UGE INTERNATIONAL LTD.

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Expressed in United States dollars

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of UGE International Ltd.:

Opinion

We have audited the consolidated financial statements of UGE International Ltd. ("the Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended

and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Entity has had recurring losses and negative cash flows, and its continuation as a going concern is dependent on the Entity's ability to successfully fund its operations by generating additional financing and/or by generating sufficient cash flow from operations. As stated in Note 2 in the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 10, 2021.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity‘s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Sarah C. deGuzman.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

April 28, 2022

UGE INTERNATIONAL LTD.

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

	Note	December 31, 2021	As at December 31, 2020
ASSETS			
Cash		**$ 1,251,562**	$ 1,000,069
Restricted cash	4	**173,073**	34,632
Trade and other receivables	5	**1,130,558**	1,781,392
Prepaid expenses and deposits	6	**97,050**	241,022
CURRENT ASSETS		**2,652,243**	3,057,115
Property, plant and equipment	7	**2,657,697**	1,114,094
Right-of-use assets	11	**12,181,538**	1,504,712
Project development costs	8	**1,292,414**	208,649
Other non-current assets	9	**555,315**	306,405
NON-CURRENT ASSETS		**16,686,964**	3,133,860
TOTAL ASSETS		**$ 19,339,207**	$ 6,190,975
LIABILITIES			
Trade and other payables	10	**$ 2,195,898**	$ 3,849,195
Current portion operating debt	12	**145,630**	1,466,074
Current portion project debt	12	**104,509**	190,761
Current portion of lease liabilities	11	**463,775**	34,633
Deferred revenue		**111,477**	947,875
CURRENT LIABILITIES		**3,021,289**	6,488,538
Non-current portion operating debt	12	**2,004,563**	749,617
Non-current portion project debt	12	**3,139,497**	1,701,059
Lease liabilities	11	**12,149,737**	1,521,344
Other non-current liabilities	13	**362,980**	10,948
NON CURRENT LIABILITIES		**17,656,777**	3,982,968
TOTAL LIABILITIES		**20,678,066**	10,471,506
EQUITY (DEFICIT)			
Share capital	16	**27,565,675**	22,854,278
Contributed surplus		**7,714,913**	5,307,304
Accumulated other comprehensive loss		**(106,679)**	(91,148)
Accumulated deficit		**(36,512,768)**	(32,350,965)
TOTAL EQUITY (DEFICIT)		**(1,338,859)**	(4,280,531)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**$ 19,339,207**	$ 6,190,975

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

Going Concern (Note 2), Contingencies (Note 18), Subsequent Events (Notes12(v)(vi)(vii) and 24)

Approved on behalf of the Board

"Nicolas Blitterswyk"
Director, President & Chief Executive Officer

"Jian Yang"
Audit Committee Chair

UGE INTERNATIONAL LTD.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States dollars)

	Year ended December 31,	
	2021	**2020**
REVENUE	**2,700,068**	1,439,681
COST OF GOODS	**1,828,798**	920,096
GROSS PROFIT	**871,270**	519,585
OPERATING COSTS AND EXPENSES		
General and administrative	**5,471,285**	3,603,080
Expected credit losses	**(151,721)**	97,246
Depreciation and amortization	**65,125**	54,934
TOTAL OPERATING COSTS AND EXPENSES	**5,384,689**	3,755,260
OPERATING LOSS	**(4,513,419)**	(3,235,675)
OTHER EXPENSE (INCOME)		
Financing expense, net	**308,498**	420,552
Other expense (income)	**(497,340)**	(2,754,816)
TOTAL OTHER (INCOME) EXPENSE, NET	**(188,842)**	(2,334,264)
LOSS BEFORE TAX	**(4,324,577)**	(901,411)
Income tax expense (recovery)	**(162,774)**	90,496
NET LOSS	**(4,161,803)**	(991,907)
Other comprehensive loss items to be subsequently reclassified to net earnings when certain conditions are met		
Foreign currency translation	**(15,531)**	(64,896)
COMPREHENSIVE LOSS	**$ (4,177,334)**	$ (1,056,803)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS		
BASIC AND DILUTED	**$ (0.13)**	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES	**31,015,003**	24,609,201

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

UGE INTERNATIONAL LTD.

Consolidated Statements of Changes in Equity (Deficit)

(Expressed in United States dollars)

	Note	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2020		$ 20,050,151	$ 4,785,838	$ (26,252)	$ (31,359,058)	$ (6,549,321)
Net loss for the year		-	-	-	(991,907)	(991,907)
Common shares issued, net of costs	16	1,245,885	500,507	-	-	1,746,392
Common shares for debt, net of costs	16	275,023	17,773	-	-	292,796
Common shares issued for warrant exercises		1,045,496	(334,084)	-	-	711,412
Common shares issued for stock option exercises		237,723	(124,824)	-	-	112,899
Share-based compensation	16	-	462,094	-	-	462,094
Foreign exchange translation differences		-	-	(64,896)	-	(64,896)
Balance at December 31, 2020		**$ 22,854,278**	**$ 5,307,304**	**$ (91,148)**	**$ (32,350,965)**	**$ (4,280,531)**
Net loss for the year		**$ -**	**$ -**	**$ -**	**$ (4,161,803)**	**$ (4,161,803)**
Common shares issued, net of costs		**3,411,884**	**1,616,373**	**-**	**-**	**5,028,257**
Common shares for debt, net of costs	16	**1,047,435**	**151,269**	**-**	**-**	**1,198,704**
Convertible debt issued, net of costs	12	**-**	**111,623**	**-**	**-**	**111,623**
Common shares issued for warrant exercises	16	**76,230**	**(42,258)**	**-**	**-**	**33,972**
Common shares issued for stock option exercises	16	**175,848**	**(81,031)**	**-**	**-**	**94,817**
Share-based compensation	16	**-**	**651,633**	**-**	**-**	**651,633**
Foreign exchange translation differences		**-**	**-**	**(15,531)**	**-**	**(15,531)**
Balance at December 31, 2021		**$ 27,565,675**	**$ 7,714,913**	**$ (106,679)**	**$ (36,512,768)**	**$ (1,338,859)**

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

UGE INTERNATIONAL LTD.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Note	Year ended December 31, 2021	2020
OPERATING ACTIVITIES			
Net income (loss)		**$ (4,161,803)**	$ (991,907)
Items not affecting cash:			
Depreciation and amortization	7, 11	**65,125**	54,934
Impairment and expected credit losses	5	**(151,721)**	97,246
Share-based compensation	16	**651,571**	462,094
Income tax expense (recovery)		**(162,774)**	90,496
Loss on debt to equity conversions		**-**	46,041
Loss (gain) on debt settlement	14	**(261,505)**	(2,083,096)
Gain on warranty expiry		**(39,784)**	-
Other non-cash (gains) losses		**(58,128)**	129,522
Finance costs, net	12, 15	**308,498**	424,683
Increase in right-of-use assets	11	**-**	-
Increase in lease liabilities	11	**-**	-
Decommissioning provision adjustment		**6,032**	10,716
Government-sponsored non-cash COVID relief		**(160,442)**	(107,363)
Tax attributes allocated to tax equity investors	12	**302,560**	(94,952)
Finance costs paid, net		**(373,701)**	(214,044)
Income taxes (paid) recovered		**(4,885)**	-
Change in trade and other receivables	5	**650,187**	(113,928)
Change in prepaid expenses and deposits	6	**143,973**	115,027
Change in deferred financing and customer acquisition costs	9	**(107,727)**	(11,439)
Change in trade and other payables	10	**(1,248,358)**	81,119
Change in deferred revenue		**(836,398)**	256,158
Cash used in operating activities		**$ (5,439,280)**	$ (1,848,693)
FINANCING ACTIVITIES			
Net proceeds from equity raises	16	**5,136,713**	1,749,836
Net proceeds from stock option and warrant exercises	16	**128,791**	824,311
Proceeds from investments by tax-equity investors		**203,227**	268,000
Government-sponsored COVID loans	12	**502,515**	399,398
Increases in long term debt, net of deferred finance charges	12	**2,955,298**	1,679,946
Repayment of long term debt	12	**(1,118,520)**	(1,451,337)
Lease payments	11	**(77,700)**	(11,500)
Cash provided by financing activities		**$ 7,730,324**	$ 3,458,654
INVESTING ACTIVITIES			
(Increase)/decrease in restricted cash	4	**(142,437)**	256,028
(Additions) to property, plant and equipment	7	**(1,473,934)**	(1,604,877)
(Additions) to right-of-use assets	11	**(76,678)**	-
(Additions) to project development costs	8	**(381,223)**	(145,884)
Proceeds from sale of solar system		**-**	688,560
Cash used in investing activities		**$ (2,074,272)**	$ (806,173)
Increase (decrease) in cash for the year		**216,772**	803,788
Effect of exchange rate flucuations on cash		**34,721**	(10,152)
Cash at beginning of year		**1,000,069**	206,433
Cash at end of year		**$ 1,251,562**	$ 1,000,069
Non-cash transactions:			
Shares for debt ($ CAD)		**1,507,183**	275,023

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

1. Reporting entity

UGE International Ltd. ("UGE International" and together with its subsidiaries the "Company" or "UGE") is incorporated under the laws of the Province of Ontario and its common shares are listed on the TSX Venture Exchange under the symbol "UGE". The Company's registered office is located at 56 Temperance St., 7th Floor, Toronto, Ontario, Canada.

