UGE INTERNATIONAL LTD.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022 and 2021

Expressed in United States dollars

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in United States dollars) Unaudited

	Note	September 30, 2022	As at December 31, 2021
ASSETS			
Cash		**$ 1,226,637**	$ 1,251,562
Restricted cash	3	**139,365**	173,073
Trade and other receivables	4	**1,151,268**	1,130,558
Prepaid expenses and deposits	5	**1,350,857**	97,050
CURRENT ASSETS		**3,868,127**	2,652,243
Property, plant and equipment	6	**3,982,110**	2,657,697
Right-of-use assets	10	**19,921,208**	12,181,538
Project development costs	7	**3,680,028**	1,292,414
Other non-current assets	8	**552,218**	555,315
NON-CURRENT ASSETS		**28,135,564**	16,686,964
TOTAL ASSETS		**$ 32,003,691**	$ 19,339,207
LIABILITIES			
Trade and other payables	9	**$ 1,810,200**	$ 2,195,898
Current portion operating debt	11	**52,018**	145,630
Current portion project debt	11	**578,912**	104,509
Current portion lease liabilities	10	**426,174**	463,775
Deferred revenue		**673,285**	111,477
CURRENT LIABILITIES		**3,540,589**	3,021,289
Non-current portion operating debt	11	**2,451,185**	2,004,563
Non-current portion project debt	11	**9,843,411**	3,139,497
Non-current portion lease liabilities	10	**19,769,774**	12,149,737
Other non-current liabilities	12	**1,335,252**	362,980
NON-CURRENT LIABILITIES		**33,399,622**	17,656,777
TOTAL LIABILITIES		**36,940,211**	20,678,066
EQUITY (DEFICIT)			
Share capital	15	**27,816,915**	27,565,675
Contributed surplus		**8,013,818**	7,714,913
Accumulated other comprehensive income (loss)		**228,587**	(106,679)
Accumulated deficit		**(40,995,840)**	(36,512,768)
TOTAL EQUITY (DEFICIT)		**(4,936,520)**	(1,338,859)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**$ 32,003,691**	$ 19,339,207

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

Going Concern (Note 2), Contingencies (Note 17), Subsequent Events (Note 20)

Approved on behalf of the Board

"Nicolas Blitterswyk"
Director, President and Chief Executive Officer

"Jian Yang"
Audit Committee Chair

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in United States dollars) Unaudited

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
REVENUE	16	**$ 1,796,576**	$ 529,885	**$ 2,740,858**	$ 1,529,211
COST OF GOODS	16	**1,162,581**	403,395	**1,691,851**	1,036,020
GROSS PROFIT		**633,995**	126,490	**1,049,007**	493,191
OPERATING COSTS AND EXPENSES					
General and administrative	19	**1,789,444**	1,465,764	**5,230,068**	3,871,227
Expected credit losses and bad debt expense	4, 18	**22,183**	-	**22,480**	22,000
Depreciation and amortization	6, 10	**36,183**	14,687	**78,644**	39,727
TOTAL OPERATING COSTS AND EXPENSES		**1,847,810**	1,480,451	**5,331,192**	3,932,954
OPERATING LOSS		**(1,213,815)**	(1,353,961)	**(4,282,185)**	(3,439,763)
OTHER EXPENSE (INCOME)					
Financing expense, net	11, 14	**265,620**	77,294	**580,460**	244,057
Other expense (income)	13	**3,565**	(104,259)	**(383,860)**	(485,977)
TOTAL OTHER EXPENSE (INCOME), NET		**269,185**	(26,965)	**196,600**	(241,920)
LOSS BEFORE TAX		**(1,483,000)**	(1,326,996)	**(4,478,785)**	(3,197,843)
Income tax expense (recovery)		**-**	7,806	**4,287**	11,741
NET LOSS		**(1,483,000)**	(1,334,802)	**(4,483,072)**	(3,209,584)
Other comprehensive income (loss) items to be subsequently reclassified to net earnings when certain conditions are met					
Foreign currency translation		**311,800**	(19,476)	**335,266**	3,897
COMPREHENSIVE LOSS		**$ (1,171,201)**	$ (1,354,278)	**$ (4,147,806)**	$ (3,205,687)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS					
BASIC AND DILUTED	15	**$ (0.05)**	$ (0.04)	**$ (0.14)**	$ (0.10)
WEIGHTED AVERAGE NUMBER OF SHARES	15	**32,725,118**	31,201,112	**32,419,965**	30,648,808

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Changes in Equity (Deficit)

