UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 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	June 30, 2022	As at December 31, 2021
ASSETS			
Cash		**$ 1,815,798**	$ 1,251,562
Restricted cash	3	**30,331**	173,073
Trade and other receivables	4	**955,691**	1,130,558
Prepaid expenses and deposits	5	**1,625,933**	97,050
CURRENT ASSETS		**4,427,753**	2,652,243
Property, plant and equipment	6	**3,920,331**	2,657,697
Right-of-use assets	10	**19,424,028**	12,181,538
Project development costs	7	**2,373,072**	1,292,414
Other non-current assets	8	**571,899**	555,315
NON-CURRENT ASSETS		**26,289,330**	16,686,964
TOTAL ASSETS		**$ 30,717,083**	$ 19,339,207
LIABILITIES			
Trade and other payables	9	**$ 2,781,521**	$ 2,195,898
Current portion operating debt	11	**43,298**	145,630
Current portion project debt	11	**109,090**	104,509
Current portion of lease liabilities	10	**445,543**	463,775
Deferred revenue		**1,361,235**	111,477
CURRENT LIABILITIES		**4,740,687**	3,021,289
Non-current portion operating debt	11	**2,530,632**	2,004,563
Non-current portion project debt	11	**7,155,285**	3,139,497
Non-current portion lease liabilities	10	**18,758,125**	12,149,737
Other non-current liabilities	12	**1,414,214**	362,980
NON-CURRENT LIABILITIES		**29,858,256**	17,656,777
TOTAL LIABILITIES		**34,598,943**	20,678,066
EQUITY (DEFICIT)			
Share capital	15	**27,750,349**	27,565,675
Contributed surplus		**7,963,847**	7,714,913
Accumulated other comprehensive loss		**(83,214)**	(106,679)
Accumulated deficit		**(39,512,842)**	(36,512,768)
TOTAL EQUITY (DEFICIT)		**(3,881,860)**	(1,338,859)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**$ 30,717,083**	$ 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 20)

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 June 30,		Six months ended June 30,	
		2022	2021	2022	2021
REVENUE	16	$ 580,347	$ 574,874	$ 944,283	$ 999,326
COST OF GOODS	16	320,123	331,753	529,272	632,625
GROSS PROFIT		260,224	243,121	415,011	366,701
OPERATING COSTS AND EXPENSES					
General and administrative	19	1,809,861	1,229,101	3,440,624	2,405,463
Expected credit losses	4, 18	(2,143)	7,000	298	22,000
Depreciation and amortization	6, 10	22,801	13,436	42,462	25,040
TOTAL OPERATING COSTS AND EXPENSES		1,830,519	1,249,537	3,483,384	2,452,503
OPERATING LOSS		(1,570,295)	(1,006,416)	(3,068,373)	(2,085,802)
OTHER EXPENSE (INCOME)					
Financing expense, net	11, 14	212,292	73,870	314,840	166,763
Other expense (income)	13	(347,438)	(282,234)	(387,426)	(381,718)
TOTAL OTHER (INCOME) EXPENSE, NET		(135,146)	(208,364)	(72,586)	(214,955)
LOSS BEFORE TAX		(1,435,149)	(798,051)	(2,995,787)	(1,870,847)
Income tax expense (recovery)		4,265	3,935	4,287	3,935
NET LOSS		(1,439,414)	(801,986)	(3,000,074)	(1,874,782)
Other comprehensive loss items to be subsequently reclassified to net earnings when certain conditions are met					
Foreign currency translation		74,047	19,071	23,465	23,373
COMPREHENSIVE LOSS		$ (1,365,367)	$ (782,915)	$ (2,976,608)	$ (1,851,409)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS					
BASIC AND DILUTED	15	$ (0.04)	$ (0.03)	$ (0.09)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES	15	32,287,971	31,156,830	32,264,859	30,368,079

