UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

For the Three and Six Months ended June 30, 2022

CEO Message to Shareholders

Dear Shareholders,

We continue to make strides towards our goals as we work through 2022. It is an incredibly exciting time for our industry, with the passage of the Inflation Reduction Act ("IRA") in the U.S. being the most recent tailwind for our business. The IRA contains the largest package of incentives towards renewable energy in history and will further support the prospects for our industry going forward.

Already we have 381MW of projects currently in development, including 195MW of backlog, as well as 2.1MW of operating assets. We are focused on achieving our goal of 100MW of operating assets by the end of 2024 and are well positioned to meet or exceed our goals.

In the long-term, we expect our portfolio to produce decades of recurring revenue with double-digit unlevered IRRs, which is important to keep in mind as we work through the inherent short-term variability in solar project development. The second quarter of 2022 saw us record the largest single-quarter increase in backlog in the Company's history. Like most industries, we are affected by volatile supply chains and rising interest rates, but we continue to see immense opportunity. Further, our ability to create value and finance our growth continues to be proven out with our two recent green bond offerings as well as our largest project finance facility to date.

In addition to the passage of the IRA, which provides lucrative, long-term incentives for the development of solar and battery storage, the second quarter saw President Biden suspend the addition of new tariffs on the import of solar panels for two years, providing relief to an industry that had been in flux. Such relief has already led to decreases in solar panel costs, and, when coupled with the IRA's significant incentives to onshore supply chains, we are optimistic about solar components' cost and availability continually improving in coming years.

Looking towards the future

We continue to work hard to grow and develop our pipeline and are excited for the progress we expect to make this year. We have a talented team that is at the forefront of the energy revolution, and firmly believe that we are in an industry-defining decade that sees renewable energy replace fossil fuels as the dominant source of electricity. Regulatory and industry support continues to be strong, with the U.S. Department of Energy providing support to grow community solar by approximately eight times in the next four years. This would see the U.S. community solar industry building 20GW of new projects by 2025, which is roughly equivalent to the entire history of the U.S. residential sector.

We are focused on converting our backlog to operations, while continuing to grow our diversified backlog portfolio. Our 195MW backlog has already grown 7MW since the end of Q2 and will continue to scale throughout the year, positioning us to exceed our target of 100MW of operating assets by 2024.

Our business model relies on the skilled development, deployment, financing, and operation of our project pipeline and I am proud of the way our team has grown in the past year to realize our strategy of becoming a full lifecycle developer. Thank you to the team at UGE for their hard work and commitment to exceeding our goals and thank you to our investors and advisors for funding and investing in our growth.

Kind regards,

Nick Blitterswyk
August 15, 2022

Introduction

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of UGE International Ltd. ("UGE" or the "Company") for the three and six months ended June 30, 2022 and is prepared as of August 15, 2022. References to the "Company" or "UGE" are to the consolidated group of entities, unless otherwise specified.

This MD&A is intended to assist readers in understanding UGE's consolidated business, together with its business environment, strategies, performance, outlook and relevant risks, and it should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021, both of which are expressed in United States dollars ("USD") and prepared in accordance with International Financial Reporting Standards ("IFRS"). The functional currency of the parent company, UGE International Ltd., is Canadian dollars ("CAD"). All amounts in this MD&A are expressed in USD, and percentages are in comparison to the same period in 2021, unless otherwise indicated. Some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the *"Non-GAAP Measures"* section for more information and definitions. Additionally, all references to MW are MWdc.

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

As of the date of this MD&A, the Company has 32,627,575 common shares issued and outstanding. In addition, there are 2,120,895 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options that have been granted to purchase an additional 3,052,341 common shares. The Company also has an outstanding convertible debenture with a face value of CAD $2.0 MM, convertible into common shares at CAD $1.80 per common share, which would result in an additional 1,111,111 common shares if converted. Please see *Note 15 Share Capital* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information.

Forward-Looking Information

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

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

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

Business Profile

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

UGE began as an energy solutions company, designing and supplying clean technology solutions to solve the needs of commercial and industrial clients. Over our history, we have developed expertise in solar, battery storage, and the financing of renewable energy projects, and we leverage our experience to develop, build, finance, and operate solar energy projects. These projects are designed to provide energy users and real estate owners immediate economic benefit, primarily through cheaper electricity costs and/or a long-term lease for roof space or vacant land.

UGE has a long history in the mid-scale renewable energy sector. Many of UGE's earlier projects were for notable clients like Whole Foods, the Philadelphia Eagles, and the Eiffel Tower. Through the acquisitions of Endura Energy Project Corp Ltd. in 2016 and Carmanah Solar Power Corp in 2017, UGE became significantly more experienced at engineering and providing engineering, procurement, and construction ("EPC") services, which fit the Company's roadmap to become a full lifecycle provider of commercial and community solar solutions.

Beginning in 2020, UGE refined its business model to developing, building, financing, owning and operating solar facilities, and away from providing EPC services to other developers. The Company energized its first self-financed systems within the last months of 2020 and had four self-financed systems energized as of December 31, 2021 in the United States with a further three in the Philippines. These projects have increased by two additional operational sites in the U.S. in 2022. At the end of Q2, one of the projects in the Philippines was bought back by the building owner. UGE is focused on continued growth of its project portfolio, including through realization of its project development backlog. This stood at 195MW as of June 30, 2022, with a total of 381MW of projects in development.

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

Self-financed Pipeline and Backlog Highlights*

			Q4 2021		Q1 2021		Q1 2022		Q2 2021		**Q2 2022**	
			#	KW	#	KW	#	KW	#	KW	**#**	**KW**
Pipeline	**Pre-commitment Stages 1-2**											
	Identified leads qualified	**US**	229	665,140	50	68,037	250	871,889	73	197,699	**229**	**799,415**
	Initial negotiations	**Philippines**	233	151,005	183	111,036	146	94,566	281	160,355	**133**	**108,198**
		Total	462	816,145	233	179,073	396	966,455	354	358,054	362	907,613
Development and Deployment	**Early Secured Stage 3.0**											
	Real estate secured (lease or LOI signed)	**US**	33	178,903	-	-	30	176,132	-	-	**28**	**172,321**
	Material feasibility items outstanding	**Philippines**	6	17,724	-	-	7	13,579	-	-	**8**	**13,709**
Backlog	**Secured Stage 3.1**											
	Real estate secured (lease or LOI signed)	**US**	30	139,614	15	52,887	33	129,452	19	62,911	**46**	**176,784**
	Material feasibility items determined	**Philippines**	22	9,133	10	2,933	14	7,453	10	5,006	**10**	**7,701**
	Secured Stage 3.2											
	Interconnection study completed	**US**	6	6,750	4	10,903	4	5,484	5	12,056	**5**	**8,183**
		Philippines	-	-	-	-	-	-	-	-	**-**	**-**
	Secured Stage 3.3											
	Agreements finalized	**US**	-	-	1	741	-	-	-	-	**-**	**-**
	Permits obtained	**Philippines**	-	-	3	1,843	-	-	2	1,469	**-**	**-**
	Ready to Build Stage 4											
	Fully contracted and scheduled	**US**	-	-	-	-	-	-	-	-	**1**	**1,040**
	Financing secured	**Philippines**	2	1,078	-	-	1	200	-	-	**1**	**200**
	Construction Stage 5											
	Under construction	**US**	3	1,463	1	259	3	1,463	1	723	**1**	**740**
		Philippines	1	100	1	100	1	100	1	100	**-**	**-**
	Total Backlog	**US**	39	147,827	21	64,790	40	136,399	25	75,690	**53**	**186,747**
		Philippines	25	10,311	14	4,876	16	7,753	13	6,575	**11**	**7,901**
	Total Backlog		64	158,138	35	69,666	56	144,152	38	82,265	64	194,648
	Total Development and Deployment		103	354,765	35	69,666	93	333,863	38	82,265	**100**	**380,678**
Operational	**Operating Stage 6**											
	Generating power	**US**	4	896	3	637	4	896	4	900	**6**	**1,623**
		Philippines	3	524	2	215	3	524	3	525	**3**	**524**
		Total	7	1,420	5	852	7	1,420	7	1,425	**9**	**2,147**

* The Company publishes detailed project by project supplemental information for its backlog that can be found together with its financial filings here: https://ugei.com/financial-filings/.

