UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022 and 2021

Expressed in United States dollars

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in United States dollars) Unaudited

	Note	March 31, 2022	As at December 31, 2021
ASSETS			
Cash		**$ 327,795**	$ 1,251,562
Restricted cash	3	**32,164**	173,073
Trade and other receivables	4	**1,115,726**	1,130,558
Prepaid expenses and deposits	5	**89,204**	97,050
CURRENT ASSETS		**1,564,889**	2,652,243
Property, plant and equipment	6	**3,614,694**	2,657,697
Right-of-use assets	10	**12,464,604**	12,181,538
Project development costs	7	**2,017,425**	1,292,414
Other non-current assets	8	**578,952**	555,315
NON-CURRENT ASSETS		**18,675,675**	16,686,964
TOTAL ASSETS		**$ 20,240,564**	$ 19,339,207
LIABILITIES			
Trade and other payables	9	**$ 2,518,082**	$ 2,195,898
Current portion operating debt	11	**49,481**	145,630
Current portion project debt	11	**112,447**	104,509
Current portion of lease liabilities	10	**425,221**	463,775
Deferred revenue		**376,698**	111,477
CURRENT LIABILITIES		**3,481,929**	3,021,289
Non-current portion operating debt	11	**2,554,744**	2,004,563
Non-current portion project debt	11	**3,586,790**	3,139,497
Non-current portion lease liabilities	10	**12,801,544**	12,149,737
Other non-current liabilities	12	**648,954**	362,980
NON-CURRENT LIABILITIES		**19,592,032**	17,656,777
TOTAL LIABILITIES		**23,073,961**	20,678,066
EQUITY (DEFICIT)			
Share capital	15	**27,568,946**	27,565,675
Contributed surplus		**7,828,345**	7,714,913
Accumulated other comprehensive loss		**(157,261)**	(106,679)
Accumulated deficit		**(38,073,427)**	(36,512,768)
TOTAL EQUITY (DEFICIT)		**(2,833,397)**	(1,338,859)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**$ 20,240,564**	$ 19,339,207

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

Going Concern (Note 2), Contingencies (Note 17), Subsequent Events (Note 21)

Approved on behalf of the Board

"Nicolas Blitterswyk"
Director, President and Chief Executive Officer

"Jian Yang"
Audit Committee Chair

UGE INTERNATIONAL LTD.

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

	Note	Three months ended March 31, 2022	2021
REVENUE	16	**$ 363,936**	$ 424,452
COST OF GOODS	16	**209,149**	300,872
GROSS PROFIT		**154,787**	123,580
OPERATING COSTS AND EXPENSES			
General and administrative	19	**1,630,762**	1,176,362
Expected credit losses	4, 18	**2,441**	15,000
Depreciation and amortization	6, 10	**19,661**	11,604
TOTAL OPERATING COSTS AND EXPENSES		**1,652,864**	1,202,966
OPERATING LOSS		**(1,498,077)**	(1,079,386)
OTHER EXPENSE (INCOME)			
Financing expense, net	11, 14	**102,548**	92,893
Other expense (income)	13	**(39,988)**	(99,484)
TOTAL OTHER (INCOME) EXPENSE, NET		**62,560**	(6,591)
LOSS BEFORE TAX		**(1,560,637)**	(1,072,795)
Income tax expense (recovery)		**22**	-
NET LOSS		**(1,560,659)**	(1,072,795)
Other comprehensive loss items to be subsequently reclassified to net earnings when certain conditions are met			
Foreign currency translation		**(50,582)**	4,329
COMPREHENSIVE LOSS		**$ (1,611,241)**	$ (1,068,466)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS BASIC AND DILUTED	15	**$ (0.05)**	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES	15	**32,241,492**	29,570,565

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Changes in Equity (Deficit)