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 period		-	-	-	(1,874,782)	(1,874,782)
Common shares issued, net of costs	15	3,444,983	1,580,105	-	-	5,025,088
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		43,565	(19,693)	-	-	23,872
Share-based compensation	15	-	223,614	-	-	223,614
Foreign exchange translation differences		-	-	23,373	-	23,373
Balance at June 30, 2021		**$ 26,864,469**	**$ 7,200,341**	**$ (67,775)**	**$ (34,225,747)**	**$ (228,712)**
Balance at January 1, 2022		**$ 27,565,675**	**$ 7,714,913**	**$ (106,679)**	**$ (36,512,768)**	**$ (1,338,859)**
Net loss for the period		**-**	**-**	**-**	**(3,000,074)**	**(3,000,074)**
Common shares issued for stock option exercises	15	**184,674**	**(67,316)**	**-**	**-**	**117,358**
Warrants issued with Green Bonds		**-**	**66,377**	**-**	**-**	**66,377**
Share-based compensation	15	**-**	**249,873**	**-**	**-**	**249,873**
Foreign exchange translation differences		**-**	**-**	**23,465**	**-**	**23,465**
Balance at June 30, 2022		**$ 27,750,349**	**$ 7,963,847**	**$ (83,214)**	**$ (39,512,842)**	**$ (3,881,860)**

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	Six months ended June 30, 2022	2021
OPERATING ACTIVITES			
Net income (loss)		$ (3,000,074)	$ (1,874,782)
Items not affecting cash:			
Depreciation and amortization	6, 10	42,462	25,040
Impairment and expected credit losses	4	298	22,000
Share-based compensation	15	249,773	223,614
Income tax expense (recovery)		4,287	3,935
Loss (gain) on debt settlement	13	-	(58,563)
Gain on warranty expiry		-	(27,169)
Other non-cash (gains) losses		73,250	3,712
Finance costs, net	11, 14	314,840	166,763
Government-sponsored non-cash COVID relief		(8,321)	(140,350)
Tax attributes allocated to tax equity investors	11	(378,679)	(17,740)
Finance costs paid, net		(218,414)	(273,869)
Income taxes (paid) recovered		(4,287)	(3,935)
Change in trade and other receivables	4	162,286	(89,532)
Change in prepaid expenses and deposits	5	(964,961)	(102,248)
Change in deferred financing and customer acquisition costs	8	(85,866)	-
Change in trade and other payables	9	554,640	(871,156)
Change in deferred revenue		1,249,757	(71,018)
Cash used in operating activities		$ (2,009,009)	$ (3,085,298)
FINANCING ACTIVITIES			
Net proceeds from equity raises	15	-	5,025,088
Net proceeds from warrants attached to long-term debt	15	66,377	-
Net proceeds from stock option and warrant exercises	15	117,410	57,844
Proceeds from investments by tax-equity investors		186,786	200,000
Government-sponsored COVID loans	11	417,900	152,515
Increases in long term debt, net of deferred finance charges	11	3,965,950	214,372
Repayment of long term debt	11	(61,283)	(819,839)
Lease payments	10	(57,550)	(15,050)
Cash provided by financing activities		$ 4,635,590	$ 4,814,930
INVESTING ACTIVITIES			
(Increase)/decrease in restricted cash	3	138,077	499
(Additions) to property, plant and equipment	6	(1,192,087)	(346,339)
(Additions) to inventory		(525,760)	-
(Additions) to right-of-use assets	10	(171,125)	(12,800)
(Additions) to project development costs	7	(281,718)	(164,034)
Cash used in investing activities		$ (2,032,613)	$ (522,674)
Increase (decrease) in cash for the period		593,968	1,206,958
Effect of exchange rate flucuations on cash		(29,732)	47,294
Cash at beginning of period		1,251,562	1,000,069
Cash at end of period		$ 1,815,798	$ 2,254,321
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 August 15, 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

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 $312,934 and an accumulated deficit of $39,512,842 at June 30, 2022. For the six months ended June 30, 2022, the Company had a consolidated loss of $3,000,074 and negative cash flow from operations of $2,009,009.