Business Update and Financial Highlights

	Quarterly			YTD	
	Q2 2022	Q1 2022	Q2 2021	2022	2021
Energy Production (KWh)	**346,624**	173,318	234,680	**519,942**	338,021
Installed energy generation capacity (KW)	**2,147**	1,420	1,162	**2,147**	1,162
GROSS PROFIT					
EPC Revenue	**$ 393,321**	$ 178,339	$ 487,164	**$ 571,660**	$ 857,612
Cost of goods - EPC	**236,570**	105,623	308,029	**342,193**	571,132
Gross profit - EPC	**156,751**	72,716	179,135	**229,467**	286,480
Gross profit % [1]	**40%**	41%	37%	**40%**	33%
Engineering services revenue	**106,122**	141,551	35,693	**247,673**	61,803
Cost of goods - engineering services	**68,196**	96,875	11,934	**165,071**	44,227
Gross profit - engineering services	**37,926**	44,676	23,759	**82,602**	17,576
Gross profit % [1]	**36%**	32%	67%	**33%**	28%
Energy generation revenue	**80,904**	44,046	52,017	**124,950**	79,911
Cost of goods - energy generation	**15,357**	6,651	11,790	**22,008**	17,266
Gross profit - energy generation	**65,547**	37,395	40,227	**102,942**	62,645
Gross profit % [1]	**81%**	85%	77%	**82%**	78%
TOTAL GROSS PROFIT	**260,224**	154,787	243,121	**415,011**	366,701
OPERATING COSTS AND EXPENSES					
General & administrative	**1,809,861**	1,630,762	1,229,101	**3,440,624**	2,405,463
Expected credit losses & impairment	**(2,143)**	2,441	7,000	**298**	22,000
Depreciation and amortization	**22,801**	19,661	13,436	**42,462**	25,040
TOTAL OPERATING COSTS AND EXPENSES	**1,830,519**	1,652,865	1,249,537	**3,483,384**	2,452,503
OPERATING INCOME (LOSS)	**(1,570,295)**	(1,498,077)	(1,006,416)	**(3,068,373)**	(2,085,802)
OTHER EXPENSES (INCOME)					
Financing expenses	**212,292**	102,548	73,870	**314,840**	166,763
Other (income) expense	**(347,438)**	(39,988)	(282,234)	**(387,426)**	(381,718)
TOTAL OTHER EXPENSES (INCOME), NET	**(135,146)**	62,560	(208,364)	**(72,586)**	(214,955)
INCOME (LOSS) BEFORE TAX	**(1,435,149)**	(1,560,637)	(798,051)	**(2,995,787)**	(1,870,847)
Income tax expense (recovery)	**4,265**	22	3,935	**4,287**	3,935
NET INCOME (LOSS) FOR THE PERIOD	**$ (1,439,414)**	$ (1,560,659)	$ (801,986)	**$ (3,000,074)**	$ (1,874,782)
ADJUSTED NET LOSS [1]	**$ (1,441,987)**	$ (1,566,406)	$ (1,054,290)	**$ (3,008,393)**	$ (2,201,118)
ADJUSTED EBITDA [1]	**$ (1,067,758)**	$ (1,329,173)	$ (843,031)	**$ (2,396,931)**	$ (1,781,766)
ADJUSTED EBITDA MARGIN [1]	**(410%)**	(859%)	(347%)	**(578%)**	(486%)

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

During the second quarter of 2022, UGE continued to focus on scaling its develop/build/finance/operate business model by growing its pipeline and maturing its projects in development. This included completing construction on two sites for its operational portfolio, with a third site anticipated to finish construction in Q3. Although UGE has now essentially shifted its business model away from its legacy engineering, procurement and construction ("EPC") business model, it currently has three EPC projects and made significant progress on them during the quarter.

This transformation has changed the nature and timing of UGE's revenue by shifting it to long-term recurring revenue from the operation and management of solar facilities (energy generation revenue). This contrasts with EPC revenue, which generates non-recurring revenue from construction of individual solar facilities for third parties. As UGE adds more operating solar facilities, those assets and their related liabilities, such as lease liabilities and debt, will grow together with their associated recurring revenue. Over the long term, this is expected to become the Company's dominant revenue source. At the same time, the Company expects to continue to selectively secure client-financed EPC agreements each year, as well as continuing to earn engineering and consulting revenue.

The expected trend in energy generation revenue is demonstrated above. UGE's energy generation revenue was $80.9K and $125.0K from its four U.S. operating solar facilities for the three and six months ended June 30, 2022 respectively. Compared to $52.0K and $79.9K from three U.S. operating solar facilities for the respective comparative periods in 2021, this represents an increase of approximately 56% in both periods (note that statistics are calculated based on four operating projects in 2022, as construction was only just completed for two projects at the very end of the quarter). Energy earned in a given period can also be affected by seasonality and varying contributions from single offtaker and community solar sites.

The 19.3% and 33.3% decreases in EPC revenue in the three and six months ended June 30, 2022 as compared to the same periods in 2021 reflects the shift in UGE's business model. Throughout 2021 and continuing through Q2 2022, the Company has focused on completing existing EPC projects and has started one project in Q2 in each of the United States and Philippines.

Engineering services has continued to grow, with 197.3% and 300.7% revenue growth for the three and six months ended June 30, 2022 as compared to the same periods in 2021. The gross margin in Q2 2022 declined to 36%, compared to 67% in Q2 2021, as a result of a correction to Q1 2021 results together with the project mix in these periods in 2022. Management continues to track margins year to date, which are 5% ahead of 2021 pace, with a view to maintaining or even improving these in the latter half of the year. The engineering services business unit continues to exhibit strong sales bookings with $353K contracted but not yet delivered as of the date of this report and is expected to experience further growth throughout the remainder of 2022.

As we build towards our goal of 100MW of operating assets by the end of 2024, our balance sheet will continue to grow. In particular, the right-of-use assets and their corresponding lease liabilities, which are associated with site securement, will accelerate. Site securement is the commencement of the development process and generally takes place six months to three years before construction commences. It is only when construction commences that capital assets and related project debt are recorded. In 2021, the right-of-use assets and lease liabilities both increased approximately eight-times as compared to 2020, as a result of signing 23 leases in the year. In the six months ended June 30, 2022 the Company signed 18 new leases to secure sites for both battery storage and ground mount solar facilities. The majority of these (15) were signed during the three months ended June 30. To date in 2022 the Company has also cancelled one lease that had been signed in 2021 for a planned project, after determining that the interconnection costs rendered the project not feasible.

The other balance sheet trend that is expected to continue is related to capitalized development costs. Cash outlays occur during the six months to three years prior to construction, with some being capitalized to project development costs, while others are expensed, depending on management's assessment of the level of certainty of each project moving forward at the time of expenditure. The Company also capitalizes certain non-cash items, including the interest accretion on a project's lease, the depreciation associated with that lease's right-of-use asset, and commissions or finders' fees related to a project. These costs will be amortized as part of the related solar facility's cost once it begins operations. Capitalized project development costs increased net $355.6K and $1,080.7K in the three and six months ended June 30, 2022 as the Company made progress on several projects. The funding of these development expenditures is from general working capital.

As our projects near commercial operation, they receive an independent third party appraisal that serves as the final valuation of the ITC and is the basis on which the tax equity investment value is calculated. With the completion of construction on two projects and the third essentially complete (just waiting for equipment from the utility), the Company has received third party validation of its conservative assessments, noting that the appraised values of the projects were in the ranges of $3.03 - $3.46 per watt.

Key financial results in Q2 2022 included:

- The 1.4 MW of assets that were operating for the full quarter contributed $80.9K operating income with an 81% gross margin, representing an increase of 56% in revenue over Q2 2021, due to the increased capacity that was added post Q2 2021. As UGE continues on its path to own and operate assets, operating income is expected to continue to grow. Although there will be some variation between markets, and from rooftop versus ground mount installations, management believes that its annualized $/W realized in Q2 2022 is within expectations.