(Expressed in United States dollars) Unaudited

	Note	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2021		$ 22,854,278	$ 5,307,304	$ (91,148)	$ (32,350,965)	$ (4,280,531)
Net loss for the year		-	-	-	(1,072,795)	(1,072,795)
Common shares issued, net of costs	15	3,447,093	1,580,105	-	-	5,027,198
Common shares for debt, net of costs	15	445,413	151,269	-	-	596,682
Common shares issued for warrant exercises		76,230	(42,258)	-	-	33,972
Common shares issued for stock option exercises		10,357	(3,602)	-	-	6,755
Share-based compensation	15	-	103,596	-	-	103,596
Foreign exchange translation differences		-	-	4,329	-	4,329
Balance at March 31, 2021		**$ 26,833,371**	**$ 7,096,414**	**$ (86,819)**	**$ (33,423,760)**	**$ 419,206**
Balance at January 1, 2022		**$ 27,565,675**	**$ 7,714,913**	**$ (106,679)**	**$ (36,512,768)**	**$ (1,338,859)**
Net loss for the year		**-**	**-**	**-**	**(1,560,659)**	**(1,560,659)**
Common shares issued for stock option exercises	15	**3,271**	**(1,570)**	**-**	**-**	**1,701**
Share-based compensation	15	**-**	**115,002**	**-**	**-**	**115,002**
Foreign exchange translation differences		**-**	**-**	**(50,582)**	**-**	**(50,582)**
Balance at March 31, 2022		**$ 27,568,946**	**$ 7,828,345**	**$ (157,261)**	**$ (38,073,427)**	**$ (2,833,397)**

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in United States dollars) Unaudited

	Note	Three months ended March 31, 2022	2021
OPERATING ACTIVITIES			
Net income (loss)		**$ (1,560,659)**	$ (1,072,795)
Items not affecting cash:			
Depreciation and amortization	6, 10	**19,661**	11,604
Impairment and expected credit losses	4	**2,441**	15,000
Share-based compensation	15	**115,002**	103,596
Income tax expense (recovery)		**22**	-
Loss (gain) on debt settlement	13	**-**	(41,111)
Gain on warranty expiry		**-**	(16,582)
Other non-cash (gains) losses		**(1,230)**	-
Finance costs, net	11, 14	**102,548**	92,893
Government-sponsored non-cash COVID relief		**(5,747)**	(17,942)
Tax attributes allocated to tax equity investors	11	**(32,862)**	(8,870)
Finance costs paid, net		**(59,144)**	(249,018)
Income taxes (paid) recovered		**(22)**	-
Change in trade and other receivables	4	**16,724**	(146,931)
Change in prepaid expenses and deposits	5	**7,847**	109,006
Change in deferred financing and customer acquisition costs	8	**(32,803)**	-
Change in trade and other payables	9	**453,543**	(870,494)
Change in deferred revenue		**265,221**	(73,397)
Cash used in operating activities		**$ (709,458)**	$ (2,165,041)
FINANCING ACTIVITIES			
Net proceeds from equity raises	15	**-**	5,027,198
Net proceeds from stock option and warrant exercises	15	**1,701**	40,728
Government-sponsored COVID loans	11	**417,900**	120,811
Increases in long term debt, net of deferred finance charges	11	**486,224**	100,299
Repayment of long term debt	11	**(34,463)**	(805,712)
Lease payments	10	**(40,925)**	(5,000)
Cash provided by financing activities		**$ 830,437**	$ 4,478,324
INVESTING ACTIVITIES			
(Increase)/decrease in restricted cash	3	**139,910**	333
(Additions) to property, plant and equipment	6	**(933,959)**	(196,296)
(Additions) to right-of-use assets	10	**(8,125)**	-
(Additions) to project development costs	7	**(234,437)**	(81,451)
Cash used in investing activities		**$ (1,036,611)**	$ (277,414)
Increase (decrease) in cash for the period		**(915,632)**	2,035,869
Effect of exchange rate flucuations on cash		**(8,135)**	-
Cash at beginning of period		**1,251,562**	1,000,069
Cash at end of period		**$ 327,795**	$ 3,035,938
Non-cash transactions:			
Shares for debt ($ CAD)		-	758,462

The accompanying notes are an integral part of these condensed consolidated interim 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's principal business activity is to develop, build, finance, own, and operate commercial and community solar facilities, in both the United States ("US") and Philippines. The Company's business was previously focused on engineering, procurement, and construction ("EPC") of solar facilities for third parties, and it continues to selectively participate in this market. UGE also provides engineering and consulting services to third parties.