(Expressed in United States dollars) Unaudited

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
Balance at January 1, 2021		$ 22,854,278	$ 5,307,304	$ (91,148)	$ (32,350,965)	$ (4,280,531)
Net loss for the period		-	-	-	(3,209,584)	(3,209,584)
Common shares issued, net of costs	15	3,444,983	1,580,105	-	-	5,025,088
Common shares for debt, net of costs	15	445,413	151,269	-	-	596,682
Common shares issued for warrant exercises	15	76,230	(42,258)	-	-	33,972
Common shares issued for stock option exercises	15	54,001	(24,653)	-	-	29,348
Share-based compensation	15	-	375,948	-	-	375,948
Foreign exchange translation differences		-	-	3,897	-	3,897
Balance at September 30, 2021		**$ 26,874,905**	**$ 7,347,715**	**$ (87,251)**	**$ (35,560,549)**	**$ (1,425,180)**
Balance at January 1, 2022		**$ 27,565,675**	**$ 7,714,913**	**$ (106,679)**	**$ (36,512,768)**	**$ (1,338,859)**
Net loss for the period		**-**	**-**	-	(4,483,072)	**(4,483,072)**
Common shares issued for stock option exercises	15	**251,240**	**(103,127)**	-	-	**148,113**
Warrants issued with Green Bonds	11	**-**	**101,371**	-	-	**101,371**
Share-based compensation	15	**-**	**300,661**	**-**	**-**	**300,661**
Foreign exchange translation differences		**-**	**-**	**335,266**	**-**	**335,266**
Balance at September 30, 2022		**$ 27,816,915**	**$ 8,013,818**	**$ 228,587**	**$ (40,995,840)**	**$ (4,936,520)**

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

UGE INTERNATIONAL LTD.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in United States dollars) Unaudited

	Note	Nine months ended September 30, 2022	2021
OPERATING ACTIVITES			
Net loss		$ (4,483,072)	$ (3,209,584)
Items not affecting cash:			
Depreciation and amortization	6, 10	78,644	39,727
Impairment and expected credit losses	4	22,480	22,000
Share-based compensation	15	300,661	375,948
Income tax expense (recovery)		4,287	11,741
Gain on debt settlement	13	-	(52,639)
Gain on warranty expiry		-	(32,724)
Other non-cash (gains) losses		96,783	1,591
Finance costs, net	11, 14	580,460	244,056
Government-sponsored non-cash COVID relief		(15,376)	(150,666)
Tax attributes allocated to tax equity investors	11	(296,325)	(24,747)
Finance costs paid, net		(388,405)	(305,036)
Income taxes (paid) recovered		(4,287)	(3,935)
Change in trade and other receivables	4	(35,020)	20,482
Change in prepaid expenses and deposits	5	(419,787)	(35,360)
Change in deferred financing and customer acquisition costs	8	(95,727)	(66,989)
Change in trade and other payables	9	(252,725)	(885,588)
Change in deferred revenue		561,808	(215,614)
Cash used in operating activities		$ (4,345,601)	$ (4,267,337)
FINANCING ACTIVITIES			
Net proceeds from equity raises	15	-	5,025,088
Net proceeds from warrants attached to long-term debt	15	101,130	-
Net proceeds from stock option and warrant exercises	15	148,154	63,320
Proceeds from investments by tax-equity investors		405,704	200,000
Government-sponsored COVID loans	11	417,900	502,515
Increases in long term debt, net of deferred finance charges	11	7,006,417	428,286
Repayment of long term debt	11	(95,443)	(1,072,534)
Lease payments	10	(123,714)	(35,850)
Cash provided by financing activities		$ 7,860,148	$ 5,110,825
INVESTING ACTIVITIES			
(Increase)/decrease in restricted cash	3	25,043	(1,998)
Additions to property, plant and equipment	6	(1,217,490)	(209,090)
Additions to inventory		(795,218)	-
Additions to right-of-use assets	10	(313,125)	(20,800)
Additions to project development costs	7	(1,161,270)	(356,542)
Cash used in investing activities		$ (3,462,060)	$ (588,430)
Increase (decrease) in cash for the period		52,487	255,058
Effect of exchange rate flucuations on cash		(77,412)	13,474
Cash at beginning of period		1,251,562	1,000,069
Cash at end of period		$ 1,226,637	$ 1,268,601
Non-cash transactions:			
Shares for debt ($ CAD)		$ -	$ 758,462

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

1. Reporting entity

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

UGE's principal business activity is to develop, build, finance, own, and operate commercial and community solar facilities, in both the United States ("US") and Philippines. The Company's business was previously focused on engineering, procurement, and construction ("EPC") of solar facilities for third parties, and while it continues to selectively participate in this market, its primary focus is on the develop/ build/ finance/own/operate model, which is intended to grow UGE's portfolio of operating assets. UGE also provides engineering and consulting services to third parties.