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

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and set out in the CPA Canada Handbook. They were approved for issuance by the Board of Directors on April 28, 2022.

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

b) Going concern and COVID 19

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company had negative working capital of $369,046 and an accumulated deficit of $36,512,768 at December 31, 2021. For the year ended December 31, 2021, the Company had a consolidated loss of $4,161,803 and negative cash flow from operations of $5,439,280.

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, and the Company's ability to raise sufficient equity and/or debt financing.

The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued focus on development of solar facilities, asset and revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more debt instruments or equity investments. While the Company has been successful in obtaining the necessary financing to date, there can be no assurance 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, these material risks and uncertainties may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities, which could be material, that might be necessary should the Company be unable to continue as a going concern.

Throughout 2021, to combat the spread of the COVID-19 pandemic, authorities in all regions where the Company operates maintained varying degrees of restrictive measures on businesses. While conditions had improved by December 31, 2021, the full potential impact of the pandemic on the Company's business is unknown. The issuance of permits and authorizations, negotiations, and finalizations of agreements for development and acquisition of projects, construction activities, and equipment procurement, have largely resumed but are backlogged. Existing or future restrictive measures might have an adverse effect on the financial stability of the Company's suppliers and other partners, or on the Company's operating results, financial position, liquidity or capital expenditures.

c) *Basis of presentation, functional and presentation currency*

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

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

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

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

d) *Basis of measurement*

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

e) *Accounting assumptions, estimates and judgments*

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

During the reporting periods management has made a number of estimates and assumptions in applying the Company's accounting policies, including the assessment of the Company's ability to continue as a going concern, as discussed above in Note 2. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Assumptions and estimation uncertainties

Information about the assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

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

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

ii) Impairment of non-financial assets

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

iii) Decommissioning liabilities

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

iv) Allowances and provisions for expected credit losses

An expected credit loss ("ECL") calculation is applied to financial assets measured at amortized cost, in order to establish provisions for expected credit losses. The provisions are based on a forward-looking ECL, which includes possible default events of the accounts receivable over their entire holding period, including the consideration of the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, and default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. The default rate is subject to significant estimate and judgement.

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

v) Stock-based compensation

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

vi) Percentage of completion calculation

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

vii) Tax equity liabilities

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

viii) Income Taxes

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

B. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

i) Leases

The Company leases roof-tops, land, and offices. In determining whether a lease contract should be accounted for as a right-of-use asset with a corresponding lease liability, management must make judgements about the rights conferred to the Company. To the extent that the Company determines a lease contract does not confer sufficient rights or is less than 12 months in duration, the cost of the lease payment is expensed as incurred and no right-of-use asset or lease liability is recorded.

ii) Determining control or significant influence of special purpose entities

The determination of whether the Company has control or significant influence over special purpose entities requires the Company to make assumptions and judgements in evaluating its specific control and influence characteristics. The Company exercises judgement in determining whether non-wholly owned special purpose entities are controlled by the Company, which involves the assessment of how the decisions of the special purpose entities are made, whether the rights of other partners are protective or substantive in nature, and the ability of the Company to influence the returns of the special purpose entity.

iii) Government loans and forgiveness – COVID 19

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all subsidiary entities which are controlled by the Company. Subsidiaries (see Note 2(c)) are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its investment in the entity and can affect those returns through its power over the entity. All intercompany balances and transactions are eliminated on consolidation.

b) Foreign Currency Translation

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of the transaction. The resulting exchange gains and losses are recognized in profit or loss.

ii) Foreign operations

The assets and liabilities of foreign operations with functional currencies other than the USD presentation currency are translated into the presentation currency at exchange rates prevailing at the reporting date. Their income and expense items are translated into the presentation currency at average exchange rates for the period. Exchange differences arising on the translation are recognized in accumulated other comprehensive loss in shareholders' equity (deficit).

c) Property, plant, and equipment

Property, plant, and equipment consists of operating solar facilities, construction in progress for solar facilities, and corporate operating assets.

Solar facilities are recorded at cost, net of accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the construction and readying of the asset for use, including borrowing costs incurred during the construction phase, depreciation of right-of-use assets and interest accretion on lease liabilities during the construction phase, commissions and finders' fees, and estimated decommissioning costs. Government assistance in the form of direct grants or investment tax credits is reflected as a reduction in the cost of the solar facility. Maintenance and repair costs are expensed as incurred.

Corporate operating assets are recorded at cost, less accumulated depreciation and impairment losses.

Amortization begins on the date assets are put in use, using the following methods:

Type of property, plant, and equipment	Useful life for depreciation period
Solar facilities	25-30 years
Right-of-use assets	25-30 years
Office equipment	3-5 years

Useful lives, residual values, and amortization methods are reviewed at least annually and adjusted if appropriate. Impairment losses are recognized as impairment losses in profit or loss.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and the net amounts are recognized within other income in profit or loss.

d) Project development costs

Project development costs consist of design, development, engineering, interconnection, and acquisition costs associated with new solar facilities. These costs are capitalized within project development costs until construction begins, at which time they are transferred to property, plant and equipment. The Company capitalizes these costs when it believes the facilities will more likely than not be constructed. When it is no longer probable a facility will be constructed, the costs capitalized to date are expensed.

e) Decommissioning liabilities

Decommissioning liabilities are recorded when the underlying activities requiring future decommissioning obligations are incurred. If a reasonable estimate of the expected costs to settle the liability can be determined, the liabilities are measured at the present value, discounted at a current pre-tax rate specific to the liability. In subsequent periods, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or from changes in the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing, the amount of the original estimate of the undiscounted cash flows, or a change of the discount rate are accounted for as part of the carrying amount of the related property, plant and equipment. The carrying amounts of the decommissioning liabilities are reviewed at each reporting date to reflect current estimates and changes in the discount rate.

f) Leases or arrangements containing a lease

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

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

g) Borrowing costs

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

h) Impairment of property, plant, and equipment and project development costs

Non-financial assets, such as property, plant, and equipment, project development costs, and ROU assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets (a cash generating unit or "CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

If the recoverable amount of an asset or CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in earnings (loss). An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

j) Share-based compensation

The Company records share-based compensation related to its grants of stock options to employees and directors. Share-based compensation for stock options is measured at fair value using a Black-Scholes option pricing model and recognized as compensation expense over the vesting period during which an employee or director becomes unconditionally entitled to the award. The amount recognized as an expense is adjusted to reflect only the number of awards for which related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

For equity-settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received. If the fair value of the goods or services cannot be estimated reliably, then the Company uses the fair value of equity. The Company has no cash-settled share-based payment transactions.

k) Revenue recognition

The Company generates revenue from building solar energy projects for third parties ("EPC Revenue"), and from engineering and consulting services ("Engineering services revenue"), where its primary revenues are fees earned for the services provided. In addition, the Company develops and builds solar facilities with the intent to own and operate the facilities and earns revenue from both energy generation over the life of the solar facility, and in some circumstances, from the sale of renewable energy credits ("Energy Generation Revenue"). In certain cases, the Company will also earn financing revenue which is recognized using the principles for financial instruments (see *(m) financial instruments*). The Company recognizes revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

i) Revenue from Project Development and Deployment Contracts with Customers (EPC revenue)

Revenue from EPC contracts is recognized as the performance obligations are satisfied over time, based on costs incurred relative to the estimated total contract costs that are expected to be incurred over the contract term. Transfer of control of the construction assets occurs as the costs to fulfill the contract are incurred. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized at any particular point over the life of the project.

ii) Revenue from Engineering Services Contracts with Customers

Revenue from engineering services contracts is also recognized as the performance obligations are satisfied over time. Due to the relatively short-term nature of most components of the Company's engineering services contracts, this most often results in revenue being recognized at the point when individual services have been performed and collection of the receivable is reasonably assured.

iii) Revenues from energy sales and renewable energy credits (Energy generation revenue)

Energy generation revenue is earned from both the sale of electricity generated, and the sale of renewable energy credits. Both types of revenue are recognized when the Company satisfies the performance obligation, which occurs at the time of the delivery of electricity at the contractual rates.

l) Government assistance

Government assistance in the form of subsidies or investment tax credits is recorded in the consolidated financial statements when there is reasonable assurance that the Company has met all conditions required to obtain the assistance.

For government assistance associated with solar facilities, recognition is based on management's estimates of amounts expected to be recovered. Government assistance for solar facility expenditures is reflected as reductions in the cost of the solar facility to which the assistance relates.

Programs that include direct non-repayable grants are recognized as other income when the Company is reasonably assured it will meet the requirements to obtain the assistance, which is generally when the funds are received Loan programs that include forgiveness provisions are recorded as debt for the full amount received until the Company has reasonable assurance both that it will meet the requirements for forgiveness and the amount to be forgiven can be reasonably estimated. At that time the estimated loan

forgiveness is recognized as other income. When loan programs include below market interest rates, the interest rate differential is recognized as part of the EIR over the term of the debt.

m) Financial instruments

i) Financial Assets

Financial assets are classified as at amortized cost, as at fair value through profit and loss (“FVTPL”), or as at fair value through other comprehensive income (“FVOCI”). The Company determines the classification of its financial assets at initial recognition. Financial assets are derecognized when they mature or when they are sold, and substantially all the risks and rewards of ownership have been transferred.