2. Basis of preparation

a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the audited consolidated financial statements of the Company for the year ended December 31, 2021 unless otherwise indicated, and they should be read in conjunction with those financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 25, 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 unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern. The Company had negative working capital of $1,917,040 and an accumulated deficit of $38,073,427 at March 31, 2022. For the three months ended March 31, 2022, the Company had a consolidated loss of $1,560,659 and negative cash flow from operations of $709,458.

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 thereto, 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 unaudited condensed consolidated interim 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 and continuing during the first three months of 2022, 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 continued to improve by March 31, 2022, 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 a portion of those remain 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 unaudited condensed consolidated interim financial statements are presented in United States dollars ("USD"). The functional currency of the Company is Canadian dollars ("CAD"). These unaudited condensed consolidated interim 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 Philippines Inc. ("UGE Philippines")	Philippine pesos ("PhD")

UGE USA includes the accounts of controlled and/or wholly owned special purpose vehicles ("SPVs"). These SPVs are the entities through which UGE develops, builds, finances, owns, and operates solar facilities. All of the SPVs are located in the United States and their functional currency is USD.

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

d) *Basis of measurement*

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

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 judgements, 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

Property, plant, and equipment has become a significant portion of the Company's total assets. The Company reviews its estimates of useful life of property, plant and equipment 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 differs 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.

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

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. Restricted cash

At March 31, 2022, the Company has $32,164 (December 31, 2021 - $173,073) in restricted cash, which represents security against a loan. At December 31, 2021 $140,439 represented an escrow account related to financing a roof upgrade related to construction of a solar facility. The balance was released in the first quarter of 2022 upon completion of the work.

4. Trade and other receivables

		March 31, 2022		As at December 31, 2021
Trade receivables	**$**	**929,243**	$	679,911
Unbilled revenue		**211,881**		493,135
Current portion of notes receivable		**15,008**		14,867
Allowance for expected credit losses		**(92,270)**		(90,028)
Withholding and sales tax receivable		**51,864**		32,673
	$	**1,115,726**	$	1,130,558

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

The Company's allowance for expected credit losses is associated with specific accounts receivable where management has determined that there is substantial doubt that the amounts will be collected in full.

5. Prepaid expenses and deposits

		March 31, 2022		As at December 31, 2021
Prepaid expenses	**$**	**69,183**	$	73,648
Deposits		**20,021**		23,402
	$	**89,204**	$	97,050

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.

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

6. Property, plant and equipment

	Solar facilities in use	Solar facilities under construction	Other	Total
Year ended December 31, 2021				
Balance- beginning of 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
Three months ended March 31, 2022				
Balance- beginning of period	**$ 1,162,426**	**$ 1,458,336**	**$ 36,935**	**$ 2,657,697**
Additions	**-**	**973,474**	**605**	**974,080**
Transfer to solar facilities in use	**-**	**-**	-	-
Depreciation	**(13,490)**	-	**(3,951)**	**(17,441)**
Foreign exchange differences	-	-	**359**	**359**
Balance - end of period	**$ 1,148,936**	**$ 2,431,810**	**$ 33,948**	**$ 3,614,695**
As at March 31, 2022				
Cost	**$ 1,220,164**	**$ 2,431,810**	**$ 65,073**	**$ 3,717,047**
Accumulated depreciation	**(71,228)**	-	**(31,125)**	**(102,353)**
Net carrying amount	**$ 1,148,936**	**$ 2,431,810**	**$ 33,948**	**$ 3,614,694**

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 $31,400 during the first three months of 2022 (year ended December 31, 2021 - $36,606).

