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the three and nine months ended September 30, 2021, and all material subsequent activity up to November 22, 2021.

## Non-GAAP Measures

This MD&A presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

### Adjusted net income (loss) and Adjusted EBITDA

***Adjusted net income (loss)*** is net income (loss) under IFRS adjusted for non-recurring and non-core items such as gains on debt settlement and grants or loan forgiveness received by the Company under COVID-19 programs.

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

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

| | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
|---|---|---|---|---|---|---|---|---|
| **Net income (loss)** | $ (809,781) | $ (887,457) | $ (584,739) | $ 348,517 | $ 131,773 | $ (1,072,795) | $ (801,986) | **$ (1,334,802)** |
| **Adjust for non-core items:** | | | | | | | | |
| Gains on debt settlements | (169,755) | - | (97,691) | (1,046,946) | (934,275) | (41,111) | (17,452) | **5,925** |
| Gains (losses) on debt to equity conversions | 22,437 | - | 41,380 | 4,661 | - | - | - | **-** |
| COVID relief income | - | - | (85,118) | (190,794) | (104,993) | (32,922) | (234,852) | **(99,096)** |
| **Adjusted net loss** | (957,099) | (887,457) | (726,168) | (884,562) | (907,495) | (1,146,828) | (1,054,290) | **(1,427,972)** |
| **Adjust for non-cash items:** | | | | | | | | |
| Net finance expense | 224,037 | 122,708 | 64,985 | 91,221 | 141,639 | 92,893 | 73,870 | **77,294** |
| Income tax expense (recovery) | 8,089 | (67,297) | (14,038) | 15,721 | 156,110 | - | 3,935 | **7,806** |
| Depreciation | 11,482 | 11,742 | 11,522 | 13,615 | 18,055 | 11,604 | 13,436 | **14,687** |
| Share-based compensation | 30,729 | 34,606 | 137,622 | 101,262 | 188,604 | 103,596 | 120,018 | **152,334** |
| **Adjusted EBITDA** | $ (682,762) | $ (785,698) | $ (526,077) | $ (662,743) | $ (403,087) | $ (938,735) | $ (843,031) | **$ (1,175,852)** |
| Basic and diluted earnings per share | ($0.04) | ($0.04) | ($0.03) | $0.02 | $0.00 | ($0.04) | ($0.03) | **($0.04)** |
| Basic and diluted adjusted earnings per share | ($0.05) | ($0.04) | ($0.03) | ($0.04) | ($0.03) | ($0.04) | ($0.03) | **($0.05)** |

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

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

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

***Average Annual Revenue at Operation*** – is the undiscounted average annual revenue from the sale of electricity generated and renewable energy credits over the project's expected life.

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