The Company’s cash and restricted cash are classified as FVTPL and its trade and other receivables (excluding HST and VAT receivables) and notes receivable are classified as amortized cost.

Financial assets measured at amortized cost

Financial assets at amortized cost are initially recognized at fair value, including transaction costs directly attributable to the asset’s origination or acquisition, and subsequently carried at amortized cost, using the EIR method, less any impairment. They are classified as current assets or non-current assets based on their maturity date.

As part of its Philippines operations, due to the local structure for self-financed solar facilities, the Company finances the customer’s acquisition of the solar facility. At the completion of construction, the Company holds a note receivable on which it earns interest income. The Company has no other significant interest-bearing financial assets.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise.

Financial assets at FVOCI

Financial assets at FVOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. The Company currently does not classify any financial assets as FVOCI.

ii) Financial liabilities

Financial liabilities are classified into the following categories:

Financial liabilities at amortized cost

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of operations when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition, as well as fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expense in the consolidated statements of operations.

The Company's financial liabilities measured at amortized cost include trade and other payables, debt, and lease liabilities.

Tax equity structures

The Company owns and operates certain projects (solar facilities) in the US under subsidiaries that are set up as tax equity structures to finance the construction and operation of solar facilities. These structures are designed to allocate the majority of renewable tax incentives, such as investment tax credits ("ITCs") and accelerated depreciation for tax purposes, to tax equity investors ("TEIs"). With its current portfolio of solar facilities, the Company cannot fully monetize such tax incentives and it therefore partners with third party TEIs. 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 in partnership with third party TEIs. Subsequent to the flip point, the Company receives the majority of the projects' taxable income, cash flows and remaining tax incentives.

When a tax equity partnership is formed, the Company assesses whether the project company should be consolidated based on the Company's right to variable returns and its ability to influence financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects, and the protective nature of the rights normally given to tax equity investors, the Company typically has the control and influence to consolidate the entity.

Amounts paid by the TEIs for their equity stakes are classified as debt on the consolidated statements of financial position and are measured at amortized cost using the EIR method. The Company has the option to settle with the TEI after the flip date at a defined price and in certain contracts the TEI can put their investment back to the Company after the flip date at the same defined price. These options are generally time bound.

The Company recognizes the TEI contributions as long-term loans and borrowings, at an amount representing the proceeds received from the TEI in exchange for shares of the subsidiary, net of the following elements affecting amortized cost of the tax equity financing:

- *ITC*: Allocation of ITCs to the TEI is recognized in other income and as a reduction of tax equity financing.
- *Taxable income (loss), including tax attributes such as accelerated tax depreciation*: Allocation of taxable income and other tax attributes to the TEI is recognized in other (income) expenses as incurred and as a reduction of tax equity financing.
- *Cash distributions*: Cash allocation to the TEI is recognized as a reduction of tax equity financing.

Tax equity financing balances are increased by interest recognized at the implicit interest rate. In applying the EIR method to tax equity financings, the Company has made an accounting policy choice to recognize the impacts of the tax attributes as other income.

iii) Impairment of financial assets at amortized cost

The Company recognizes an allowance for expected credit losses ("ECLs") on financial assets that are measured at amortized cost. At each reporting date, the allowance for the financial asset is measured at an amount equal to the lifetime ECL if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the allowance is measured for the financial asset at an amount equal to twelve-month ECL. For trade receivables the Company applies the simplified approach to providing for ECL, which

allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

iv) Fair value hierarchy

Financial instruments are classified in the fair value hierarchy as follows:

Level 1 – valuation based on quoted prices (unadjusted) in active markets to which the Company has access, at the valuation date, for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly;
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs wherever such inputs exist.

v) Compound instruments

The component parts of compound instruments (e.g., debt issued with a conversion feature along with convertible securities) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option and warrants that will be settled by the exchange of a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features and warrants. This amount is recorded as a liability at the amortized cost basis using the effective interest rate method until extinguished or at the instrument's maturity date. The conversion features and convertible securities classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and convertible securities classified as equity will remain in equity until the conversion option or warrants are exercised, in which case the balance recognized in equity will be transferred to common shares. When the conversion feature and warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the convertible securities. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

Compound instruments issued by the Company may also include embedded derivative instruments ("derivatives"). A derivative is a financial instrument or other contract within the scope of *IFRS 9 - Financial Instruments* that has all of the following characteristics: a) its value changes in response to changes in a defined "underlying" such as an interest rate, financial instrument price, commodity price or foreign exchange rate; b) it requires either no initial net investment or an initial net investment that is smaller than would be required for other types of contracts with a similar response to changes in market factors; and c) it is settled at a future date. An embedded derivative is defined as a component of a hybrid contract (compound instrument) that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative must be separated from the host contract and accounted for separately if it meets all of the following criteria: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid contract is not measured at fair value

with changes in fair value recognized in profit or loss. An embedded derivative may be either a derivative asset or a derivative liability. Following initial recognition of a derivative asset or liability, at each reporting date changes in fair value are recognized through profit or loss.

n) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

o) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

p) Business combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the net assets acquired, the liabilities incurred to the former owners, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, *Income Taxes*. To the extent that the aggregate of the fair value of consideration paid, the amount of any noncontrolling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in the statement of operations and comprehensive loss.

q) Income (loss) per share

The Company prepares basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income per common share is calculated by adjusting the weighted average number of common shares outstanding using the treasury method, and assuming conversion of all potentially dilutive common shares. Diluted income (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive and accordingly only basic income (loss) per share is presented in this scenario.

r) New accounting policies

During 2021, the amendments to the standards listed below came into effect, with no material impact on the Company's financial position or results of operations.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IFRS 7, and IFRS 16) On August 27, 2020, the IASB issued several amendments to IFRS Standards as its final response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks, The amendments follow Phase 1 amendments issued in 2019, and mainly relate to contractual cash flows, hedge accounting and disclosures. They were effective for annual periods beginning on or after January 1, 2021, with early adoption permitted. The adoption of this standard had no material impact on the Company's financial position or results of operations.

s) Future accounting changes

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) On January 23, 2020, the IASB issued amendments to *IAS 1 – Presentation of Financial Statements*. The amendments clarify the classification of liabilities as current or non-current, and are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has not yet determined the impact of the amendments on its financial position or results of operations.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use On May 14, 2020, the IASB issued amendments to *IAS 16 – Property, Plant and Equipment*. The amendments prohibit the deduction, from the cost of an item of property, plant or equipment, any proceeds received from selling items produced while bringing the asset to the location and condition necessary for it to operate. Such proceeds, and the costs associated with producing the items, are recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The Company does not expect that the amendments will have a material impact on its financial position or results of operations.

Amendments to IAS 8 – Definition of Accounting Estimates On February 12, 2021, the IASB issued amendments to *IAS 8 – Accounting Estimates*. The amendments introduce a new definition for accounting estimates, by clarifying that they are monetary amounts in an entity's financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates, by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company does not expect that the amendments will have a material impact on its financial position or results of operations.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure Initiative - Accounting Policies
On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments assist companies in providing useful accounting policy disclosure. They include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such do not need to be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has not yet determined the impact of the amendments on its disclosures.

Amendments to IAS 12 – Income Taxes On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrow the scope of the initial recognition exemption ("IRE"), so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has not yet determined the effect of the amendments on its financial position or results of operations.

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture On September 11, 2014, the IASB issued *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Under IFRS 10 the parent recognizes the full gain on the loss of control, whereas under IAS 28 the parent recognizes the gain only to the extent of unrelated investors' interests in the associate or joint venture. The main consequence of the amendments is that a full gain/loss is recognized when the assets transferred meet the definition of a "business" under IFRS 3, but a partial gain/loss is recognized when the assets transferred do not meet the definition of a business. The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016; however, on December 17, 2015 the IASB decided to indefinitely defer the effective date. Adoption is permitted. The Company has not yet determined the potential effect of the amendments on its financial position or results of operations.

4. Restricted cash

At December 31, 2021, the Company has $173,073 (December 31, 2020 - $34,632) in restricted cash. $140,439 represents an escrow account related to financing a roof upgrade prior to commencing construction of a solar facility. The balance of $32,634 (December 31, 2020 - $34,632) represents security held against a loan.

5. Trade and other receivables

	As at December 31,			
		2021		2020
Trade receivables	$	679,911	$	1,630,028
Unbilled revenue		493,135		194,549
Current portion of notes receivable		14,867		6,403
Allowance for expected credit losses		(90,028)		(248,706)
Withholding and sales tax receivable		32,673		132,204
Other		-		66,914
	$	1,130,558	$	1,781,392

At December 31, 2020 approximately $1 million of the trade receivables related to the litigation discussed in Note 18, which was settled in the fourth quarter of 2021. These receivables were primarily offset by a corresponding amount payable recorded in trade and other payables.

The notes receivable are associated with solar facility acquisition loans to customers in the Philippines and are discussed in more detail in Note 9.

As shown below, during 2021 the Company decreased its allowance for expected credit losses by net $158,678 (year ended December 31, 2020 – net $72,001 increase).