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.

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

Other than as listed below, there have been no changes to the assumptions and estimations as described in the audited consolidated financial statements of December 31, 2021 which are hereby incorporated by reference.

Change in estimate – in the second quarter of 2022, there was a change in the estimate of the allocations attributable to the Company's tax equity investors, which resulted in the Company recording an other income amount of $312,955 in the consolidated statement of operations and other comprehensive loss. Please see Note 13.

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. Restricted cash

At June 30, 2022, the Company has $30,331 (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.

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

4. Trade and other receivables

		June 30, 2022		As at December 31, 2021
Trade receivables	**$**	**829,429**	$	679,911
Unbilled revenue		**57,170**		493,135
Current portion of notes receivable		**13,016**		14,867
Allowance for expected credit losses		**(39,235)**		(90,028)
Withholding and sales tax receivable		**95,311**		32,673
	$	**955,691**	$	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. The decrease in the allowance compared to December 31, 2021 is primarily related to a specific account in the Philippines. During the second quarter of 2022, Management concluded that the amount owing would not be collected in the normal course of operations. It was therefore written off against the allowance, with the Company recognizing a small recovery compared to the original estimated credit loss. Management is intending to initiate a civil suit in an attempt to recover its losses.

5. Prepaid expenses and deposits

		June 30, 2022		As at December 31, 2021
Prepaid expenses	**$**	**287,917**	$	73,648
Inventories		**1,167,848**		-
Deposits		**170,168**		23,402
	$	**1,625,933**	$	97,050

Prepaid expenses are primarily associated with general corporate items such as insurance premiums.

The majority of the amount reported as inventory relates to items in transit for projects that are expected to begin construction in the third quarter of 2022. In the normal course of business, the Company records a liability for these items when it commits to the purchase; payment is not due until the material is received.

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
Six months ended June 30, 2022				
Balance- beginning of period	$ 1,162,426	$ 1,458,336	$ 36,935	$ 2,657,697
Additions	-	1,300,969	605	1,301,574
Transfer to solar facilities in use	602,009	(602,009)	-	-
Depreciation	(29,481)	-	(8,197)	(37,678)
Foreign exchange differences	-	-	(1,262)	(1,262)
Balance - end of period	$ 1,734,954	$ 2,157,296	$ 28,081	$ 3,920,331
As at June 30, 2022				
Cost	$ 1,822,176	$ 2,157,296	$ 62,495	$ 4,041,967
Accumulated depreciation	(87,222)	-	(34,414)	(121,636)
Net carrying amount	$ 1,734,954	$ 2,157,296	$ 28,081	$ 3,920,331

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 $74,190 during the first six months of 2022 (year ended December 31, 2021 - $36,606).

7. Project development costs

	As at and for the three months ended June 30, 2022	As at and for the six months ended June 30, 2022	As at and for the year ended December 31, 2021
Cost			
Beginning of period	$ 2,017,425	$ 1,292,414	$ 208,649
Additions - consulting and design	146,910	376,934	389,555
Additions - commissions and finders' fees	(99,256)	209,624	438,938
Additions - ROU asset depreciation and lease interest accretion	445,174	800,562	531,082
Transfers to assets including construction in progress	(5,751)	(113,556)	(203,602)
Write-offs and changes in estimate	(131,430)	(192,906)	(72,208)
Balance, end of period	$ 2,373,072	$ 2,373,072	$ 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 and changes in estimate consist of costs that were initially capitalized for projects that were later determined would not proceed. The write-offs and changes in estimate during the six months ended June 30, 2022 include $10,000 of commissions paid in previous periods, and $101,263 of commissions that were accrued for projects that will not proceed. It also includes $51,651 of general development costs, as well as $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.