- Realized $393.3K in one-time revenue from client-financed EPC agreements, compared to $487.2K in Q2 2021. Although the Company has largely pivoted away from EPC services to the develop/build/finance/own/operate model, the Company will continue to selectively secure client-financed EPC contracts. The gross margin from EPC revenue was 40%, compared with 37% in Q2 2021 and is aligned with expectations.

- The Company realized $106.1K in revenue from its engineering services business unit in Q2 2022 with a gross margin of 36%, compared to $35.7K in Q2 2021 with a 67% gross margin. Engineering services results fluctuate based on both the mix of projects and the allocation of time between work for third parties and work on the Company's self-financed construction projects.

- Net loss of $1.44 MM for the quarter, compared with a net loss of $0.80 MM for Q2 2021, is mostly driven by the $580.8K increase in general and administrative expense, as the Company increased headcount and certain administrative expenses as part of its growth and business model shift.

- Adjusted net loss of $1.44 MM in Q2 2022 versus $1.05 MM in Q2 2021 reflects performance excluding the effects of the settlement of outstanding debt at a discount and relief under COVID-19 programs. It better demonstrates the increase in the ongoing cost base as UGE scales the size of its business and invests in the development of its future operating portfolio.

Key business highlights in Q2 2022 included:

- One of three New York based locations totaling 1,463KW of capacity, which were under construction in Q1, reached commercial operation by June 30, 2022. The second had completed construction in Q2 reaching commercial operation in July. The third location is also expected to reach commercial operation within Q3.

- Backlog was 194.6MW at June 30, 2022, compared with 82.3MW on June 30, 2021, 158.1MW on December 31, 2021 and 144.2MW on March 31, 2022. The primary reason for the increase to date in 2022 is an increase in the size of UGE's development team as well as favorable market conditions for the development of community solar assets.

- The balance sheet continued to build ROU Assets and their associated lease liabilities as the Company secures sites for development.

- The Company closed on a US $25M project debt and tax equity facility to deploy six community solar projects in Maine.

- On April 8, the Company issued a secured project development "Green Bond", highlighting the appetite for further similar offerings that will support the Company's continued growth.

Subsequent to Q2 2022, on July 28, the Company closed a private placement of secured project development "Green Bonds" for net proceeds of CAD $2.23MM (US$1.73MM). Each bond has a face value of CAD $1,000, an 8% coupon, and a four-year maturity. In connection with the private placement the Company also issued 155,750 subscriber warrants to purchase the Company's common shares at a strike price of $1.50 and 66,750 finders' warrants at a strike price of $1.50. The finders' warrants expire after 24 months while all other warrants expire 18 months after the issue date. 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.

As UGE continues to focus on scaling its operations to meet its goal of owning and operating at least 100MW of operational assets by 2024, the recurring revenues from operating solar facilities are expected to become the dominant revenue source for the Company, as noted above. However, UGE expects to experience negative net income and negative cash flows until reaching scale in its operating solar facilities, when developer fees and operating projects are expected to reverse this trend.

During the remainder of 2022, UGE will continue to execute against its strategic objectives, focusing on project development, with the goal of adding 100MW of projects to backlog annually by 2024. After significantly exceeding its 2021 backlog goal, management believes UGE is on track to achieve its 2024 targets.

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

Management believes it is important to analyze UGE's pipeline of solar facilities as a measure of the Company's potential to earn future revenue. Certain amounts presented in the table below are Non-GAAP measures; please see the *Non-GAAP Measures* section of this MD&A for more information.

As a project developer, the Company manages its project development pipeline closely as it focuses on developing solar facilities with strong long-term returns. UGE tracks its overall project development efforts by allocating them among six stages. Stages 1 and 2 represent early-stage pipeline, whereas from Stage 3.0-onward the Company has secured "site control". Site control is most commonly in the form of a binding letter of intent ("LOI"), an option to lease, a lease, or an award letter.

In order to provide more quantified information about UGE's overall project development efforts, the Company reports on both its project development pipeline, which is a subset of the overall pipeline that captures projects starting in stage 3.0 when site control has been obtained, and its project development backlog ("backlog"), which includes projects for which the Company has site control and which have reached a certain level of maturity such that management believes the project is likely to move forward and ultimately become an operating solar facility. Projects are considered part of the backlog once they have reached at least Stage 3.1 (project feasibility largely confirmed) through Stage 5 (project is under construction). Stage 6 projects are fully operating solar facilities.

Please see the *Self-financed Pipeline and Backlog Highlights* section above.

Stages 3 to 6 are defined in more detail as follows:

Stage 3 – Committed - the Company has secured a binding commitment from a client, which can take the form of a site lease, option to lease, letter of intent, or an award letter in response to a Request for Proposal ("RFP"). Within Stage 3, solar facilities are further broken down as follows:

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

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

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

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

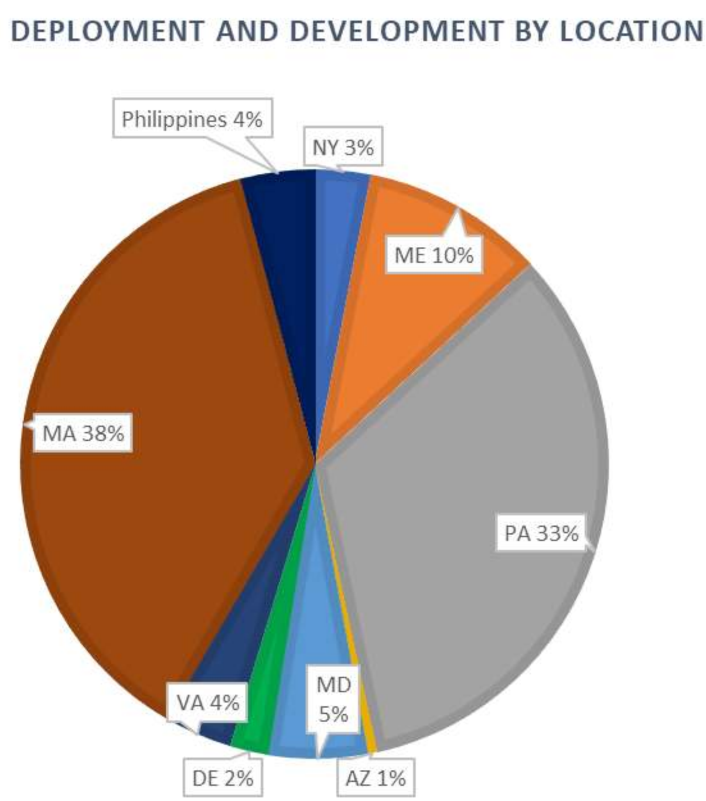
The table below provides information on the Company’s project backlog for UGE’s self-financed solar facilities at June 30, 2022:

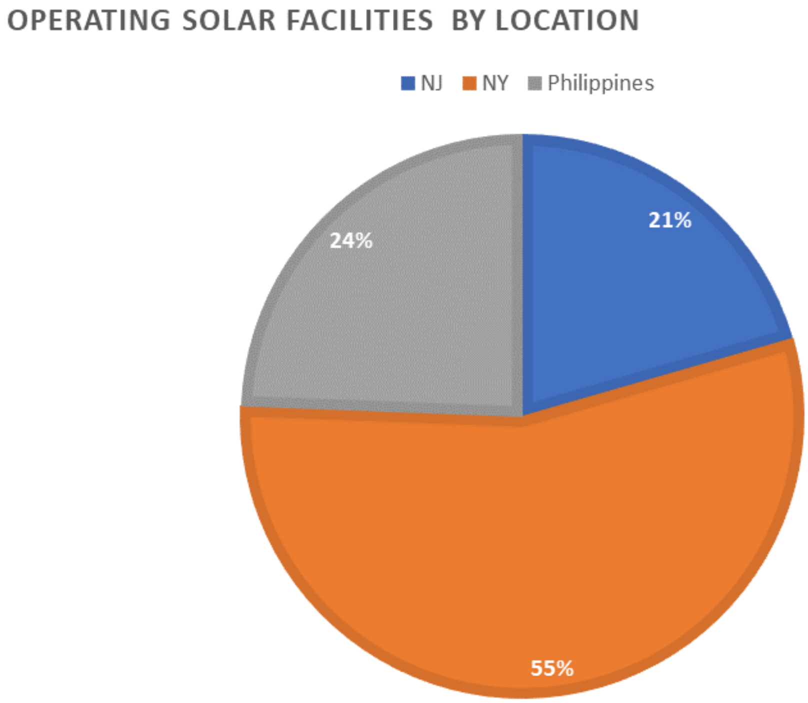
	# of projects					Capacity in KW					Average Annual Revenue				
	Q4 2021	Q1 2021	Q1 2022	Q2 2021	**Q2 2022**	Q4 2021	Q1 2021	Q1 2022	Q2 2021	**Q2 2022**	Q4 2021	Q1 2021	Q1 2022	Q2 2021	**Q2 2022**
Secured Stage 3.1															
US	30	15	33	19	**46**	139,614	52,887	129,452	62,911	**176,784**	22,742,721	9,707,850	20,558,211	10,909,499	**28,824,596**
Philippines	22	10	14	10	**10**	9,133	2,933	7,453	5,006	**7,701**	552,269	164,579	431,019	182,735	**381,236**
Secured Stage 3.2															
US	6	4	4	5	**5**	6,750	10,903	5,484	12,056	**8,183**	1,242,527	1,645,960	947,032	1,923,446	**1,696,093**
Philippines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured Stage 3.3															
US	-	1	-	-	-	-	741	-	-	-	-	195,838	-	-	-
Philippines	-	3	-	2	-	-	1,843	-	1,469	-	-	149,544	-	116,818	-
Ready to Build Stage 4															
US	-	-	-	-	**1**	-	-	-	-	**1,040**	-	-	-	-	**173,269**
Philippines	2	-	1	-	**1**	1,078	-	200	-	**200**	67,221	-	19,843	-	**19,843**
Construction Stage 5															
US	3	1	3	1	**1**	1,463	263	1,463	723	**740**	373,679	62,009	430,572	205,363	**222,335**
Philippines	1	1	1	1	-	100	100	100	100	-	10,158	10,158	10,158	10,158	-
Total Backlog															
US	39	21	40	25	**53**	147,827	64,794	136,399	75,690	**186,747**	24,358,927	11,611,657	21,935,815	13,038,307	**30,916,293**
Philippines	25	14	16	13	**11**	10,311	4,876	7,753	6,575	**7,901**	629,648	324,281	461,020	309,711	**401,079**
Total	64	35	56	38	**64**	158,138	69,670	144,152	82,265	**194,648**	24,988,575	11,935,938	22,396,835	13,348,018	**31,317,372**
Operating Stage 6															
US	4	3	4	4	**6**	896	637	896	900	**1,623**	218,166	141,903	218,166	204,027	**423,273**
Philippines	3	2	3	3	**3**	524	215	524	525	**524**	44,742	19,671	44,742	44,742	**44,742**
Total	7	5	7	7	9	1,420	852	1,420	1,425	**2,147**	262,908	161,574	262,908	**248,769**	**468,015**
Total Backlog + Operating															
US	43	24	44	29	59	148,723	65,431	137,295	76,590	**188,370**	24,577,093	11,753,560	22,153,981	13,242,334	**31,339,566**
Philippines	28	16	19	16	14	10,835	5,091	8,277	7,099	**8,425**	674,390	343,952	505,762	354,453	**445,821**
Total	71	40	63	45	73	159,558	70,522	145,572	83,689	**196,795**	25,251,483	12,097,512	22,659,743	13,596,787	**31,785,387**

Certain items (average annual revenues) in this table are Non-GAAP measures that do not have standard definitions under IFRS, are not reconcilable to IFRS measures, and may not be comparable to other companies. Please see the Non-GAAP Measures section of this MD&A for more details.

At June 30, 2022, the Company had a self-financed (develop/build/finance/own/operate) backlog capacity of 194.6 MW with expected average annual revenue of $31.3 MM. This was an increase of 35% and 23% from March 31, 2022 and December 31, 2021, respectively, for the MW, and 39% and 25%, respectively, for the expected average annual revenue. The year-to-date increase is comparatively lower as a result of a Q1 reduction that was attributable to the Maine Public Utility Commission's denial of the Company's good cause exemption for six projects in the state. As of the date of this report, the backlog stands at 202MW. Since Q1 2022, the Company has completed construction on two solar facilities in the U.S. and the energy they have begun generating at the start of Q3 will be augmented by a further facility that is expected to be energized during Q3.

Within the U.S., the Company is currently most active in New York, Pennsylvania, and Maine, with increasing activity in other states throughout the U.S. New York City is predominantly a roof-top market, with projects typically less than 1MW per-facility, whereas most projects in Maine and Pennsylvania are ground-mounted with rated capacity of 1MW to5MW. Projects in Massachusetts frequently involve battery storage, whether in conjunction with a solar system or on a standalone basis. Within the Philippines, the Company's current focus is almost exclusively on rooftop solar facilities, and its operations have shifted back to a model where the client or a third-party finances the project as the Company shifted resources back to the U.S. market.





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

Given the increase in project backlog and the time generally required to reach deployment, we expect a growing proportion of the current backlog will enter construction (Stage 5) in the second half of 2022. The solar facility in Stage 5 at June 30, 2022 is expected to commence operations within Q3.

The Company has pivoted from its client-financed EPC business. However, it continues to pursue opportunistic projects under this model. As of June 30, 2022, there were 1.37MW and 1.11 MW of EPC projects in development in the Philippines and the U.S., respectively, of which 1.73MW were under construction and expected to complete by the end of 2022.

Our Engineering Services business continues to scale with a book of external business yet to execute sitting at $353K in addition to the in-house services being provided.

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

Q2 2022 Earnings Review

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
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
OPERATING COSTS AND EXPENSES				
General and administrative	1,809,861	1,229,101	3,440,624	2,405,463
Expected credit losses	(2,143)	7,000	298	22,000
Depreciation and amortization	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	212,292	73,870	314,840	166,763
Other expense (income)	(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	$ (0.04)	$ (0.03)	$ (0.09)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES	32,287,971	31,156,830	32,264,859	30,368,079

Revenue and Gross Profit

Revenue and Gross Profit comprise the following:

	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 table above shows the Company's progress on its shift to a develop/build/finance/own/operate business model, with decreased EPC revenue and increased energy generation revenue. Total gross margin averaged 45% in Q2 2022, with individual contributions of 40% from EPC revenue, 36% from engineering services, and 81% from energy generation.

The second quarter of 2022 continued to see significant traction in the engineering services division's contracted and in-progress work. In addition to the increase in revenue, above, the business unit booked $594K of new sales in Q1 and a further $317K in Q2, which position it well for further growth during the remainder of the year. The increase in engagements for 2022 delivery is indicative of the Company's increased focus on monetizing this valuable internal resource.

In the Philippines, the current legal structure for self-financed (build/own/operate) solar facilities is different from the U.S. in order to meet local requirements. Under the Company's most often used legal structure, the ownership of the solar facility transfers to the customer once completed. The Company finances the construction of the solar facility on behalf of the customer, and then receives interest income as the customer repays the construction costs. The Company also receives energy generation income over the life of the solar facility. This follows IFRS and results in a different revenue recognition model from the U.S., such that EPC and development revenue is earned over the period of construction and included in the consolidated EPC revenue line, while services revenue is earned over the life of the solar facility and included in energy generation revenue. The Company has shifted its focus in the Philippines back to having third parties finance its projects as it has reallocated resources back to the U.S.

In the U.S., energy generation revenue is earned from both the sale of generated electricity and the sale of renewable energy credits. At the end of June 2022, the Company added two sites representing 0.7MW to its 1.4 MW of generation capacity, bringing its total to six projects in the U.S. and three in the Philippines. The Company also had a further 2.0MW across two U.S. and one Philippine projects that were under construction or ready to construct at June 30, 2022. There is seasonality to the energy generated and the earned revenue, consistent with the weather patterns in the states where the solar facilities are located. The operating solar facilities are currently operating within our expectations.