	Year ended December 31,			
		2021		2020
ECL allowance, beginning of year	$	248,706	$	176,705
Additions		52,842		190,840
Reversals		(208,584)		(93,594)
Write offs		(2,936)		(25,245)
ECL allowance, end of year	$	90,028	$	248,706

6. Prepaid expenses and deposits

	As at December 31,			
		2021		2020
Prepaid expenses	$	73,648	$	159,363
Deposits		23,402		81,659
	$	97,050	$	241,022

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

7. Property, plant and equipment

	Solar facilities in use	Solar facilities under construction	Other	Total
Year ended December 31, 2020				
Balance- beginning of the year	$ -	$ 428,030	$ 17,260	$ 445,290
Additions	-	681,146	3,369	684,514
Transfer to solar facilities in use	928,016	(928,016)	-	-
Depreciation	(10,890)	-	(5,191)	(16,081)
Foreign exchange differences	-	-	370	370
Balance - end of year	$ 917,126	$ 181,160	$ 15,808	$ 1,114,094
As at December 31, 2020				
Cost	$ 928,016	$ 181,160	$ 30,335	$ 1,139,510
Accumulated depreciation	(10,890)	-	(14,527)	(25,417)
Net carrying amount	$ 917,126	$ 181,160	$ 15,808	$ 1,114,094
Year ended December 31, 2021				
Balance - beginning of the year	**$ 917,126**	**$ 181,160**	**$ 15,808**	**$ 1,114,094**
Additions	**43,832**	**1,525,492**	**33,894**	**1,603,218**
Transfer to solar facilities in use	**248,316**	**(248,316)**	-	-
Depreciation	**(46,848)**	-	**(12,857)**	**(59,705)**
Foreign exchange differences	-	-	**90**	**90**
Balance - end of year	**$ 1,162,426**	**$ 1,458,336**	**$ 36,935**	**$ 2,657,697**
As at December 31, 2021				
Cost	**$ 1,220,164**	**$ 1,458,336**	**$ 64,229**	**$ 2,742,729**
Accumulated depreciation	**(57,738)**	-	**(27,294)**	**(85,032)**
Net carrying amount	**$ 1,162,426**	**$ 1,458,336**	**$ 36,935**	**$ 2,657,697**

The Company’s plant and equipment consists almost entirely of solar facilities that are either in use or under construction. The cost of solar equipment includes expenditures that are directly attributable to constructing the asset and readying it for use. These included borrowing costs of $36,606 in 2021 (2020 - $55,991).

8. Project development costs

	As at and for the year ended December 31,			
		2021		2020
Cost				
Beginning of period	**$**	**208,649**	$	-
Additions - consulting and design		**389,555**		181,933
Additions - commissions and finders' fees		**438,938**		-
Additions - right-of-use asset depreciation and lease interest expense		**531,082**		62,765
Transfers to solar facilities under construction		**(203,602)**		(36,049)
Write-off		**(72,208)**		-
Balance, end of year	**$**	**1,292,414**	$	208,649

The majority of the growth in the Company's project development costs is due to project development activity and lease contracts entered into during the current year. During 2021 the majority of the amount capitalized at December 31, 2020 was transferred to solar facilities under construction. Write-offs consist of costs that were initially capitalized for projects that were later determined should not proceed.

9. Other non-current assets

	As at December 31,			
		2021		2020
Notes receivable - third party - non-current portion	**$**	**416,332**	$	193,860
Note receivable - related party		**-**		100,000
Deferred loan fees		**71,712**		11,439
Deferred customer acquisition costs		**47,454**		-
Derivative asset - converible debenture (Note 12)		**10,765**		-
Other		**9,052**		1,106
	$	**555,315**	$	306,405

Notes receivable - third-party are associated with solar facility acquisition loans to customers in the Philippines. In the Philippines, in order to comply with local regulations, the current legal structure for self-financed (develop/build/own/operate) projects 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, subsequent to the commencement of commercial operations, receives interest income and energy generation income over the life of the solar facility. The balance receivable at December 31, 2021 represents three notes with a total balance of $431,199 at interest rates between 9.98% and 10.04%, and maturity dates between November 2034 and May 2036 (December 31, 2020 – two notes with a total balance of $200,263, the same interest rates, and maturity dates between November 2034 and October 2035). Please see Note 5 for detail of the current portion of these notes.

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

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

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

10. Trade and other payables

	As at December 31,	
	2021	**2020**
Trade payables	**$ 1,112,956**	$ 1,217,355
Accrued and other payables	**1,068,392**	2,284,882
Warranty provision	**-**	39,235
Taxes payable	**-**	292,283
Other	**14,549**	15,440
	$ 2,195,898	$ 3,849,195

At December 31, 2020 approximately $1 million of accrued payables related to the litigation discussed in Note 18, which was settled in the fourth quarter of 2021. Taxes payable at December 31, 2020 included the Company's 2020 income tax expense of $90,496 , with the remainder related to other ongoing corporate taxes associated with operations. There were no income taxes payable at December 31, 2021.

11. Right of use assets and lease liabilities

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

During the development and construction period, the Company defers expenses that are considered part of the development costs of the solar facilities, including commissions and finders' fees (see Note 8), as well as the depreciation expense associated with the right-of-use assets, and the interest expense associated with the lease liabilities. The deferred costs are amortized as a component of the solar facilities when they begin commercial operation. Commissions related to obtaining a land or rooftop lease agreement are considered part of the cost of the lease and included in the associated right-of-use asset. During the year ended December 31, 2021, the Company capitalized $140,843 of depreciation (year ended December 31, 2020 capitalized $15,963) and $390,239 lease interest (year ended December 31, 2020 capitalized $46,803), and included $386,105 of commissions in right-of-use assets (year ended December 31, 2020 nil). There were no similar amounts for commissions during the year ended December 31, 2020.

Right-of-use assets	Land and Rooftop	Other	Total
Year-ended December 31, 2020			
Balance - beginning of year	$ -	$ 49,538	$ 49,538
Additions	1,520,675	-	1,520,675
Amortization	(15,963)	(35,385)	(51,348)
Termination adjustment	-	(14,154)	(14,154)
Balance - end of year	$ 1,504,712	$ -	$ 1,504,712
As at December 31, 2020			
Cost	$ 1,520,675	$ -	$ 1,520,675
Accumulated depreciation	(15,963)	-	(15,963)
Net carrying amount	$ 1,504,712	$ -	$ 1,504,712
Year ended December 31, 2021			
Balance - beginning of year	**$ 1,504,712**	**$ -**	**$ 1,504,712**
Additions	**11,184,260**	**-**	**11,184,260**
Amortization	**(177,150)**	**-**	**(177,150)**
Termination adjustment	**(330,284)**	**-**	**(330,284)**
Balance - end of year	**$ 12,181,538**	**$ -**	**$ 12,181,538**
As at December 31, 2021			
Cost	**$ 12,704,934**	**$ -**	**$ 12,704,934**
Accumulated depreciation	**(193,112)**	**-**	**(193,112)**
Termination adjustment	**(330,284)**	**-**	**(330,284)**
Net carrying amount	**$ 12,181,538**	**$ -**	**$ 12,181,538**

Lease liabilities	Land and Rooftop	Other	Total
Year ended December 31, 2020			
Balance - beginning of year	$ -	$ 58,841	$ 58,841
New obligations	1,520,674	-	1,520,674
Payments	(11,500)	(34,405)	(45,905)
Interest accretion	46,803	-	46,803
Termination adjustment	-	(24,436)	(24,436)
Balance - end of year	$ 1,555,977	$ -	$ 1,555,977
As at December 31, 2020			
Current	$ 34,633	**$** -	$ 34,633
Long term	1,521,344	-	1,521,344
Net carrying amount	$ 1,555,977	$ -	$ 1,555,977
Year ended December 31, 2021			
Balance - beginning of year	**$ 1,555,977**	**$ -**	**$ 1,555,977**
New obligations	**11,030,911**	**-**	**11,030,911**
Payments	**(77,700)**	**-**	**(77,700)**
Interest accretion	**475,953**		**475,953**
Termination adjustment	**(371,629)**	**-**	**(371,629)**
Balance - end of year	**$ 12,613,512**	**$ -**	**$ 12,613,512**
As at December 31, 2021			
Current	**$ 463,775**	**$ -**	**$ 463,775**
Long term	**12,149,737**	**-**	**12,149,737**
Net carrying amount	**$ 12,613,512**	**$ -**	**$ 12,613,512**

At December 31, 2021, the Company modified its previous assessment that its rooftop leases did not meet the definition of a lease under *IFRS 16 – Leases* ("IFRS 16"). The Company therefore incorporated the impact of this reassessment using a modified retrospective approach. Under this approach, the impact of applying IFRS 16 since the inception date of each lease was included in the statement of financial position at December 31, 2021 and the statement of operations and comprehensive loss for the year ended December 31, 2021. This resulted in an increase to each of right-of-use assets and lease liabilities of $212,504 in 2021 rather than 2020.

Additional information regarding the Company's leases is shown below.