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

7. Project development costs

	As at and for the three months ended March 31, 2022	As at and for the year ended December 31, 2021
Cost		
Beginning of period	**$ 1,292,414**	$ 208,649
Additions - consulting and design	**230,025**	389,555
Additions - commissions and finders' fees	**308,880**	438,938
Additions - right-of-use asset depreciation and lease interest accretion	**355,388**	531,082
Transfers to solar facilities under construction	**(107,805)**	(203,602)
Write-off	**(61,477)**	(72,208)
Balance, end of period	**$ 2,017,425**	$ 1,292,414

Project development costs have increased commensurate with the growth in the Company's project pipeline and its entry into new lease contracts. Write-offs consist of costs that were initially capitalized for projects that were later determined would not proceed. The write-offs during the three months ended March 31, 2022 include $29,992 of non-cash amounts that were previously capitalized for a lease contract that was cancelled when management assessed that the project would not proceed.

8. Other non-current assets

	March 31, 2022	As at December 31, 2021
Notes receivable - third party - non-current portion	**$ 406,067**	$ 416,332
Deferred loan fees	**71,303**	71,712
Deferred customer acquisition costs	**80,666**	47,454
Derivative asset - converible debenture (Note 11)	**11,971**	10,765
Other	**8,945**	9,052
	$ 578,952	$ 555,315

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/finance/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 balances receivable at both March 31, 2022 and December 31, 2021 represent three notes with a total balance of $421,075 (December 31, 2021 - $431,199) at interest rates between 9.98% and 10.04%, and maturity dates between November 2034 and May 2036. Please see Note 4 for detail of the current portion of these notes.

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.

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

The deferred customer acquisition costs are associated with the Company's solar facilities. During 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.

9. Trade and other payables

	March 31, 2022	As at December 31, 2021
Trade payables	**$ 1,299,260**	$ 1,112,956
Accrued and other payables	**1,204,495**	1,068,393
Other	**14,327**	14,549
	$ 2,518,082	$ 2,195,898

Accrued and other payables include items such as payroll and commission accruals, accruals for professional services such as independent auditor fees, accrued interest on the Company's operating and project debt, and accruals for unbilled goods and services related to the Company's construction activity.

10. Right of use assets and lease liabilities

The Company enters into 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, and battery storage facilities are generally expected to have a 20-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 7), 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 associated right-of-use asset. During the three months ended March 31, 2022, in connection with its right-of-use assets and lease liabilities, the Company capitalized net $89,727 of depreciation, $279,145 of lease interest, and $8,125 of commissions (year ended December 31, 2021 - $140,843, $390,239 and $153,350 respectively).

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

Right-of-use assets		Land and Rooftop
Year ended December 31, 2021		
Balance - beginning of year	$	1,504,712
Additions		11,184,260
Amortization		(177,150)
Termination adjustment		(330,284)
Balance - end of year	$	12,181,538
As at December 31, 2021		
Cost	$	12,704,934
Accumulated depreciation		(193,112)
Termination adjustment		(330,284)
Net carrying amount	$	12,181,538
Three months ended March 31, 2022		
Balance - beginning of period	**$**	**12,181,538**
Additions		**780,334**
Amortization		**(100,109)**
Termination adjustment		**(397,159)**
Balance - end of period	**$**	**12,464,604**
As at March 31, 2022		
Cost	**$**	**13,485,268**
Accumulated depreciation		**(293,221)**
Termination adjustment		**(727,443)**
Net carrying amount	**$**	**12,464,604**

Lease liabilities		Land and Rooftop
Year ended December 31, 2021		
Balance - beginning of year	$	1,555,977
New obligations		11,030,911
Payments		(77,700)
Interest accretion		475,953
Termination adjustment		(371,629)
Balance - end of year	$	12,613,512
As at December 31, 2021		
Current	$	463,775
Long term		12,149,737
Net carrying amount	$	12,613,512
Three months ended March 31, 2022		
Balance - beginning of period	**$**	**12,613,512**
New obligations		**793,814**
Payments		**(40,925)**
Interest accretion		**285,620**
Termination adjustment		**(425,256)**
Balance - end of period	**$**	**13,226,765**
As at March 31, 2022		
Current	**$**	**425,221**
Long term		**12,801,544**
Net carrying amount	**$**	**13,226,765**