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

8. Other non-current assets

		June 30, 2022		As at December 31, 2021
Notes receivable - third party - non-current portion	**$**	**345,841**	$	416,332
Deferred loan fees		**103,146**		71,712
Deferred customer acquisition costs		**101,887**		47,454
Derivative asset - converible debenture (Note 11)		**12,559**		10,765
Other		**8,465**		9,052
	$	**571,899**	$	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 balance receivable at December 31, 2021 represented 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. During the second quarter of 2022, one of the notes was paid in full. Therefore, at June 30, 2022 the balance receivable represents two notes with a total balance of $358,857, at interest rates of 9.98% and 10.04%, and maturity dates of September 2035 and April 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.

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

The Company's trade and other payables include items such as accounts payable, 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. Items not expected to be settled within one year, such as deferred commissions, are reclassed to other non-current liabilities.

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

10. Right of use assets and lease liabilities

As described more fully in the consolidated financial statements for the year ended December 31, 2021, the Company enters into leases in the conduct of its operations.

During the development and construction period, the Company defers expenses that are considered part of the development costs of the solar facilities. These 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 and six months ended June 30, 2022, in connection with its right-of-use assets and lease liabilities, the Company capitalized net $125,771 and $215,498 of depreciation, $353,078 and $632,223 of lease interest, and $1,266,000 and $1,454,125 of commissions respectively.

Right-of-use assets		Land and Rooftop
Six months ended June 30, 2022		
Balance - beginning of period	$	12,181,538
Additions		7,884,703
Amortization		(215,498)
Termination adjustment		(426,715)
Balance - end of period	$	19,424,028
As at June 30, 2022		
Cost	$	20,589,637
Accumulated depreciation		(408,610)
Termination adjustment		(756,999)
Net carrying amount	$	19,424,028

Lease liabilities		Land and Rooftop
Six months ended June 30, 2022		
Balance - beginning of period	$	12,613,512
New obligations		6,440,739
Payments		(57,550)
Interest accretion		632,223
Termination adjustment		(425,256)
Balance - end of period	$	19,203,668
As at June 30, 2022		
Current	$	445,543
Long term		18,758,125
Net carrying amount	$	19,203,668

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

11. Debt

OPERATING DEBT	Note	Maturity	Contractual Rate	Original Currency	As at June 30, 2022	As at December 31, 2021	Financing costs [1] Six months ended June 30, 2022	Financing costs [1] Six months ended June 30, 2021
UGE International								
Convertible debenture	(i)	Oct-23	6.5%	CAD 2,000,000	**$ 1,409,868**	$ 1,379,536	**$ 100,611**	$ -
UGE Canada RE								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**39,243**	38,717	**3,777**	1,310
UGE Consulting								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**39,243**	38,717	**3,777**	1,310
UGE USA								
Paycheck protection program	(iii)	Apr-22	1.0%	USD 131,998	**-**	15,600	**191**	1,140
Economic injury disaster loan (EIDL)	(iv)	Jun-50	3.75%	USD 917,900	**946,976**	514,792	**19,946**	3,369
UGE Philippines								
Bank loan	(v)	Dec-27	8.00%	PhP 9,000,000	**138,600**	162,831	**6,080**	10,321
Total					**$ 2,573,930**	$ 2,150,193	**$ 134,382**	$ 17,450
Current portion					**$ 43,298**	$ 145,630		
Non-current portion					**$ 2,530,632**	$ 2,004,563		

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

Except as described below, the composition of the Company's operating debt has not changed materially compared to the information disclosed in the audited consolidated financial statements for the year ended December 31, 2021, which are hereby incorporated by reference.

(i) *Convertible debenture* – At June 30, 2022 the fair value of the Call Option was determined to be CAD $16,184 (US $12,559) (December 31, 2021 - CAD $13,648 (US $10,765)). During the three and six months ended June 30, 2022 the Company recorded accretion expense of $26,757 and $53,435 respectively.

(ii) *Canada Emergency Business Account* –At June 30, 2022 the remaining estimated $7,715 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 – The Company's loan forgiveness was approved in February 2022, and the remaining amount of the loan was repaid in full at April 30, 2022.