Lease amounts recognized in profit and loss	Land and Rooftop	Other	Total
Year ended December 31, 2020			
Interest on lease liabilities	$ -	$ 7,301	$ 7,301
Expenses relating to leases of low-value assets	-	40,087	40,087
Total recognized during year	$ -	$ 47,388	$ 47,388
Year ended December 31, 2021			
Interest on lease liabilities	**$ 13,564**	**$ -**	**$ 13,564**
Expenses relating to short-term leases	**-**	**44,133**	**44,133**
Total recognized during year	**$ 13,564**	**$ 44,133**	**$ 57,697**

Lease payments included in statement of cash flows	Land and Rooftop	Other	Total
Year ended December 31, 2020	$ -	$ 92,234	$ 92,234
Year ended December 31, 2021	**$ 77,700**	**$ 43,655**	**$ 121,355**

12. Debt

OPERATING DEBT		Maturity	Contractual Rate	Original Currency	As at December 31, 2021	As at December 31, 2020	Financing costs [1] Year ended December 31, 2021	Financing costs [1] Year ended December 31, 2020
UGE International								
Convertible debenture	(i)	Oct-21	8.0%	CAD 720,000	**$ -**	$ 515,707	**$ 85,533**	$ 101,291
Convertible debenture	(ii)	Oct-23	6.5%	CAD 2,000,000	**1,379,536**	$ -	**$ 35,416**	$ -
Aquisition loan	(iii)	Sep-21	8.0%	CAD 750,000	**-**	588,525	**6,682**	69,561
Short term loan	(iv)	none	7.5%	CAD 101,873	**-**	79,940	**1,655**	7,362
UGE Canada RE								
Canada Emergency Business Account	(v)	Dec-22	0.0%	CAD 60,000	**38,717**	29,080	**2,870**	1,473
UGE Consulting								
Canada Emergency Business Account	(v)	Dec-22	0.0%	CAD 60,000	**38,717**	29,080	**2,870**	1,473
UGE USA								
Paycheck protection program (PPP 1)	(vi)	Apr-22	1.0%	USD 131,998	**15,600**	31,851	**2,687**	2,214
Economic injury disaster loan (EIDL)	(vii)	Jun-50	3.75%	USD 500,000	**514,792**	152,481	**17,369**	6,683
Debt to former subsidiary	(viii)	Sep-23	8.0%	USD 350,000	**-**	350,000	**5,684**	31,854
UGE Philippines								
Bank loan	(ix)	Dec-27	8.00%	PhP 9,000,000	**162,831**	439,027	**17,269**	47,430
Total					**$ 2,150,193**	$ 2,215,691	**$ 178,035**	$ 269,341
Current portion					**$ 145,630**	$ 1,466,074		
Non-current portion					**$ 2,004,563**	$ 749,617		

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

Please see Note 19(d) *Liquidity risk* for a maturity profile for the above loans.

(i) *Convertible debenture* - On October 14, 2021, under the contractual terms permitting conversion at CAD $0.96 per share, the CAD $720,000 face value of this convertible debenture, together with CAD $28,721 of accrued interest, was converted into 779,918 common shares.

At issue, the debentures' net proceeds of CAD $619,439 (US $467,800) were separated into the liability component of CAD $486,210 (US $367,186), the equity component of CAD $100,067 (US $75,571), and 60,000 broker warrants valued at CAD $26,162 (US $19,758) and exercisable at CAD $1.40, which expired unexercised on October 23, 2020. The liability was carried at amortized cost using the EIR method with an effective interest rate of 18.12% per annum. Transaction costs of CAD $107,561 (US $81,230) were paid in relation to the debentures. The debenture was secured by the Company's assets under a general security agreement. During 2021, prior to the October 14 conversion, the Company recorded accretion expense of $50,161 (year ended December 31, 2020 - $57,684). Interest was payable semi-annually with principal due at maturity if not converted.

(ii) *Convertible debenture* – On October 31, 2021, the Company issued convertible debentures with a principal amount of CAD $2.0 million (USD $1.62 million). The debentures have an interest rate of 6.5%, payable semi-annually, mature on October 31, 2023, and are convertible into common shares at a rate of CAD $1.80 per share. The debentures also contain a call option (the "Call Option"), under which the Company has the option to redeem the debentures at a conversion price of CAD $1.80 per share, on or after the date that is twelve months from the October 31, 2021 issue date, provided the Company's common shares have achieved a 20-day volume-weighted average trading price of $2.40 or higher. The Company determined that the Call Option is a derivative asset that must be accounted for separately, with changes in the fair value of the derivative asset included in profit and loss.

At issue, the fair value of the debentures' net proceeds of CAD $1,864,106 (US $1,506,757) was separated into the liability component of CAD $1,726,010 (US $1,395,134) and the equity component of CAD $138,096 (US $111,623). The liability is carried at amortized cost using the EIR method with an effective interest rate of 13.35% per annum. Transaction costs of CAD $135,894 (US $109,843) were paid in relation to the debentures. The fair value of the Call Option at the issue date was determined to be CAD $15,947 (US $12,890). It was valued using the Black-Scholes option pricing model based on the following assumptions: volatility of 103%, risk-free interest rate of 0.42%, expected life of 2 years and share price of CAD $1.75, and management judgment regarding the probability of the Call Option being exercised. The Call Option must be revalued at each reporting date, with changes in fair value recorded through profit and loss. At December 31, 2021 the fair value of the Call Option was determined to be CAD $13,648 (US $10,765).

(iii) *Acquisition loan* - This loan was secured by project receivables generated by UGE RE Inc. and a general security on UGE Canada Ltd., with the entities subsequently amalgamating to form UGE Canada RE Ltd. In addition to the interest charges, the loan incurred quarterly service charges of CAD $3,750, which were recognized as financing costs. Interest was paid quarterly with the principal due at maturity. In Q1 2021, the outstanding principal amount of the loan plus accrued interest and service charges was converted to common shares of the Company for CAD $2.65/unit, resulting in the issuance of 286,220 common shares and 143,110 warrants.

(iv) *Short term loan* - In Q1 2021 the principal amount of this loan plus accrued interest was paid in full.

(v) *Canada Emergency Business Account* – In 2020 UGE Canada RE and UGE Consulting each received an initial CAD $40,000 under the Canada Emergency Business Account loan program that was offered in response to the COVID-19 pandemic, and in April 2021 each entity received an additional CAD $20,000 under an expansion to the program, bringing each entity's loan to CAD $60,000. At December 31, 2021, the loan terms provided that if 75% of the loan was repaid by the December 2022 maturity date, 33% (CAD $20,000) of each loan would be forgiven; if not repaid, the loans would be converted to 3-year term loans at 5% annual interest, paid monthly, with the full principal due on December 31, 2025. Subsequent to the date of these consolidated financial statements, in January 2022, the forgiveness repayment date was extended to December 31, 2023, after which loans not repaid would be converted to 2-year term loans at 5% annual interest, payable at a frequency to be determined at the time, with the full principal due on December 31, 2025. The Company has not recorded the potential loan forgiveness.

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

(vi) *Paycheck Protection Program* – In response to the COVID-19 pandemic, the US government, through the Small Business Administration ("SBA"), provided loans to qualifying companies. The Company received a loan of $131,998 under this program. In 2020, the Company applied for loan forgiveness in the amount of $99,967, which in management's judgment would be approved, and as such this amount was recognized as other income in 2020. The Company received approval of the forgiveness in May 2021. Monthly repayments of the remaining balance began in November 2021, and the loan will be paid in full at April 30, 2022. The interest rate on this loan is at below market terms and the benefit of $6,034 associated with the below market terms is being recognized over the term of the loan. The loan is being amortized using an effective interest rate of 6.14%.

In February 2021 the Company received an additional $120,811 under this program. The Company determined that it meets the terms for the loan to be forgiven, and in Q2 2021 the Company recognized $120,811 in other income associated with this forgiveness. The Company submitted its application for forgiveness in November 2021, and in February 2022, subsequent to the date of these consolidated financial statements, received approval of the forgiveness.

(vii) *Economic Injury Disaster Loan ("EIDL")* - In response to the COVID-19 pandemic, the US government, through the SBA, provided loans to qualifying companies. In 2020, the Company received a loan of $150,000 under this program. The interest rate on the EIDL is at below market terms and the Company recognized an estimated benefit of $63,966, to be amortized over the term of the loan at a discount rate of 9.05%.

Subsequently, on July 13, 2021, the SBA advanced an additional $350,000, bringing the Company's total advances under the EIDL program to $500,000. In connection with the additional advance, the terms of the loan agreement were modified. Payments on the total advances of $500,000 have been deferred until June 15, 2022. The estimated benefit increased to $226,090, to be amortized over the term of the loan at a discount rate of 9.08%

Subsequent to the date of these consolidated financial statements, on February 19, 2022, the SBA advanced an additional $417,900, bringing the Company's total advances under the EIDL program to $917,900. Payments on the total advances will begin on June 15, 2022.

(viii) *Debt to former subsidiary* - Upon conversion of a divestment loan from debt to equity, a $350,000 loan was issued to the Company's former subsidiary, Urban Green Energy HK Ltd. Interest was payable quarterly with principal due at maturity. In Q1 2021 the principal amount of this loan plus accrued interest was paid in full.

(ix) *Bank loan* – Term loans are due upon completion of the construction of projects and have a security interest in the projects. In Q1 2021, the $251,680 current portion of the $439,027 outstanding balance at December 31, 2020 was repaid.