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

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

Lease amounts recognized in profit and loss		Land and Rooftop		Other		Total
Three months ended March 31, 2021						
Interest on lease liabilities	$	-	$	-	$	-
Expenses relating to leases of low-value assets		-		9,997		9,997
Total recognized during the period	$	-	$	9,997	$	9,997
Three months ended March 31, 2022						
Interest on lease liabilities	**$**	**5,132**	**$**	**-**	**$**	**5,132**
Expenses relating to short-term leases		**-**		**11,922**		**11,922**
Total recognized during the period	**$**	**5,132**	**$**	**11,922**	**$**	**17,054**

Lease payments included in statement of cash flows		Land and Rooftop		Other		Total
Three months ended March 31, 2021	$	5,000	$	9,997	$	14,997
Three months ended March 31, 2022	**$**	**40,925**	**$**	**11,922**	**$**	**52,847**

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

11. Debt

OPERATING DEBT	Note	Maturity	Contractual Rate	Original Currency	As at March 31, 2022	As at December 31, 2021	Financing costs [1] Three months ended March 31, 2022	Financing costs [1] Three months ended March 31, 2021
UGE International								
Convertible debenture	(i)	Oct-23	6.5%	CAD 2,000,000	**$ 1,426,682**	$ 1,379,536	**$ 51,994**	$ -
UGE Canada RE								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**39,808**	38,717	**1,829**	687
UGE Consulting								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**39,808**	38,717	**1,829**	687
UGE USA								
Paycheck protection program (PPP 1)	(iii)	Apr-22	1.0%	USD 131,998	**4,339**	15,600	**171**	688
Economic injury disaster loan (EIDL)	(iv)	Jun-50	3.75%	USD 917,900	**939,930**	514,792	**9,615**	1,685
UGE Philippines								
Bank loan	(v)	Dec-27	8.00%	PhP 9,000,000	**153,658**	162,831	**3,123**	6,587
Total					**$ 2,604,225**	$ 2,150,193	**$ 68,561**	$ 10,334
Current portion					**$ 49,481**	$ 145,630		
Non-current portion					**$ 2,554,744**	$ 2,004,563		

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

Please see Note 18(d) *Liquidity risk* for a maturity profile for the above loans.

(i) *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 March 31, 2022 the fair value of the Call Option was determined to be CAD $14,958 (US $11,971) (December 31, 2021 - CAD $13,648 (US $10,765)). During the three months ended March 31, 2022 the Company recorded accretion expense of $26,678 (year ended December 31, 2021 - $18,172).

(ii) *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. Under the terms of the loan, if 75% of the loan is repaid by the December 2023 maturity date, 33% (CAD $20,000) of each loan will be forgiven. If not repaid by that date, the loans will 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. At March 31, 2022 the remaining estimated $9,282 interest rate benefit for each loan is being amortized to the December 31, 2023 maturity date, which in January 2022 was extended from the original maturity date of December 31, 2022.

(iii) *Paycheck Protection Program* – In response to the COVID-19 pandemic, the US government, through the Small Business Administration ("SBA"), provided loans to qualifying companies. In April 2020 the Company received a loan of $131,998 under this program, and recognized loan forgiveness of $99,967, which was management's judgment as to the amount of forgiveness that would be approved. 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, and in Q2 2021 recognised loan forgiveness of the full amount, based on management's judgment. The Company received approval of the forgiveness in February 2022.

(iv) *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. Subsequently, in July 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 were deferred until June 15, 2022.

On February 19, 2022, the SBA advanced an additional $417,900, bringing the Company's total advances under the EIDL program to $917,900. Subsequently, in March 2022, the EIDL modified the terms of the loan such that payments on the total advances will begin on December 15, 2022. The interest rate on these advances is at below market terms, and the Company is recognizing a total benefit of $437,584 over the term of the loan.

(v) Unionbank Loan – Term loans are due upon completion of the construction of projects and have a security interest in the projects.

During Q1 2021 the Company repaid or converted several loans that were outstanding at December 31, 2020. Operating debt repayments totalled $681,620, and CAD $750,000 (US $588,525) operating debt was converted to common shares.