Operating Costs and 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

General and administrative costs include salaries and benefits, non-capitalizable development expenses, corporate expenses, insurance, travel, marketing, and non-cash share-based compensation expenses. Year over year, the main driver of the increase in general and administrative costs is related to salaries and benefits. These were $1.01MM and $2.01MM for the three and six months ended June 30, 2022 compared to $0.74MM and $1.30MM for the prior comparative periods, representing a 36% increase from June 30, 2021 to June 30, 2022 that related to the Company moving from 45 to 57 employees over that period. This scaling was also evident in travel and marketing, which increased 69% and 106% as COVID-19 restrictions have relaxed and the origination team spends more time meeting clients. The 50% and 147% increases in development costs reflect the Company's progress on the projects in its backlog. The 94% and 20% increases in corporate and office are primarily associated both with increased space for employees as they return to working in the office together with increased professional fees associated primarily associated with increased financing activities. The Company will continue to invest in resources and people to support project development as it grows towards its goals, which we expect will put some upward pressure on the expense base in 2022.

Expected credit losses are charges to the statement of operations for the increase (or decrease) to the Company's expected losses on trade receivables, unbilled revenue, and notes receivable, including any amounts written off in the year. These charges can fluctuate based on the outstanding amount of trade receivables and specific customer circumstances. The decline in the Company's historical EPC business has reduced its average accounts receivable from third parties, and therefore also reduced its provisions compared to prior periods. The $2K recovery in the second quarter of 2022 is related to one facility in the Philippines, and is discussed in more detail below, under *Q2 2022 Financial Position Review*.

Depreciation and amortization includes the amortization of operating solar facilities and their associated right-of use lease assets. During development and construction, depreciation of the right-of-use lease assets corresponding to leased land is capitalized to construction in progress, with the expense recognition delayed until the solar facility becomes operational. The increase year over year is the result of additional facilities becoming operational in 2022.

Financing 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

Financing costs include both placing and servicing operating and project debt and tax equity financing. As the Company's asset base grows, project and tax equity financing costs will increase in line with the size of the portfolio. Finance costs (borrowing costs) incurred during the construction phase of a project are capitalized to solar facilities under construction, including the non-cash interest expense associated with the lease liabilities that correspond to the right-of-use lease assets referenced above.

Other 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)

Year to date net other income is largely aligned to 2021 although the composition has changed. In 2021 it was associated with the recording of non-recurring government assistance and legacy items. In 2022 it is predominantly associated with a change in estimate of the allocations attributable to tax equity investors.

Q2 2022 Financial Position Review

	As at			
		30-Jun-22		31-Dec-21
ASSETS				
Cash	**$**	**1,815,798**	$	1,251,562
Restricted Cash		**30,331**		173,073
Trade and other receivables		**955,691**		1,130,558
Construction in progress		**2,157,296**		1,458,336
Solar facilities in use		**1,734,951**		1,162,426
Right-of-use assets		**19,424,028**		12,181,538
Project development costs		**2,373,072**		1,292,414
Other assets		**2,225,916**		689,300
Total assets	**$**	**30,717,083**	$	19,339,207
LIABILITIES AND EQUITY (DEFICIT)				
Trade payables and accrued liabilities	**$**	**2,781,521**	$	2,195,898
Deferred revenue		**1,361,235**		111,477
Operating debt		**2,573,930**		2,150,193
Project debt		**6,706,449**		2,811,404
Tax equity liabilities		**557,926**		432,602
Lease liabilities		**19,203,668**		12,613,512
Other non-current liabilities		**1,414,214**		362,980
Total liabilities		**34,598,943**		20,678,066
Equity (deficit)		**(3,881,860)**		(1,338,859)
Total liabilities and equity (deficit)	**$**	**30,717,083**	$	19,339,207
Working capital (deficit)	**$**	**(312,934)**	$	(369,046)

Cash and restricted cash

The cash position of the Company increased from December 31, 2021 as a result of its April 8, 2022 Green Bond raise, closing of various milestones of tax equity financing on four projects, closing then partially funding a debt facility for a portfolio of Maine projects, option and warrant exercises, and a final government-sponsored COVID loan advance. This was offset by continued cash requirements for the Company's growth. $140K of the restricted cash at December 31, 2021 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.

Trade and other receivables

Trade receivables and other receivables fluctuate with business activity; the $175K change from December 31, 2021 is commensurate with management expectations.

At June 30, 2022 the Company has provided $39K (December 31, 2021 - $90K) for expected credit losses and the amount of trade and other receivables is shown net of this amount. 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 intends to initiate a civil suit in an attempt to recover its losses.

Solar facilities in use and under construction

	Solar facilities in use	Solar facilities under construction
Six months ended June 30, 2022		
Balance- beginning of period	$ 1,162,426	$ 1,458,336
Additions	-	1,300,969
Transfer to solar facilities in use	602,009	(602,009)
Depreciation	(29,481)	-
Foreign exchange differences	-	-
Balance - end of period	**$ 1,734,954**	**$ 2,157,296**
As at June 30, 2022		
Cost	$ 1,822,176	$ 2,157,296
Accumulated depreciation	(87,222)	-
Net carrying amount	**$ 1,734,954**	**$ 2,157,296**

At December 31, 2021 there were two solar facilities totaling 1.5MW, consisting of three sites, which were under construction. Two of these finished contruction at the end of June 2022 and have begun generating revenue in July. The remaining site is expected to be energized within Q3, following delays in receiving equipment from the associated utility. Additionally, in Q2 2022 one site in the U.S. and one site in the Philippines achieved NTP status and construction is expected to begin in Q3.

Right of use assets and lease liabilities

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**

These assets and liabilities represent the Company's rights and obligations under long term leases associated with solar facilities. The carrying values of both have increased, and will continue to increase, as the Company adds new projects to the project backlog. There is usually one lease contract for each solar facility project and the right of use asset and lease liability are recorded at the time of the signing of the lease. Please see *Note 10* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information.

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 are capitalized costs that are incurred pre-construction. They include costs such as lease option payments, interconnection studies, permits, commissions, and engineering reports. They also include depreciation of the associated right-of-use assets and interest on the associated lease liabilities. Once construction commences, capitalized costs are reclassified to solar facilities under construction. As origination and development activities accelerate, the capitalized amounts are also expected to increase. The $1.08MM increase from December 31, 2021 is largely non-cash. It includes approximately $80K of deferred commissions and approximately $771K of capitalized depreciation and lease interest.

Trade payables and accrued liabilities

Trade payables and accrued liabilities generally fluctuate with business activities. The increase from December 31, 2021 is largely due to the acquisition of construction materials, including inventory, associated with the Company's projects that are either in progress or about to begin.

Operating debt

OPERATING DEBT	Maturity	Contractual Rate	As at June 30, 2022	As at December 31, 2021
UGE International				
Convertible debenture	Oct-23	6.5%	$ **1,409,868**	$ 1,379,536
UGE Canada RE				
Canada Emergency Business Account	Dec-23	0.0%	**39,243**	38,717
UGE Consulting				
Canada Emergency Business Account	Dec-23	0.0%	**39,243**	38,717
UGE USA				
Paycheck protection program	Apr-22	1.0%	-	15,600
Economic injury disaster loan (EIDL)	Jun-50	3.75%	**946,976**	514,792
UGE Philippines				
Bank loan	Dec-27	8.00%	**138,600**	162,831
Total			$ **2,573,930**	$ 2,150,193
Current portion			$ **43,298**	$ 145,630
Non-current portion			$ **2,530,632**	$ 2,004,563

In January 2022, the maturity date of the Company's Canada Emergency Business Account loans was extended from December 31, 2022 to December 31, 2023. On February 19, 2022, the Company was advanced $417.9K under its existing EIDL facility. There were no other material changes to the Company's operating debt in the six months ended June 30, 2022.

Project debt and tax equity financing

PROJECT DEBT	Maturity	Contractual Rate		As at June 30, 2022		As at December 31, 2021
UGE International						
Green Bonds	Apr-26	8%	$	2,052,327	$	-
UGE USA						
Construction financing		6.5%-8.5%		3,166,471		1,290,272
Operating project debt	2028	5.9%-7.4%		1,042,823		1,076,889
Tax equity financing				557,926		432,602
UGE Project Holdco.						
Green Bonds	Sep-23	7.0%		372,107		372,033
Green Bonds	Jan-25	7.0%		72,721		72,210
Total			$	7,264,375	$	3,244,006
Current portion			$	109,090	$	104,509
Non-current portion			$	7,155,285	$	3,139,497

Project debt includes financing for development projects, construction financing for solar facilities under construction, and long-term debt associated with operating solar facilities. Prior to 2022, Green Bonds had been used to fund solar facilities in the Philippines. In 2022, the Company began issuing Green Bonds to fund its U.S. development projects. These balances will generally increase in line with the growth in the Company's development and its solar facilities.