PROJECT DEBT	Note	Maturity	Contractual Rate	Original Currency	As at December 31, 2021	As at December 31, 2020	Financing costs [1] Year ended December 31, 2021	Financing costs [1] Year ended December 31, 2020
UGE USA								
Construction financing	(i)		8.5%		**1,290,272**	$ 205,630	**$ 36,607**	$ 88,269
Operating project debt	(ii)	2028	5.9%-7.4%		**1,076,889**	987,204	**76,907**	19,713
Tax equity financing	(iii)				**432,602**	249,131	**20,946**	14,291
UGE Project Holdco.								
Green Bonds	(iv)	Sep-23	7.0%	CAD 500,000	**372,033**	357,813	**40,416**	37,641
Green Bonds	(iv)	Jan-25	7.0%	CAD 105,000	**72,210**	68,501	**9,239**	8,207
UGE Project Development Holdco.								
Secured debentures	(v)	2021	12.0%	CAD 30,000	**-**	23,541	**1,244**	2,672
Total					**$ 3,244,006**	$ 1,891,820	**$ 185,359**	**$ 170,793**
Current portion					**$ 104,509**	$ 190,761		
Non-current portion					**$ 3,139,497**	$ 1,701,059		

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

Construction loan finance costs are capitalized.

TOTAL DEBT	As at December 31, 2021	As at December 31, 2020
Current portion	**$ 250,139**	$ 1,656,835
Non-current portion	**$ 5,144,060**	$ 2,450,676

Please see Note 19(d) *Liquidity risk* for a maturity profile for the above loans.

(i) *Construction financing* – The Company enters into construction financing arrangements to fund the construction of solar facilities, with funds drawn based on project milestones. The financing is secured against the solar facility under construction and is converted to long term project debt when commercial operations commence. At December 31, 2021, the Company had outstanding advances for two solar facilities. The Company defers origination fees and capitalizes borrowing costs (see Note 8 and Note 11) during the construction period. Origination fees are subsequently amortized over the project debt term, and borrowing costs are included in the carrying cost of the underlying project.

(ii) *Operating project debt* – At December 31, 2021, the Company had project loans for four solar facilities. The loans have 7-year terms with 20-year amortization schedules, and interest rates between 5.90% and 7.39%. Interest and principal are payable monthly. The project debt is secured by the underlying solar facilities.

(iii) *Tax equity financing* – As described above in Note 3, the Company owns and operates certain solar facilities in the US under subsidiaries that are set up as tax equity structures to finance the capital cost of the solar facilities. Amounts paid by the TEIs for their equity stakes are classified as debt on the consolidated statements of financial position and are measured at amortized cost using the EIR method. Amortized cost is affected by the allocation of ITCs, taxable income, and accelerated tax depreciation. Financing expenses represent the interest accretion using the EIR. The EIR of the tax equity financing ranges between 0% and 16.2%, the loan value between $100,000 and $200,000, and the percentage of ownership between 65% and 99%, reflecting the allocation of taxable income or loss prior to the flip date. The flip date for all active financings has been estimated at 7 years .

(iv) *Green Bonds* – On October 23, 2018, the Company completed an offering of CAD $500,000 of Secured Green Bonds. The coupon is 7% and the effective interest rate is 10.13%. For each $1,000 of principal issued in bonds, the Company issued 25 bonus units (the "Bond Units") consisting of one common share of the Company (the "Bond Unit Shares") and half of one common share purchase warrant (each whole warrant, a "Bond Unit Warrant") resulting in the issuance of 12,500 Bond Unit Shares, and 6,250 Bond Unit Warrants. Each Bond Unit Warrant could be exercised by the holder for one common share of the Company at an exercise price of CAD $1.40 per share up to October 23, 2020. The Bond Unit Warrants expired unexercised. In addition, 21,429 broker warrant purchase units were issued at an exercise price of CAD $1.40, expiring October 23, 2020. Each warrant entitled the holder thereof to acquire a unit of the Company consisting of one common share and half of one common share purchase warrant for a period of 24 months from the offering's closing date, with each warrant being exercisable for one common share at an exercise price of CAD $1.40 per share for a period of 24 months from the closing date. The broker warrants expired unexercised. On January 24, 2020, the Company completed a second offering of Secured Green Bonds in the aggregate amount of CAD $105,000 (US $83,073). The coupon is also 7% and the effective interest rate is 11.18%. The bonds are secured against projects of the Company with security interest owned by the Company's wholly owned subsidiary, UGE Project HoldCo Ltd. During the year ended December 31, 2021, the Company recorded accretion expense of $15,884 (year ended December 31, 2020 - $14,822). Interest is payable semi-annually with the principal due at maturity.

(v) *Secured debentures* – In February and October of 2019, the Company's wholly-owned subsidiary, UGE DevCo, issued debentures secured by the Company's solar projects, in aggregate equal to CAD $30,000 and paying 12% interest. Interest was payable quarterly with principal due at maturity. In Q1 2021 these debentures plus accrued interest were paid in full.

13. Other non-current liabilities

	As at December 31, 2021	2020
Decommissioning liabilities	**$ 17,829**	$ 10,948
Accrued payables	**332,570**	-
Other	**12,581**	-
	$ 362,980	$ 10,948

Decommissioning liabilities are the present value of the Company's estimated cost to dismantle and remove a solar facility at the end of its useful life. They are established when the Company constructs a solar facility and form part of the facility's cost. Decommissioning liabilities are accreted to their full value over a facility's lifetime, with the accretion reported as a component of finance costs.

At December 31, 2021 the decommissioning liabilities reported above related to four operating solar facilities in the US (December 31, 2020 – three operating solar facilities). The provisions were calculated using discount rates between 6.19% and 7.39% reflective of the risk-free rate. The decommissioning of the facilities is expected to occur between July 2045 and July 2046.

Accrued payables include commissions and finders' fees for leases and solar facility projects that are not expected to be paid within the next twelve months. They also include non-current accrued liabilities payable to tax equity investors.

14. Other expense (income)

	Year ended December 31, 2021	2020
Government grants and loan forgiveness - COVID 19 related	**$ (437,218)**	$ (380,906)
Net gain on debt settlement	**(208,866)**	(1,010,251)
Net gain on proposal under the BIA	**(27,595)**	(849,037)
Net gain on other trade payables settlements	**(25,043)**	(219,624)
Net (gain) loss on exchange of shares and warrants for debt	**-**	46,041
Warranty expiration	**(39,784)**	-
Gain on sale of solar facility	**-**	(194,623)
Tax equity investor allocations	**302,560**	(94,952)
Other	**(61,394)**	(51,464)
	$ (497,340)	$ (2,754,816)

During 2020 through to October 2021, the Company received grants through the Canadian Employer Wage Subsidy program, which have been recognized as income from government grants related to COVID 19. Additionally, during 2021, the Company received a second loan under the US SBA Paycheck Protection Program. The Company met all requirements for the loan to be forgiven, and therefore recognized loan forgiveness of $120,811 in 2021, which was subsequently confirmed by the SBA in February 2022.

In November 2021, the Company settled the litigation discussed below in Note 18, relating to three projects contracted with a US solar developer. Under the terms of the settlement agreement, the Company reversed approximately $1 million of both accounts receivable and accounts payable and recognized a gain of $208,866.

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

During 2021, the Company negotiated settlements of outstanding balances with individual creditors, resulting in a gain of $25,043. Similar negotiations during 2020 resulted in a gain of $219,624.

During 2021, warranties that the Company's Canadian EPC business had provided in prior years expired, resulting in a gain of CAD $50,000 (US $39,784).

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

During 2020, the Company settled two outstanding operating debts, being net $1,200,000 and $241,983, respectively, for less than the amount owing. This resulted in a gain on debt settlement of $1,010,251.

During 2020, the Company recognized total losses of $46,041 on exchange of CAD $306,677 for 1,382,407 shares, and CAD $24,313 debt for 125,000 common share warrants. The Company did not experience a gain or loss on either the 2021 exchange of shares for debt that is described above under Note 12, *(iii) Acquisition loan*, or the 2021 conversion of convertible debt into common shares that is described above under Note 12, *(ii) Convertible debenture*.

15. Finance costs

	Year ended December 31,	
	2021	**2020**
Interest on operating and project debt	**$ 222,069**	$ 284,297
Interest on tax equity financing	**20,946**	14,291
Interest on lease liabilities	**13,564**	7,301
Accretion expenses	**85,065**	72,739
Finance Income	**(42,048)**	(1,124)
Other	**8,902**	43,048
	$ 308,498	$ 420,552

The Company's finance costs are primarily associated with its operating and project debt. Please see Note 12 for more detail of individual loan finance costs.