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

PROJECT DEBT	Note	Maturity	Contractual Rate	Original Currency	As at March 31, 2022	As at December 31, 2021	Financing costs[1] Three months ended March 31, 2022	Financing costs[1] Three months ended March 31, 2021
UGE USA								
Construction financing	(i)		8.5%		**$ 1,776,496**	$ 1,290,272	**$ 31,400**	$ 3,880
Operating project debt	(ii)	2028	5.9%-7.4%		**1,059,818**	1,076,889	**20,071**	17,084
Tax equity financing	(iii)				**408,162**	432,602	**8,422**	14,094
UGE Project Holdco.								
Green Bonds	(iv)	Sep-23	7.0%	CAD 500,000	**380,616**	372,033	**9,932**	9,863
Green Bonds	(iv)	Jan-25	7.0%	CAD 105,000	**74,145**	72,210	**2,298**	2,181
Total					**$ 3,699,237**	$ 3,244,006	**$ 72,123**	**$ 47,102**
Current portion					**$ 112,447**	$ 104,509		
Non-current portion					**$ 3,586,790**	$ 3,139,497		

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

Construction loan finance costs are capitalized.

TOTAL DEBT	As at March 31, 2022	As at December 31, 2021
Current portion	**$ 161,928**	$ 250,139
Non-current portion	**$ 6,141,534**	$ 5,144,060

Please see Note 18(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 both March 31, 2022 and December 31, 2021, the Company had outstanding advances for two solar facilities. The Company defers origination fees and capitalizes borrowing costs (see Note 7 and Note 10) during the construction period. Origination fees are subsequently amortized over the project debt term, and borrowing costs are included in the carrying cost of the underlying project.

(ii) *Operating project debt* – At both March 31, 2022 and 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* – 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 third-party tax equity investors (“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 income tax credits (“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 three months ended March 31, 2022, the Company recorded accretion expense of $3,987 (three months ended March 31, 2021 - $3,802). Interest is payable semi-annually with the principal due at maturity.

In Q1 2021 the Company repaid secured debentures with an aggregate value of CAD $30,000 (US $23,541).

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

12. Other non-current liabilities

		March 31, 2022		As at December 31, 2021
Decommissioning liabilities	**$**	**18,142**	$	17,829
Accrued payables		**618,050**		332,570
Other		**12,762**		12,581
	$	**648,954**	$	362,980

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 they 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 both March 31, 2022 and December 31, 2021, the decommissioning liabilities reported above related to four operating solar facilities in the US. 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.

13. Other expense (income)

	Three months ended March 31,			
		2022		2021
Government grants and loan forgiveness - COVID 19 related	**$**	**(5,747)**	$	(32,922)
Net gain on proposal under the BIA		**-**		(28,488)
Net gain on other trade payables settlements		**-**		(12,623)
Warranty expiration		**-**		(16,582)
Tax equity investor allocations		**(32,862)**		(8,870)
Other		**(1,379)**		-
	$	**(39,988)**	$	(99,484)

During the three months ended March 31, 2022 the Company recognized $5,747 in non-cash benefits related to amortizing the interest rate benefits on COVID-19 relief loans that had been provided by both the Canadian and US governments in 2020 and 2021. These are discussed in more detail in Note 11. During the three months ended March 31, 2021 the income from COVID-19 relief programs consisted of $17,942 amortization of interest rate benefits and $14,980 of direct cash payments by the Canadian Government under the Canadian Emergency Wage Subsidy program.

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

In the fourth quarter of 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. In 2020 this resulted in a gain of CAD $1,122,620 (US $849,037) on the settlement of accounts payable. In the first quarter of 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.

During the first quarter of 2021, the Company negotiated settlements of outstanding balances with individual creditors, resulting in a gain of $12,623.

During the first quarter of 2021, warranties that the Company's Canadian EPC business had provided in prior years expired, resulting in a gain of CAD $21,000 (US $16,582).

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.