In addition to traditional project financing the Company also finances solar facilities through tax equity structures. These structures are designed to allocate the majority of renewable tax incentives, such as investment tax credits ("ITCs") and accelerated depreciation to tax equity investors ("TEIs"). With its current portfolio of solar facilities, the Company cannot fully monetize such tax incentives and it therefore partners with third-party TEIs. Generally, tax equity structures allocate the majority of the project's U.S. taxable income and renewable tax incentives, along with a portion of the project's cash flows, to the TEIs until they receive an agreed-upon after-tax investment return (the "flip point"). The flip points are generally dependent on the projects' respective returns but also may be contractually determined. At all times, both before and after the projects' flip points, the Company retains control over the projects financed with a tax equity structure in partnership with third party TEIs. Subsequent to the flip point the Company receives the majority of the projects' taxable income, cash flows and remaining tax incentives. The Company entered into a combination construction, term and tax equity financing arrangement with a new financier during Q2 2022. This arrangement is associated with a portfolio of projects in the state of Maine. During the quarter the Company also closed new TEI financing arrangements associated with the project that is expected to reach completion in Q3. TEIs are expected to remain an important financing source as long as the current non-refundable structure of the ITC program remains in place and subject to forthcoming IRS regulation in response to the IRA, as the IRA provides for alternative means to monetize the ITCs.

Deficit

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

The Company's accumulated deficit was $3.88MM at June 30, 2022, compared to a deficit of $1.34MM at December 31, 2021. The change in the deficit is almost entirely due to the year-to-date net loss of $3.00MM, partially offset by a $249.9K increase in contributed surplus due to stock-based compensation, and $183.7K associated with warrant and option activity. Please see *Note 15 Share Capital* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information.

Liquidity and Capital

	Six months ended	
	30-Jun-22	30-Jun-21
OPERATING ACTIVITIES		
Cash used in operating activities	**$ (2,009,009)**	$ (3,085,298)
FINANCING ACTIVITIES		
Cash provided by financing activities	**$ 4,635,590**	$ 4,814,930
INVESTING ACTIVITIES		
Cash used in investing activities	**$ (2,032,613)**	$ (522,674)
Effects of changes in foreign exchange rates on cash	**$ (29,732)**	$ 47,294
Net increase in cash	**564,236**	1,254,252
Cash, beginning of period	**$ 1,251,562**	$ 1,000,069
Cash, end of period	**$ 1,815,798**	$ 2,254,321

The Company's cash flow sources include operations, debt and equity financings, and occasional project sales. The primary uses of cash are operating expenses, including the cost of sales, working capital, and project development costs.

Cash flow from operations

In the first six months of 2022, the Company generated negative cash flow from operating activities of $2.00 MM including its net loss of $3.00 MM, down significantly from $3.09 MM cash used in the first six months of 2021. Significant changes compared to the same period in 2021 include prepaid expenses increases of $0.96 MM compared to $0.10 MM, deferred financing and customer acquisition costs increases of $86 K compared to $0, and accounts payable increases of $0.55 MM compared to decreases of $0.87 MM. As well, the Company's deferred revenue increased by $1.25 MM in 2022 compared to decreasing by $0.71K in 2021, reflecting increased activity as COVID restrictions were largely lifted compared to the prior year. Accounts receivable decreased by $162 K in 2022 compared to increasing by $90 K in 2021.

The Company's migration to the develop/build/finance/own/operate model in the U.S. has a significant impact on its revenue recognition under IFRS, as well as its current and mid-term expected cash flows. Revenue recognition under IFRS for this develop/build/finance/own/operate model is based on long-term recurring earnings that require scale in operating solar facilities to create positive IFRS earnings and cash flow. The Company can, however, generate positive cash flows during the construction to energization stages of solar facility development by retaining a "developer fee." UGE can use the funds generated from the developer fee for operations, investments in growth, and new development activities.

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

Financing activities

The most significant financing activities in the first six months of 2022 were combined debt and warrant financings of $4.03 MM, of which $2.16 MM was due to the Green Bonds issued in April. The Company also received a $0.42 MM U.S. government COVID-relief loan, $0.19 MM tax equity investments associated with the U.S. projects that were completed in June, and $0.12 MM from option exercises. Debt repayments of $61 K primarily related to regular payments on the Company's project debt associated with its owned and operating solar facilities. In the first six months of 2021, the Company's most significant financing activities were a $5.03 MM equity raise and debt repayments of $0.82 MM. The Company also received $0.15 MM U.S. government COVID-relief loan and $0.20 MM tax equity investments.

Throughout 2021 the Company received $0.50 MM in COVID relief debt from both U.S. and Canadian government agencies. COVID relief programs have largely wound down and the Company does not anticipate receiving additional COVID relief funds in 2022.

Investing activities

Investing activities reflect the Company's capital costs for solar facilities, including the upfront development costs. The significant increase to $2.03 MM in the first six months of 2022, compared to $0.52 MM for the same period in 2021, is related to the Company's increased construction of solar facilities that it will own and operate to generate recurring revenue.

Capital management

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain our ability to develop high-quality solar facilities. The Company includes operating and project debt, tax equity liabilities and shareholder's equity, excluding accumulated other comprehensive income, in its capital management. To maintain its capital position the Company may adjust the capital structure, between debt and equity, which may include issuance of shares and/or warrants. At this time, the Board of

Directors has not established short-term quantitative return on capital criteria at the Company level, but the management does have minimum internal rates of return when it assesses the feasibility and approves the development of new solar facilities. UGE is not subject to any externally imposed capital requirements.

Selected Quarterly Financial Highlights

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
In $000s except per share information								
Operations								
Energy production (KWh)	**58,799**	**61,079**	**103,341**	**234,680**	**295,155**	**140,206**	**173,318**	**346,624**
Energy generation capacity (KW)	**441**	**802**	**852**	**1,162**	**1,420**	**1,420**	**1,420**	**2,147**
Revenue								
EPC	$ 72	$ 353	$ 370	$ 487	$ 427	$ 979	$ 178	**$ 393**
Engineering services	$ 44	$ 46	$ 26	$ 36	$ 34	$ 151	$ 142	**$ 106**
Energy Generation	$ 16	$ 16	$ 28	$ 52	$ 69	$ 40	$ 44	**$ 81**
Total revenue	**$ 132**	**$ 415**	**$ 424**	**$ 575**	**$ 530**	**$ 1,171**	**$ 364**	**$ 580**
Income (loss) from operations	$ (792)	$ (917)	$ (1,079)	$ (1,006)	$ (1,354)	$ (1,074)	$ (1,498)	**$ (1,570)**
Net income (loss)	**$ 349**	**$ 132**	**$ (1,073)**	**$ (802)**	**$ (1,335)**	**$ (952)**	**$ (1,561)**	**$ (1,439)**
Operating income (loss) per share								
basic and diluted	($0.04)	($0.03)	($0.04)	($0.03)	($0.04)	($0.03)	($0.05)	**($0.05)**
Net income (loss) per share								
basic and diluted	**$0.02**	**$0.00**	**($0.04)**	**($0.03)**	**($0.04)**	**($0.03)**	**($0.05)**	**($0.04)**

Quarter to quarter comparisons of the Company's financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited. Revenues and earnings may fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of project activity, the percentage of completion of EPC projects, and the seasonality of generation revenue. Because operating expenses are incurred based on anticipated sales, and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in revenues and earnings in any given quarter.

Fluctuating Results of Operations

The Company's quarterly operating results, particularly for its residual EPC business and Engineering Services, are difficult to predict and are likely to fluctuate significantly in the future. Given that the Company is an early-stage company operating in a rapidly growing industry, fluctuations may be masked by recent growth rates and this may not be readily apparent from historical operating results. As such, past quarterly operating results of the Company should not be considered good indicators of future performance.