16. Share capital

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

The issued and outstanding share capital is as shown below:

	Year ended December 31,			
	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	**28,164,252**	**$ 22,854,278**	20,250,439	$ 20,050,151
Private placement of shares, net of costs	**2,645,000**	**3,411,884**	3,908,156	1,245,885
Stock option exercises	**316,217**	**175,848**	473,584	237,723
Warrant exercises	**47,801**	**76,230**	2,149,666	1,045,496
Debt to equity conversions	**1,066,138**	**1,047,435**	1,382,407	275,023
Balance at end of year	**32,239,408**	**$ 27,565,675**	28,164,252	$ 22,854,278

Private placement equity financing and warrants

On February 17, 2021, the Company completed a brokered private placement of 2,645,000 units ("2021 Units") for gross proceeds of CAD $7.01 million (US $5.51 million). Each 2021 Unit consists of one common share of the Company and one half of one common share purchase warrant for an issuance price of CAD $2.65 per 2021 Unit. Each 2021 Unit warrant entitles the holder to purchase one common share of the Company for CAD $3.30 for 24 months from the date of issuance. Following the one-year anniversary of the issuance the 2021 Unit warrants accelerate expiry if the price of the common shares of the Company equals or exceeds CAD $4.50 for ten consecutive trading days. In connection with the offering the Company paid the underwriters a cash commission of CAD $420,555 (US $330,851) and issued 158,700 in broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company for CAD $2.65 until February 17, 2023. Other closing costs were CAD $201,072 (US $158,238).

The 2021 Units and broker warrants were valued at CAD $1,814,268 (US $1,427,285) and CAD $236,329 (US $185,920), respectively, using the following significant assumptions: expected life of 24 months, volatility of 117%, and a risk-free rate of 0.15%.

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

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

Shares for conversion of debt to equity

During 2021, the Company converted two debt balances to common shares (Note 12).

On February 17, 2021, concurrent with the private placement described above, the Company converted CAD $750,000 (US $596,682) of debt and CAD $8,462 (US $6,657) in accrued interest and fees, originally issued on September 24, 2018 and otherwise maturing September 24, 2021, into 286,220 units. Each unit consisted of one common share of the Company and one half of one common share purchase warrant at a conversion price of $2.65 per unit. The unit warrants have the same terms and conditions as the 2021 Unit warrants described above and were valued at CAD $196,311 (US $154,438) using the significant assumptions described above for the 2021 Unit warrants and broker warrants.

On October 14, 2021, under the contractual terms permitting conversion at CAD $0.96 per share, a convertible debenture with a face value of CAD $720,000, together with CAD $28,721 of accrued interest, was converted into 779,918 common shares. The convertible debenture had been issued in October 2018.

Shares for conversion of accounts payable to equity

In Q1 and Q3 of 2020, the Company converted certain accounts payable balances to common shares, as shown below, recording associated losses of $41,380 in Q2 2020 and $4,661 in Q3 2020. There were no conversions of accounts payable balances during 2021.

Date	Type		Balance converted (CAD)	Average conversion price (CAD)	Number of common shares
08-Jan-20	Accounts payable & executive bonuses	$	61,042	$0.160	382,292
14-Feb-20	Accounts payable & executive bonuses		39,226	0.249	157,500
06-Mar-20	Accounts payable & executive bonuses		60,493	0.186	325,000
06-Jul-20	Accounts payable & executive bonuses		115,917	0.264	438,667
17-Aug-20	Accounts payable & executive bonuses		30,000	0.380	78,948
Total for the year ended December 31, 2020		**$**	**306,678**	**$0.22**	**1,382,407**

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

Warrants

The Warrant activity is as shown below:

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

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2019	Issued	Expired	Exercised	Outstanding at December 31, 2020
15-Jun-18	14-Jun-20	$1.60	312,500	-	(312,500)	-	-
23-Oct-18	23-Oct-20	$1.40	87,679	-	(87,679)	-	-
08-Feb-19	08-Feb-21	$0.80	517,467	-	-	(469,666)	47,801
27-Feb-20	27-Aug-21	$0.33	-	1,580,000	(25,000)	(1,555,000)	-
05-Mar-20	05-Sep-20	$0.33	-	125,000	-	(125,000)	-
23-Dec-20	23-Jun-22	$2.40	-	454,077	-	-	454,077
23-Dec-20	23-Dec-22	$1.80	-	26,550	-	-	26,550
			917,646	2,185,627	(425,179)	(2,149,666)	528,428

Stock Options

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

The stock option activity for the years ended December 31, 2021 and 2020 is as shown below:

	Year ended December 31,					
	2021			2020		
	Number of options		Weighted average exercise price (CAD)	Number of options		Weighted average exercise price (CAD)
Balance at beginning of year	**2,997,617**	**$**	**0.49**	1,255,626	$	0.42
Granted	**931,002**		**1.43**	2,446,802		0.47
Exercised	**(316,233)**		**0.38**	(473,584)		0.33
Expired	**(108,500)**		**1.75**	(37,500)		0.71
Forfeited	**(156,601)**		**0.85**	(193,727)		0.29
Balance at end of year	**3,347,285**	**$**	**0.70**	2,997,617	$	0.49
Balance exercisable at end of year	**2,162,558**	**$**	**0.62**	1,360,641	$	0.49

During the year ended December 31, 2021, the Company recorded share-based compensation expense of $651,633 (year ended December 31, 2020 - $462,094) in the consolidated statement of operations and comprehensive loss, relating to stock options issued to employees, directors, and consultants. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

The Company made the following option grants during 2021:

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

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

100,000 options to a newly-hired officer on October 4, 2021. The inputs to the Black-Scholes option pricing model were an expected life of 3.00 years, expected volatility of 109.6%, expected dividend rate of 0%, and a risk-free interest rate of 0.42%.

The Company's outstanding options at December 31, 2021 are as shown below:

Exercise price CAD $	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$0.125	120,000	120,000	0.99
0.13	80,000	80,000	0.99
0.24	851,800	362,600	3.47
0.28	200,000	200,000	2.54
0.32	326,075	204,383	2.49
0.43	300,000	300,000	0.54
0.52	87,458	87,458	1.91
0.70	62,500	62,500	2.18
0.78	280,000	280,000	1.72
1.16	64,925	64,925	1.42
1.32	2,500	2,500	1.37
1.41	475,000	220,833	2.75
1.46	379,502	126,501	2.46
1.80	100,000	33,333	3.95
2.44	17,525	17,525	0.47
$0.70	**3,347,285**	**2,162,558**	**2.44**

Dilutive shares

The Company had a net loss for all periods presented, and therefore did not include potential common share equivalents in the calculation of diluted net loss per share, as these would be anti-dilutive. The Company's potential dilutive common share equivalents include its convertible debenture (see Note 12), its outstanding common share purchase warrants, and its outstanding options to purchase common shares. The effect of including these dilutive common share equivalents would increase the weighted average number of common shares outstanding to 36,186,400 for the year ended December 31, 2021.

17. Segmented information

Operations take the form of EPC, engineering services, or the energy generation from the develop-build-own-operate solar facilities model. Revenue and cost of goods sold are the primary means by which management evaluates operations. During the years ended December 31, 2021 and 2020, the Company had the following revenues and cost of goods sold from each of these business lines:

	Year ended December 31,	
	2021	**2020**
GROSS PROFIT		
EPC revenue	**$ 2,264,368**	$ 1,202,885
Cost of goods - EPC	**1,646,410**	796,938
Gross profit - EPC	**617,958**	405,947
Engineering services revenue	**246,655**	204,553
Cost of goods - engineering services	**150,793**	105,772
Gross profit - EPC and consulting	**95,862**	98,781
Energy generation revenue	**189,045**	32,243
Cost of goods - energy generation	**31,595**	17,386
Gross profit - energy generation	**157,450**	14,857
TOTAL REVENUE	**2,700,068**	1,439,681
TOTAL COST OF GOODS	**1,828,798**	920,096
TOTAL GROSS PROFIT	**871,270**	519,585

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

During the year ended December 31, 2021 the Company had two (year ended December 31, 2020 - three) customers that individually accounted for more than 10% of consolidated revenue as listed below.

	Year ended December 31,	
	2021	**2020**
Customer 1	**49%**	20%
Customer 2	**11%**	18%
Customer 3	**N/A**	15%

18. Contingencies

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

In 2019, UGE USA settled the dispute related to one of the three projects with the Developer. The Company also accrued for damages that could be levied on the settlement of the third project, with the project-related loss included in the statement of operations and comprehensive loss for the year ended December 31, 2019. The total amount accrued on this project was $1,074,707, which was included in trade and other payables (see Note 10). The Company also continued to record amounts owed of $1,130,274, which were included in trade receivables (see Note 5). In November 2021, a full and final settlement was reached. The

accrued payable and trade receivable referenced above were reversed, and together with other miscellaneous items, the Company recorded a gain of $208,866, which was recorded in other income in the statement of operations and comprehensive loss. The settlement proceeds were received in January 2022.

UGE Canada RE is a party to a collaboration agreement with a Canadian solar developer, which saw the two parties complete a portfolio of solar projects, mostly throughout 2017 with the final two sites being completed in early 2018. In 2018, UGE Canada Ltd and UGE International Ltd. jointly 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 outcome of these claims, either individually or in the aggregate, is not expected to have a material impact on the Company's financial position or financial performance.

19. Financial Instruments

Fair value

The Company's financial instruments that are measured at fair value on a recurring basis on the consolidated statements of financial position are currently cash, restricted cash, and the derivative asset associated with the convertible debentures. The cash and restricted cash are Level 1 financial instruments. The derivative asset is a Level 3 financial instrument.