(iv) *Economic Injury Disaster Loan ("EIDL)* – On February 19, 2022, the SBA advanced a further $417,900 and 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.

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

PROJECT DEBT	Note	Maturity	Contractual Rate	Original Currency	As at June 30, 2022	As at December 31, 2021	Financing costs [1] Six months ended June 30, 2022	Financing costs [1] Six months ended June 30, 2021
UGE International								
Green Bonds	(i)	Apr-26	8%	CAD 2,874,000	**$ 2,052,327**	$ -	**$ 51,730**	$ -
UGE USA								
Construction financing	(ii)		6.5%-8.5%		**3,166,471**	1,290,272	**105,661**	13,057
Operating project debt	(iii)	2028	5.9%-7.4%		**1,042,823**	1,076,889	**40,014**	33,610
Tax equity financing	(iv)				**557,926**	432,602	**16,844**	28,188
UGE Project Holdco.								
Green Bonds	(v)	Sep-23	7.0%	CAD 500,000	**372,107**	372,033	**19,826**	20,148
Green Bonds	(v)	Jan-25	7.0%	CAD 105,000	**72,721**	72,210	**4,584**	4,557
Total					**$ 7,264,375**	$ 3,244,006	**$ 238,659**	**$ 99,560**
Current portion					**$ 109,090**	$ 104,509		
Non-current portion					**$ 7,155,285**	$ 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 June 30, 2022	As at December 31, 2021
Current portion	**$ 152,388**	$ 250,139
Non-current portion	**$ 9,685,917**	$ 5,144,060

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

(i) *Green Bonds* – On April 8, 2022 the Company closed a non-brokered private placement of secured project development bonds (the "Green Bonds") and issued CAD $2.874 million (US $2.283 million) in aggregate principal amount of Green Bonds. Each Green Bond has a face value of CAD $1,000, an 8% coupon, and four-year maturity. The Company has the option to call the Green 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 Green 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 finders warrant has a strike price of $1.24 and expires 18 months after the issue date. The Green Bonds are secured by collateral pledged by UGE USA Inc., a subsidiary of the Company. During the six months ended June 30, 2022 the Company recorded $10,814 accretion expense related to the Green Bonds. Interest is payable semi-annually with the principal due at maturity.

(ii) *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 June 30, 2022 the Company had outstanding advances for three solar facilities, compared to advances for two solar facilities at December 31, 2021. 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.

(iii) *Operating project debt* – At both June 30, 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.

(iv) *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.

(v) *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

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

$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 six months ended June 30, 2022, the Company recorded accretion expense of $7,899 (six months ended June 30, 2021 - $7,869). 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).

12. Other non-current liabilities

	June 30, 2022	As at December 31, 2021
Decommissioning liabilities	**$ 18,460**	$ 17,829
Accrued payables	**1,383,379**	332,570
Other	**12,375**	12,581
	$ 1,414,214	$ 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 June 30, 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.

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

13. Other expense (income)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Government grants and loan forgiveness - COVID 19 related	**$ (2,574)**	$ (234,852)	**$ (8,321)**	$ (267,774)
Net gain on proposal under the BIA	**-**	(5,032)	**-**	(33,520)
Net gain on other trade payables settlements	**-**	(12,420)	**-**	(25,043)
Warranty expiration	**-**	(10,588)	**-**	(27,169)
Tax equity investor allocations	**(345,817)**	(8,870)	**(378,679)**	(17,740)
Other	**953**	(10,472)	**(426)**	(10,472)
	$ (347,438)	$ (282,234)	**$ (387,426)**	$ (381,718)

During the three and six months ended June 30, 2022 the income from COVID-19 related grants and loan forgiveness consists solely of non-cash benefits related to amortizing the interest rate benefits on COVID-19 relief loans that were provided in 2020 and 2021. During the three and six months ended June 30, 2021 this income primarily consisted of direct cash payments of $112,444 and $127,424, respectively, and loan forgiveness of $120,811.