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

- fluctuations in customer demand for the Company's offerings;
- market acceptance of the Company's new or existing offerings;
- the Company's ability to complete installations in a timely manner;
- the Company's ability to continue to expand operations, and the amount and timing of expenditures related to this expansion at anticipated prices;
- announcements by the Company or its competitors of acquisitions, strategic partnerships, joint ventures or capital-raising activities, or commitments;

- changes in the Company's pricing policies or terms, or those of its competitors, including electric utilities; and
- actual or anticipated developments in the competitive landscape.

In addition, actual revenue, key operating metrics, and other operating results in future quarters may fall short of the expectations of investors and financial analysts, which could have a severe adverse effect on the trading price of the Company's shares.

Related Party Transactions

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

- associates, or entities, that are controlled or significantly influenced by the Company;
- key 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 June 30, 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. The officer's investment is CAD $46K (US $35.7K) 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 $284K and the total investment by the officer is $100K. At June 30, 2022, the total carrying amounts of the respective tax equity liabilities were $238.3K and $69.9K, and the Company had recorded no accrued distributions payable.
- the Company has a land lease agreement with one officer, on which land the Company intends to construct a solar facility. At June 30, 2022, the lease liability associated with this lease is $169.7K with expected future cash flows over 30 years of $492.8K. The lease agreement has market terms and conditions.

Commitments and Contingencies

Contractual commitments

As of June 30, 2022, the Company had contractual commitments, including estimated interest payments, 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**

Project loans payable include both construction loans and long-term project financing. Once a solar facility is operational, the construction loan is converted into a longer-term project loan through a standard construction-to-term structure and is repaid from the operating income of the solar facilities.

Lease liabilities are the obligations of the respective solar facilities and are paid from the operating revenue of the solar facility. In general, lease payments are nil or minimal during the development period, and material payments are not required until the solar facility begins operating.

Operating loans payable consist of the Company's CAD $2.0 MM face value convertible debenture, U.S. and Canadian government-sponsored COVID-19 relief loans, and a bank loan held in the Philippines. Please see *Note 11* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information regarding the terms and conditions of these loans.

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 $376K (CAD $500K), which consists of costs and accumulated interest. Until the action has been determined, the Company determined that it would book no further amounts post the project loss of $213K that was recognized in 2018. In Q2 2022, an agreement was reached to settle this claim for CAD $100K (US $78 K), which has been received as of the date of this MD&A and will be recognized in other income in Q3 bringing this matter to a close.

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.

Off Balance Sheet Arrangements

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

Financial Instruments

The Company's exposure to financial instruments includes the cash and restricted cash it holds, accounts payable, accounts receivable excluding HST and VAT, operating and project debt, and tax equity financing. The Company does not currently hedge its financial risks with derivative instruments or hold an investment portfolio. Please see *Note 18* in the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information about the Company's financial instruments. The Company's risk exposures and the impact on our financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its contractual obligations. The Company manages credit risk by requiring payment from customers prior to delivery, where possible. However, the Company does have ongoing outstanding trade receivables, in connection with its EPC and engineering services operations.

The Company has credit risk associated with its construction loans. These loans involve multiple advances over the construction period, and if the lenders were unable to make the advances on a timely basis, or at all, the Company would suffer delays and other disruptions in constructing solar facilities. The Company limits its risk by obtaining loans from known construction-financing lenders with a track record of timely financing.

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 receivables and overdue accounts receivable from vendors are managed on a case-by-case basis.

At June 30, 2022, the Company has provided $39 K (December 31, 2021 - $90K and March 31, 2022 - $92K) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. At June 30, 2022, there were $433K outstanding accounts receivable aged more than 30 days, which included $371K for a single vendor that was collected in July 2022.

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. Our objective in managing liquidity risk is to ensure sufficient liquidity to meet financial obligations when due by maintaining sufficient cash and cash equivalents to settle current liabilities and meet anticipated working capital requirements.

At June 30, 2022 the Company had cash of $1,816K, restricted cash of $30K, and a working capital deficiency of $313K. Discussion regarding our ability to manage our liabilities is outlined in the *Liquidity and Capital Resources* and *Commitments* sections of this MD&A. The Company plans to realize assets, increase revenues and gross profit margins, and raise further capital, as necessary, to maintain sufficient liquidity. If the Company is unable to achieve some or all of these plans within a reasonable timeframe, the Company may not be able to continue as a going concern.

Market risk

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

(a) Interest rate risk

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

The Company has cash balances, and currently all outstanding operating debt has fixed interest rates, and therefore the Company is not significantly exposed to fluctuating interest rates in the short to mid-term based on its current 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. Our current policy is to invest excess cash in a savings account at our banking institution.

(b) Foreign currency risk

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

Risks and Uncertainties

UGE is exposed to risks and uncertainties in the normal course of its business, as outlined below. Management and the Board of Directors review and evaluate material risks associated with its business activities and take mitigation actions as required. In addition, UGE maintains a level of liability, property and business interruption insurance that is believed to be adequate for UGE's size and activities, but the Company is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. There may also exist additional risks and uncertainties that are currently unknown to the Company or that are now considered immaterial that may adversely affect the Company.

Going concern risk

The 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 $313 K at June 30, 2022. For the three and six months ended June 30, 2022, the Company had a consolidated net loss of $1.44 MM and $3.00 MM, respectively, negative cash flow from operations of $1.30 MM and $2.00 MM, respectively, and an accumulated deficit of $39.5 MM.

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, on securing project specific debt, and securing operating debt or equity financing to fund its current and any future working capital needs as it builds its portfolio of solar facilities. Various risks and uncertainties affect the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereof, the public policy environment for renewable energy solutions in the markets in which the Company operates, and the Company's ability to raise sufficient equity and/or debt financing.

The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued focus on development of solar facilities, asset and revenue growth, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional financing, as needed, through one or more debt instruments or equity investments. While the Company has been successful in obtaining the necessary financing to date, there can be no assurance that future funds raised will be sufficient to sustain the Company's ongoing operations or that additional debt or equity financing will be available to the Company, or available at acceptable terms. Failure to implement the Company's business plan or the inability of the Company to raise sufficient funds could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, these material risks and uncertainties may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The 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.

Risks related to operations

Solar radiation

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

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

Global Climate Change

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

Natural Disasters

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

Delays and cost over-runs

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

Third-party supply and contractor performance

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

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

Pandemics or Other Public Health Emergencies

The Company's business, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics, or other public health emergencies, such as the COVID-19 pandemic. Ongoing impacts of the pandemic could affect procurement of equipment, and therefore construction, operation, and maintenance of the Company's facilities and projects may be halted or delayed and negatively impact the business, financial condition, and results of operations of the Company.

Permits and studies

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

Community solar programs

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

Power purchase agreements

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

Foreign exchange risk

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

Warranty

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

Regulatory

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

Risks related to growth and strategy

Availability of capital and capital markets

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

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

The Company owns interests in projects that qualify for U.S. renewable investment tax credits ("ITCs"). There can be no assurance that the projects will continue to qualify for ITCs and there can be no assurance that the ITCs will continue to be available. Any new tax rule, regulation or other guidance promulgated (as the same may be amended, updated, or otherwise modified from time to time) in the U.S. may jeopardize or otherwise impede the qualification of projects for the full value of ITCs. Qualification of the projects for ITCs is critical to obtaining tax equity financing. The inability to qualify the projects for ITCs, in whole or in part, would adversely affect the financing options for solar projects and their economic returns. If the qualification of a project for ITCs is not successful, there may be a material impairment of the Company's investment in that project. Other government actions could be taken that could, directly or indirectly, inhibit the Company's ability to raise tax equity financing. For example, lower corporate tax rates in the U.S. may impact the availability of tax equity investment for specific projects or the market in general, impeding our ability to obtain enough tax equity investment on terms and at rates beneficial to the Company and its projects. With the passage of the Inflation Reduction Act in August of 2022, the ITC has been extended for 10 years, increased to 30% with an extensions as to what qualifies for ITC and the ability for the rate to be expanded to up to 60% if certain conditions are met.