The Company's exposure to financial instruments on a day-to-day basis is limited to the cash and restricted cash it holds, trade and other receivables excluding HST and VAT, trade and other payables, and debt. These financial instruments, with the exception of the debt instruments, are considered Level 1. Their fair values approximate carrying value because of the short-term nature of these instruments. With the exception of certain loans payable that are discussed in Note 12, the carrying values of the majority of the Company's loans payable approximate their fair value, given that interest rates have not changed materially during the term the Company has held the loans. The Company's debt instruments held at amortized cost are Level 2 financial instruments. The Company's debt instruments that were recorded at fair value when issued, comprising its convertible debt, its Green Bonds, and its government-sponsored COVID-19 relief loans, are Level 3 financial instruments. This is due to the fact that their fair value was determined using unobservable inputs. The derivative asset referenced above, which was valued at approximately $11,000 at December 31, 2021, is not material. It is a Level 3 financial instrument, as its fair value was determined using unobservable inputs.

Financial risk management

The Company is exposed to a number of financial risks arising in the normal course of business, as well as through its financial instruments. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

(a) *Interest rate risk*

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

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

(b) *Foreign currency risk*

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

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

	As at December 31,	
	2021	2020
Financial assets		
Cash	**28,948**	16,566
Trade Receivables	**115,555**	30,259
Financial liabilities		
Accounts payable	**116,760**	5,875

Based on the financial assets and liabilities held at December 31, 2021, a 5% increase or decrease in foreign exchange rates, with all other variables held constant, would result in a foreign exchange gain or loss in the statement of operations and comprehensive loss of approximately $6,093 (December 31, 2020 - $2,600).

(c) *Credit risk*

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

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

At December 31, 2021, the Company has provided $90,028 (December 31, 2020 - $248,706) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. At December 31, 2021, there were $284,556 outstanding accounts receivable aged more than 30 days. The majority of this amount was for a single vendor and was collected in January 2022. Of the remaining balance, $21,208 was deemed doubtful and was fully provided against at December 31, 2021. Please see Note 5 for more information.

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans. At December 31, 2021, the contractual maturities of financial liabilities, including estimated interest payments, are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Trade and other payables	$ 2,528,468	$ 2,528,468	$ 2,195,898	$ 281,470	$ 51,100	$ -
Commitments	-	112,061	112,061	-	-	-
Project loans payable	3,244,006	4,347,270	290,955	682,437	791,057	2,582,821
Operating loans payable	2,150,193	2,934,081	268,802	1,747,394	188,745	729,140
Lease liabilities	12,613,512	44,225,148	463,775	942,496	3,716,998	39,101,879
	$20,536,178	**$54,147,027**	**$ 3,331,491**	**$ 3,653,797**	**$ 4,747,900**	**$42,413,840**

20. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 – 26.5%) to the effective tax rate is as follows:

	2021	2020
Net loss before income taxes	**$ (4,324,577)**	$ (901,410)
Expected income tax expense (recovery)	**$ (1,146,013)**	$ (238,874)
Tax rate changes and other adjustments	**(700,199)**	(28,520)
Share based compensation and other non-deductible expenses	**(6,423)**	42,738
Taxable intercompany income	**-**	139,468
Share issuance costs booked directly to equity	**(427,198)**	(37,772)
ITC and tax depreciation allocated to tax equity investors	**135,849**	107,831
True-up	**499,826**	-
Change in tax benefits not recognized	**1,481,384**	105,624
Income tax expense	**$ (162,774)**	$ 90,496
The Company's income tax expense is allocated as follows:		
Current tax (recovery) expense	**(162,774)**	90,496
Deferred tax (recovery) expense	**-**	-
Income tax expense	**$ (162,774)**	$ 90,496

The following table details the components of the Company's deferred tax assets and deferred tax liabilities:

	2021	2020
Deferred Tax Assets		
Lease liabilities	**$ 3,999,932**	$ 500,010
Share issuance costs	**-**	780
Reserves and others	**470,555**	11,880
Non-capital losses carried forward - Canada	**-**	572,290
Non-capital losses carried forward - US	**-**	468,030
	4,470,487	1,552,990
Deferred Tax Liabilities		
Intercompany Loans	**-**	(570,384)
Property, plant and equipment	**(563,301)**	(392,150)
Right of use assets	**(3,862,947)**	(500,010)
Project development costs	**(22,741)**	(73,560)
Others	**(21,498)**	(15,780)
	(4,470,487)	(1,551,884)
Net Deferred Tax Asset	**$ -**	**$ 1,106**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Accounts payable and accrued liabilities	**$ -**	$ 959,210
Share issuance costs	**582,200**	259,200
Non-capital losses carried forward - Canada	**6,666,870**	2,444,340
Non-capital losses carried forward - US	**7,040,790**	2,990,340
Non-capital losses carried forward - Philippines	**360,950**	343,150
Capital losses carried forward	**14,699,310**	14,699,310
Share based compensation	**-**	248,030
Interest expenses	**-**	739,460
Other	**172,170**	56,530
Total	**$ 29,522,290**	**$ 22,739,570**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

Capital losses carried forward can be carried forward indefinitely to offset capital gains.

Operating losses from operations in the United States of approximately $7,040,794 (2020 – $4,570,163) may be used to offset future taxable income in the United States. The losses can be carried forward indefinitely.

Operating losses from operations in Canada of $6,666,867 (2020 - $3,740,054) may be used to offset future taxable income in Canada and expire as follows:

2036 - $ 83,244
2037 - $ 267,773
2038 - $ 156,136
2039 - $1,041,008
2040 - $2,191,893
2041 - $2,926,813

Share issue costs incurred in 2020 and 2021 will be fully amortized in 2024 and 2025, respectively. The remaining deductible temporary differences may be carried forward indefinitely.

21. General and administrative expenses

	Year ended December 31,	
	2021	**2020**
Salaries and benefits	**$ 3,014,535**	$ 1,669,034
Share-based compensation	**651,633**	462,094
Development costs	**128,815**	135,540
Corporate and office	**1,379,755**	1,011,208
Insurance	**172,299**	212,691
Travel and marketing	**124,248**	112,513
	$ 5,471,285	$ 3,603,080

22. Related party transactions

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

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

As at, and during the years ended, December 31, 2021 and 2020, the Company had the following related party transactions:

- one officer is an investor in the convertible debenture that was issued by the Company in 2021 (Note 12). The officer's investment is CAD $46,000 (US $36,285) and its terms and conditions are identical to the terms and conditions of the investments that were made by third parties.

- 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 December 31, 2020 the carrying amount of the associated tax equity liabilities was $249,131. During 2021, one director became a tax equity investor in a tax equity partnership controlled by the Company for a total investment of $200,000. At December 31, 2021, the total carrying amount of the tax equity liabilities was $429,375 and the Company had recorded accrued distributions payable of $281,470.

- 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 December 31, 2021, the lease liability associated with this lease is $163,112 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 2021, the Company's engineering division began providing engineering and consulting services to a company for which one of the Company's directors is in a management and ownership position. The Company's director was not involved in negotiating the contracts, which are on the market terms and conditions offered by the Company's engineering division. The Company recognized revenue of $27,213 during 2021;

- 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 2021.

- during 2020, the Company settled $22,930 in director compensation with one then-current and two former directors for 187,500 common shares. There were no similar transactions during 2021.

23. Key management personnel

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and comprise the members of the executive management team and the Board of Directors. The amount of compensation expense recognized for key management personnel for the years ended December 31 is as shown below:

	2021	2020
Salaries and commissions	**$ 755,056**	$ 562,273
Share-based compensation	**496,444**	349,713
	$ 1,251,499	$ 911,986

24. Subsequent Events

On April 8, 2022 the Company closed a non-brokered private placement of secured project development bonds (the “Bonds”) and issued CAD $2,874 million (US $2,283 million) in aggregate principal amount of Bonds. Each Bond has a face value of CAD $1,000, an 8% coupon, and four-year maturity. The Company has the option to call the Bonds at any time following the two-year anniversary of the issue date, in return for payment of one additional month’s interest. For each Bond issued, subscribers received 70 warrants to purchase the Company’s common shares. Each warrant has a strike price of $2.00 and expires 18 months after the issue date. A total of 201,180 warrants were issued. The Bonds are secured by collateral pledged by UGE USA Inc., a subsidiary of the Company.

On February 19, 2022 the SBA advanced to the Company an additional $417,900 under the EIDL program, bringing the Company’s total advances under the program to $917,900. On March 15, 2022 the SBA announced additional deferment of principal and interest payments, for a total of 30 months from the loan inception. The Company will therefore begin repayment of the EIDL advances on December 15, 2022 rather than June 15, 2022.

On January 12, 2022 the Company announced that it had extended its agreement with Sophic Capital in the role of capital markets advisor. The 12-month extension included 200,000 options to purchase common shares. The options vest in equal parts of 50,000 per quarter and will expire January 6, 2024.

Subsequent to the date of these financial statements, four major shareholders, including one officer and two directors, who in total hold 33.7% of the Company’s common shares, entered into voluntary lock-up agreements that are effective until June 3, 2025.

In January 2022, the Government of Canada announced that the forgiveness repayment date of Canada Emergency Business Account loans was extended to December 31, 2023, rather than December 31, 2022. There were no other changes to the terms and conditions of these loans.