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. As described above in Note 2 A, in the second quarter of 2022 the Company changed its estimate of the allocations attributable to its tax equity investors, resulting in other income of $312,955 in the quarter.

14. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Interest on operating and project debt	**$ 139,664**	$ 42,795	**$ 209,937**	$ 106,069
Interest on tax equity financing	**8,422**	14,094	**16,844**	28,188
Interest on lease liabilities	**6,867**	-	**11,999**	-
Accretion expenses	**41,802**	19,997	**72,781**	39,079
Finance Income	**(13,763)**	(8,982)	**(27,259)**	(15,886)
Other	**29,300**	5,966	**30,538**	9,313
	$ 212,292	$ 73,870	**$ 314,840**	$ 166,763

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

There have been no changes to the share capital, warrant or stock option information as previously reported in the audited consolidated financial statements for the year ended December 31, 2021.

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:

	Six months ended June 30,					
	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		3,444,983
Stock option exercises	**388,167**		**184,674**	49,216		43,565
Warrant exercises	**-**		**-**	47,801		76,230
Debt to equity conversions	**-**		**-**	286,220		445,413
Balance at end of period	**32,627,575**	**$**	**27,750,349**	31,192,489	$	26,864,469

Warrants

The Warrant activity is as shown below:

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2021	Issued	Expired	Exercised	Outstanding at June 30, 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**
08-Apr-22	08-Oct-23	$2.00	-	201,180	-	-	**201,180**
08-Apr-22	08-Oct-23	$1.24	-	46,355	-	-	**46,355**
			2,104,937	**247,535**	**(454,077)**	**-**	**1,898,395**

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

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

The stock option activity for the three and six months ended June 30, 2022 is as shown below:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
	Number of options		Weighted average exercise price (CAD)	Number of options		Weighted average exercise price (CAD)
Balance at beginning of period	3,467,366	$	0.75	3,347,285	$	0.70
Granted	-		-	220,000		1.49
Exercised	(384,000)		0.39	(388,167)		0.39
Expired	(21,025)		2.28	(38,359)		1.91
Forfeited	(7,000)		1.46	(85,418)		0.93
Balance at end of period	3,055,341	$	0.78	3,055,341	$	0.78
Balance exercisable at end of period	2,324,741	$	0.67	2,324,741	$	0.67

During the three and six months ended June 30, 2022, the Company recorded share-based compensation expense of $134,871 and $249,873 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 six 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 June 30, 2022 are as shown below:

Exercise price CAD $	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$0.125	120,000	120,000	0.49
0.13	80,000	80,000	0.49
0.24	735,800	507,200	2.99
0.28	200,000	200,000	2.04
0.32	320,325	320,325	2.00
0.52	83,291	83,291	1.41
0.70	62,500	62,500	1.68
0.78	280,000	280,000	1.22
1.16	64,925	64,925	0.92
1.32	2,500	2,500	0.87
1.41	475,000	408,333	2.25
1.46	311,000	105,667	1.97
1.47	200,000	50,000	1.52
1.65	20,000	6,667	2.51
1.80	100,000	33,333	3.45
$0.78	**3,055,341**	**2,324,741**	**2.08**

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 39,106,882 and 39,022,998 for the three and six months, respectively, ended June 30, 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 and six months ended June 30, 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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
GROSS PROFIT				
EPC revenue	**$ 393,321**	$ 487,164	**$ 571,660**	$ 857,612
Cost of goods - EPC	**236,570**	308,029	**342,193**	571,132
Gross profit - EPC	**156,751**	179,135	**229,467**	286,480
Gross profit %	**40%**	37%	**40%**	33%
Engineering services revenue	**106,122**	35,693	**247,673**	61,803
Cost of goods - engineering services	**68,196**	11,934	**165,071**	44,227
Gross profit - engineering services	**37,926**	23,759	**82,602**	17,576
Gross profit %	**36%**	67%	**33%**	28%
Energy generation revenue	**80,904**	52,017	**124,950**	79,911
Cost of goods - energy generation	**15,357**	11,790	**22,008**	17,266
Gross profit - energy generation	**65,547**	40,227	**102,942**	62,645
Gross profit %	**81%**	77%	**82%**	78%
REVENUE	**$ 580,347**	$ 574,874	**$ 944,283**	$ 999,326
COST OF GOODS	**320,123**	331,753	**529,272**	632,625
GROSS PROFIT	**260,224**	243,121	**415,011**	366,701
Gross profit %	**45%**	42%	**44%**	37%