14. Finance costs

	Three months ended March 31,	
	2022	2021
Interest on operating and project debt	**$ 70,273**	$ 63,274
Interest on tax equity financing	**8,422**	14,094
Interest on lease liabilities	**5,132**	-
Accretion expenses	**30,979**	19,082
Finance Income	**(13,496)**	(6,904)
Other	**1,238**	3,347
	$ 102,548	$ 92,893

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

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

15. 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:

	Three months ended March 31,					
	2022			2021		
	Number of shares		Amount	Number of shares		Amount
Balance at beginning of period	**32,239,408**	**$**	**27,565,675**	28,164,252	$	22,854,278
Private placement of shares, net of costs	**-**		**-**	2,645,000		3,447,093
Stock option exercises	**4,167**		**3,271**	4,799		10,357
Warrant exercises	**-**		**-**	47,801		76,230
Debt to equity conversions	**-**		**-**	286,220		445,413
Balance at end of period	**32,243,575**	**$**	**27,568,946**	31,148,072	$	26,833,371

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). As at March 31, 2022 no warrants had been exercised.

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%.

Shares for conversion of debt to equity

During 2021, the Company converted two debt balances to common shares, as outlined below.

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. As at March 31, 2022 no warrants had been exercised.

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

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.

Warrants

The Warrant activity is as shown below:

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2021	Issued	Expired	Exercised	Outstanding at March 31, 2022
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**
			2,104,937	**-**	**-**	**-**	**2,104,937**

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2020	Issued	Expired	Exercised	Outstanding at March 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

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.

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

The stock option activity for the three months ended March 31, 2022 and 2021 is as shown below:

	Three months ended March 31,				
	2022			2021	
	Number of options		Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Balance at beginning of period	**3,347,285**	**$**	**0.70**	2,997,617 $	0.49
Granted	**220,000**		**1.49**	-	-
Exercised	**(4,167)**		**0.52**	(4,799)	1.80
Expired	**(17,334)**		**1.46**	(2,750)	0.43
Forfeited	**(78,418)**		**0.88**	(29,251)	0.28
Balance at end of period	**3,467,366**	**$**	**0.75**	2,960,817 $	0.49
Balance exercisable at end of period	**2,141,058**	**$**	**0.62**	1,425,891 $	0.48

During the three months ended March 31, 2022, the Company recorded share-based compensation expense of $115,002 (three months ended March 31, 2021 - $103,596) in the unaudited condensed consolidated interim statement of operations and comprehensive loss, relating to stock options issued to employees, directors, and consultants. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

The Company made the following option grants during the first three months of 2022:

20,000 options to an employee on January 3, 2022. The inputs to the Black-Scholes option pricing model were an expected life of 2.78 years, expected volatility of 107.0%, expected dividend rate of 0%, and a risk-free interest rate of 1.04%.

200,000 options to the Company's capital markets advisor on January 12, 2022. The inputs to the Black-Scholes option pricing model were an expected life of 3.00 years, expected volatility of 96.1%, expected dividend rate of 0%, and a risk-free interest rate of 0.95%.

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

The Company's outstanding options at March 31, 2022 are as shown below:

Exercise price CAD $	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$0.125	120,000	120,000	0.74
0.13	80,000	80,000	0.74
0.24	819,800	362,600	3.22
0.28	200,000	200,000	2.29
0.32	320,325	204,383	2.25
0.43	300,000	300,000	0.29
0.52	83,291	83,291	1.66
0.70	62,500	62,500	1.93
0.78	280,000	280,000	1.47
1.16	64,925	64,925	1.17
1.32	2,500	2,500	1.12
1.41	475,000	220,833	2.51
1.46	321,500	109,167	2.22
1.47	200,000	-	1.77
1.65	20,000	-	2.76
1.80	100,000	33,333	3.70
2.44	17,525	17,525	0.23
$0.75	**3,467,366**	**2,141,058**	**2.16**

Dilutive shares

The Company had a net loss for all periods presented, and therefore did not include potential common share equivalents in the calculation of diluted net loss per share, as these would be anti-dilutive. The Company's potential dilutive common share equivalents include its convertible debenture (see Note 11), its outstanding common share purchase warrants, and its outstanding options to purchase common shares. The effect of including these dilutive common share equivalents would increase the weighted average number of common shares outstanding to 35,614,161 for the three months ended March 31, 2022.