Interest rate fluctuations

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

Sales risk

Particularly with respect to client-financed EPC projects, our sales efforts target medium and large organizations, and the Company spends significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from six to 12 months, and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our backlog and pipeline and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively. Under our develop/build/finance/own/operate model, there are generally two types of customer; ones that we directly contract with through a power purchase agreement ("PPA") and ones who participate in a community solar construct. Where PPA's are concerned, there is direct credit risk that is mitigated through credit worthiness checks on the counterparty at contracting and retention of all rights to the solar facility itself. Where community solar is concerned, customers are aggregated by third party contractors who commit to certain offtake volume and creditworthiness parameters. There is a risk that these contractors do not fulfill their obligations resulting in decreased revenue for the Company.

Significant Competition

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

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

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

Ability to secure appropriate land or roof-top sites

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

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

The Company believes that a customer's decision to implement a renewable energy solution is driven largely by its desire to reduce its cost of electricity. Decreases in the retail prices of electricity from the utilities or from other renewable energy sources, or from improved distribution of electricity, would harm the Company's ability to offer competitive pricing and could harm its business. The price of electricity from utilities could decrease as a result of:

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

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

Dependence on Management and Ability to Hire and Retain Key Personnel

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

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

Government Policies

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

Industry Regulations

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

Sufficiency of Insurance Coverage

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

Management of Growth

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

Risk related to public shares

Controlling Shareholders

Major shareholders collectively own almost 34% of UGE and will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, and the sale of all or substantially all of the Company's assets, election of directors, and other significant corporate actions. Major shareholders may also have the power to prevent or cause a change in control. In addition, without the consent of one or more of the major shareholders, the Company could be prevented from entering into transactions that may otherwise be beneficial to the Company.

At the date of this MD&A, the following entities and individuals own significant percentages (on-a non-diluted basis) of the Company's issued and outstanding common shares. All four of these shareholders have agreed to a voluntary lock up arrangement that extends to June 3, 2025;

- Junfei Liu - 4,988,066 shares, representing 15.3%;
- Yun Liu – 807,989 shares, representing 2.5%. Ms. Yu also holds 75,000 options to purchase common shares, all of which are vested at the date of this report;
- Xiangrong Xie – 3,693,383 shares, representing 11.3%;
- Nicolas Blitterswyk (Director and CEO) - 1,439,419 shares, representing 4.4%. Mr. Blitterswyk also holds 328,500 options to purchase common shares, 224,500 of which are vested at the date of this report, and $46K CAD investment in the Company's convertible debenture issued October 2021, which is convertible into 25,555 common shares.

Dilution

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

Resale of Shares

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

Dividends

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

Issuance of Debt

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

Price Volatility of Publicly Traded Shares

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

No Guarantee of Active Liquid Market

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

Other risks

Enforcing Judgments Internationally

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

Limited Business History

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

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

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

Negative Cash Flows and Profitability

During the three and six months ended June 30, 2022, the Company had negative cash flow from operations and since its inception has not been profitable. There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or to forego certain business opportunities.

Commercial and Industrial Customers

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

Damage to Reputation

The Company depends significantly on its reputation for high-quality products, services, engineering capabilities, and exceptional customer service to attract new customers and grow its business. If the Company fails to continue to perform as expected within planned timelines, if its services lack quality, or if the Company damages any of its customers' properties or cancels projects, its brand and reputation could be significantly impaired. In addition, if the Company fails to deliver, or fails to continue to deliver, high-quality services to customers through long-term relationships, the Company's customers will be less likely to contract for future services with the Company, or refer the Company, both which are important strategies to achieve desired growth. Therefore, the Company's inability to meet or exceed current customers' expectations would harm the Company's reputation and growth through referrals.

International Operations

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

- inability to work successfully with third parties with local expertise to co-develop or build international projects;

- multiple, conflicting, and changing laws and regulations, including export and import restrictions, tax laws and regulations, labour laws and other government requirements, approvals, permits, and licenses;

- changes in general economic and political conditions in the countries where the Company operates, including changes in government incentives relating to power generation;

- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade, and other business restrictions;

- difficulties and costs in recruiting and retaining individuals skilled in international business operations;

- financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable; and

- inability to obtain, maintain, or enforce intellectual property rights, including inability to apply for or register material trademarks in foreign countries.

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

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

Conflicts of Interest

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

Issues Related to Acquisitions

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

Critical Accounting Judgements and Estimates

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

During the reporting periods, management has made a number of judgements, estimates and assumptions in applying the Company's accounting policies, the most significant being: assessment of the Company's ability to continue as a going concern; useful lives of property, plant and equipment, determination of whether a contract is a lease, impairment of non-financial assets, estimation of decommissioning liabilities, determining control or significant influence of special purpose entities, estimating allowances and provisions for expected credit losses, value of stock based compensation, revenue recognition, carrying value of tax equity liabilities, government loans and forgiveness, capitalization of project development costs, income tax provisions, and the determination of the functional currency of the principal operations of the Company. Please refer to *Note 2 A and B* in the Notes to the *Unaudited Condensed Consolidated Interim Financial Statements for the Three and Six Months Ended June 30, 2022* for more information on critical accounting assumptions, judgements and estimates.

Significant Accounting Policies

Please refer to *Note 3* of the *Audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020.* There have been no significant changes to these policies during the three and six months ended June 30, 2022.

Internal Control over Financial Reporting and Disclosure Controls

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

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

However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position, the consolidated results of operations, comprehensive loss and cash flows for the three and six months ended June 30, 2022 and all material subsequent activity up to August 15, 2022.

Non-GAAP Measures

This MD&A presents certain non-GAAP ("GAAP" refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management believes that these non-GAAP measures may assist investors as they provide additional insight into our performance. These non-GAAP measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS.

Throughout this MD&A, the following terms are used, which include non-GAAP financial measures and non-GAAP ratios as defined in *National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure*.

Average Annual Revenue is the undiscounted average annual revenue from the sale of electricity generated and renewable energy credits over the expected life of the project.

Adjusted net income (loss) is net income (loss) under IFRS adjusted for non-recurring and non-core items, such as gain on debt settlement and grants or loan forgiveness received by the Company under COVID-19 programs. This removal of non-recurring and non-core items from net income allows users to better assess the Company's continuing operations.

Adjusted EBITDA is adjusted net income (loss) adjusted for taxes, finance expenses, depreciation, amortization and non-cash share-based compensation. Removal of these items allows uses to better discern core operating activities.

Adjusted earnings per share is adjusted net income (loss) divided by the weighted average number of shares outstanding for the related period.

The table below present a reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Adjusted EBITDA for the Company's most recent 8 quarters.

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Net income (loss)	$ 348,517	$ 131,773	$ (1,072,795)	$ (801,986)	$ (1,334,802)	$ (952,219)	$ (1,560,659)	**$ (1,439,414)**
Adjust for non-core items:								
Gains on debt settlements	(1,046,946)	(934,275)	(41,111)	(17,452)	5,925	(208,866)	-	**-**
Gains (losses) on debt to equity conversions	4,661	-	-	-	-	-	-	**-**
COVID relief income	(190,794)	(104,993)	(32,922)	(234,852)	(99,096)	(70,348)	(5,747)	**(2,574)**
Adjusted net loss	(884,562)	(907,495)	(1,146,828)	(1,054,290)	(1,427,972)	(1,231,433)	(1,566,406)	**(1,441,987)**
Adjust for non-cash items:								
Net finance expense	91,221	141,639	92,893	73,870	77,294	64,441	102,548	**212,292**
Income tax expense (recovery)	15,721	156,110	-	3,935	7,806	(174,515)	22	**4,265**
Depreciation and amortization	13,615	18,055	11,604	13,436	14,687	25,398	19,661	**22,801**
Share-based compensation	101,262	188,604	103,596	120,018	152,334	275,685	115,002	**134,871**
Adjusted EBITDA	$ (662,743)	$ (403,087)	$ (938,735)	$ (843,031)	$ (1,175,852)	$ (1,040,424)	$ (1,329,173)	**$ (1,067,758)**
Basic and diluted earnings per share	$0.02	$0.00	($0.04)	($0.03)	($0.04)	($0.03)	($0.05)	**($0.04)**
Basic and diluted adjusted earnings per share	($0.04)	($0.03)	($0.04)	($0.03)	($0.05)	($0.04)	($0.05)	**($0.04)**