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

During the six months ended June 30, 2022 the Company had three (six months ended June 30, 2021 - four) customers that individually accounted for more than 10% of consolidated revenue as listed below.

	Six months ended June 30,	
	2022	2021
Customer 1	**40%**	26%
Customer 2	**12%**	25%
Customer 3	**12%**	16%
Customer 4	**N/A**	12%

17. Contingencies

UGE Canada RE was 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 at June 30, 2022 had reached a tentative settlement for CAD $100,000, which was received in August and will be recorded as other income in the third quarter.

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 $12,559 at June 30, 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 June 30, 2022 and December 31, 2021, the following USD balances were held by entities with non-USD functional currencies:

		As at
	June 30, 2022	December 31, 2021
Financial assets		
Cash	**30,337**	28,948
Trade Receivables	**109,694**	115,555
Financial liabilities		
Accounts payable	**91,495**	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. It 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 June 30, 2022, the Company has provided $39,235 (December 31, 2021 - $90,028) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. As discussed above in Note 4, the decrease compared to December 31, 2021 is due to management's decision, in the second quarter of 2022, to write off a receivable that had been considered doubtful at December 31, 2021 and was included in the allowance at that date.

At June 30, 2022, there were approximately $433,000 outstanding accounts receivable aged more than 30 days. Approximately $371,000 of this amount was for a single vendor and was collected in July 2022. Of the remaining balance, approximately $19,000 was deemed doubtful and was fully provided against at both June 30, 2022 and December 31, 2021.

(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 June 30, 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	$ 4,164,900	$ 4,164,900	$ 2,781,521	$ 355,379	$ 1,028,000	$ -
Project loans payable	7,264,375	10,639,456	638,722	1,009,667	3,904,811	5,086,256
Operating loans payable	2,573,930	3,494,734	170,258	1,783,765	251,213	1,289,498
Lease liabilities	19,203,668	61,545,492	445,543	1,036,430	5,717,798	54,345,721
	$33,206,873	**$79,844,582**	**$ 4,036,044**	**$ 4,185,241**	**$10,901,822**	**$60,721,474**

19. General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries and benefits	**$ 1,005,481**	$ 739,054	**$ 2,007,983**	$ 1,299,125
Share-based compensation	**134,871**	120,018	**249,873**	223,614
Development costs	**68,593**	45,876	**187,104**	75,750
Corporate and office	**526,421**	271,433	**830,040**	693,932
Insurance	**39,540**	32,055	**93,282**	77,939
Travel and marketing	**34,955**	20,665	**72,342**	35,104
	$ 1,809,861	$ 1,229,101	**$ 3,440,624**	$ 2,405,463

20. Subsequent Events

On July 28, 2022 the Company closed a brokered private placement of secured project development debenture units (the "Debenture Units") and issued CAD $2.23 million (US $1.73 million) in aggregate principal amount of Debenture Units. Each Debenture Unit 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 Debenture Unit issued, subscribers received 70 warrants to purchase the Company's common shares. Each warrant has a strike price of $1.50 and expires 18 months after the issue date. A total of 155,750 warrants were issued. In connection with the private placement, the Company paid cash finders fees equal to 6% of the gross proceeds and issued 66,750 share purchase warrants to the agents. Each agents warrant has a strike price of $1.50 and expires 24 months after the issue date. The Debenture Units are secured by collateral pledged by UGE USA Inc., a subsidiary of the Company.