16. Segmented information

Operations take the form of EPC, engineering services, or the energy generation from the develop/build/finance/own/operate solar facilities model. Revenue and cost of goods sold are the primary means by which management evaluates operations. During the three months ended March 31, 2022 and 2021, the Company had the following revenues and cost of goods sold from each of these business lines:

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

	Three months ended March 31, 2022	2021
GROSS PROFIT		
EPC revenue	**$ 178,339**	$ 370,448
Cost of goods - EPC	**105,623**	263,103
Gross profit - EPC	**72,716**	107,345
Engineering services revenue	**141,551**	26,110
Cost of goods - engineering services	**96,875**	32,293
Gross profit - EPC and consulting	**44,676**	(6,183)
Energy generation revenue	**44,046**	27,894
Cost of goods - energy generation	**6,651**	5,476
Gross profit - energy generation	**37,395**	22,418
REVENUE	**363,936**	424,452
COST OF GOODS	**209,149**	300,872
GROSS PROFIT	**154,787**	123,580

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

During the three months ended March 31, 2022 the Company had two (three months ended March 31, 2021 - three) customers that individually accounted for more than 10% of consolidated revenue as listed below.

	Three months ended March 31, 2022	2021
Customer 1	**40%**	42%
Customer 2	**21%**	29%
Customer 3	**N/A**	10%

17. Contingencies

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.

18. 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 11, 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 $11,971 at March 31, 2022 ($10,765 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.

At March 31, 2022 and December 31, 2021, the following USD balances were held by entities with non-USD functional currencies:

	March 31, 2022	As at December 31, 2021
Financial assets		
Cash	**35,093**	28,948
Trade Receivables	**142,625**	115,555
Financial liabilities		
Accounts payable	**123,995**	116,760

In management's judgement, the foreign currency risk associated with these amounts is not material to the Company's financial position or operations.

(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 March 31, 2022, the Company has provided $92,270 (December 31, 2021 - $90,028) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. At March 31, 2022, there were $651,040 outstanding accounts receivable aged more than 30 days. Approximately $565,000 of this amount was for a single vendor and was collected in April 2022. Of the remaining balance, approximately $21,000 was deemed doubtful and was fully provided against at both March 31, 2022 and December 31, 2021. Please see Note 4 for more information.

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

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans. At March 31, 2022, the contractual maturities of financial liabilities, including estimated interest payments, are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Trade and other payables	$ 3,136,132	$ 3,136,132	$ 2,518,082	$ 281,470	$ 336,580	$ -
Project loans payable	3,699,237	5,022,693	326,573	699,948	847,511	3,148,661
Operating loans payable	2,604,225	3,677,241	164,560	1,891,022	330,649	1,291,010
Lease liabilities	13,226,765	45,629,843	425,221	947,978	3,839,882	40,416,762
	$22,666,359	**$57,465,909**	**$ 3,434,436**	**$ 3,820,418**	**$ 5,354,621**	**$44,856,433**

19. General and administrative expenses

	Three months ended March 31, 2022	2021
Salaries and benefits	**$ 1,002,502**	$ 560,070
Share-based compensation	**115,002**	103,596
Development costs	**118,511**	29,874
Corporate and office	**303,619**	422,499
Insurance	**53,742**	45,884
Travel and marketing	**37,386**	14,439
	$ 1,630,762	$ 1,176,362

20. 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.

At March 31, 2022, 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 11). 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.

- one director and one officer are invested in tax equity partnerships controlled by the Company. The total investment by the director is $284,000 and the total investment by the officer is $100,000. At March 31, 2022, the total carrying amounts of the respective tax equity liabilities were $263,538 and $74,238, and the Company had recorded accrued distributions payable of $281,470.

- the Company has a land lease agreement with one officer, on which land the Company intends to construct a solar facility. At March 31, 2022, the lease liability associated with this lease is $166,396 with expected future cash flows over 30 years of $492,817. The lease agreement has market terms and conditions.

21. 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. In connection with the private placement, the Company paid cash finders fees equal to 4% of the gross proceeds and issued 46,355 share purchase warrants to the finders. Each warrant has a strike price of $1.24 and expires18 months after the issue date. The Bonds are secured by collateral pledged by UGE USA Inc., a subsidiary of the Company.

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.