2. Basis of preparation

a) Statement of compliance

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

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on November 28, 2022.

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

b) Going concern

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern. For the nine months ended September 30, 2022, the Company had a consolidated net loss of $4,483,072, and negative cash flow from operations of $4,345,601. At September 30, 2022 the Company's accumulated deficit was $40,995,840. The Company had working capital of $327,538 at September 30, 2022, primarily due to cash inflows during September from development financing and an issue of Green Bonds that closed September 29. Please see Note 11 for more discussion of the Company's debt at September 30, 2022.

The Company's ability to continue as a going concern, and to realize its assets and discharge its liabilities in the normal course of business, is dependent on generating sufficient cash flow from operations and on securing both project debt and operating debt or equity financing to fund its current and any future working capital needs as it builds its portfolio of solar facilities. Various risks and uncertainties affect the Company's operations including, but not limited to, the market acceptance and rate of commercialization of the Company's offerings, the ability of the Company to successfully execute its business plan and changes thereto, the public policy environment for renewable energy solutions in the markets in which the Company operates and the Company's ability to raise sufficient equity and/or debt financing.

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

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

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

Entity	Functional Currency
UGE USA Inc. ("UGE USA")	USD
UGE EPC LLC ("UGE EPC")	USD
UGE Dev LLC ("UGE Dev")	USD
UGE Capital LLC ("UGE Capital")	USD
UGE Canada RE Ltd. ("UGE Canada RE")	CAD
UGE Consulting Services Ltd. ("UGE Consulting")	CAD
UGE Project Holdco Ltd. ("UGE Project Holdco")	CAD
UGE Philippines Inc. ("UGE Philippines")	Philippine pesos ("PhD")

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

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

d) *Basis of measurement*

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

e) *Accounting assumptions, estimates and judgments*

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

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

A. Assumptions and estimation uncertainties

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

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

B. Judgements

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

i) Leases

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

ii) Determining control or significant influence of special purpose entities

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

iii) Government loans and forgiveness – COVID 19

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

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

3. Restricted cash

At September 30, 2022, the Company has $139,365 (December 31, 2021 - $173,073) in restricted cash. $33,439 represents security against a loan. The remainder is a government incentive received when construction of a solar facility was completed during the second quarter, and the Company is contractually obligated to apply the funds to the construction loan associated with that facility. At December 31, 2021 $140,439 represented an escrow account related to financing a roof upgrade related to construction of a solar facility. The balance was released in the first quarter of 2022 upon completion of the work.

4. Trade and other receivables

		September 30, 2022		As at December 31, 2021
Trade receivables	**$**	**1,019,760**	$	679,911
Unbilled revenue		**63,543**		493,135
Current portion of notes receivable		**12,464**		14,867
Allowance for expected credit losses		**(8,362)**		(90,028)
Withholding and sales tax receivable		**63,863**		32,673
	$	**1,151,268**	$	1,130,558

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

The Company's allowance for expected credit losses is associated with specific accounts receivable where management has determined that there is substantial doubt that the amounts will be collected in full. The decrease in the allowance compared to December 31, 2021 is related to specific accounts in the Philippines and Canada.

During the second quarter of 2022, Management concluded that 4.8 MM Pesos (approximately $88 K USD) owing in the Philippines would not be collected in the normal course of operations. It was therefore written off against the allowance. At that time the Company recognized a recovery of 115 K Pesos (approximately $2 K USD), compared to the original estimated credit loss, based on the Company's best estimate of the value it would recover. This estimate was revised downwards during the third quarter of 2022 and the Company recognized bad debt expense of 1.3 MM Pesos (approximately $22 K USD). Management is intending to initiate a civil suit in an attempt to recover its losses.

During the third quarter of 2022, Management concluded that $39,099 CAD ($28,527 USD) owing in Canada would not be collected in the normal course of operations, and it was written off against the allowance. Management does not expect to recover any of the funds.

The remaining allowance is associated with a specific CAD receivable.

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

5. Prepaid expenses and deposits

		As at
	September 30, 2022	December 31, 2021
Prepaid expenses	$ **269,522**	$ 73,648
Inventories	**795,218**	-
Deposits	**286,117**	23,402
	$ **1,350,857**	$ 97,050

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

The majority of the amount reported as inventory relates to items that will be used in construction during the fourth quarter of 2022.

Deposits are primarily associated with the Company's EPC contracts and solar facilities under construction.

6. Property, plant, and equipment

	Solar facilities in use	Solar facilities under construction	Other	Total
Nine months ended September 30, 2022				
Balance- beginning of period	$ 1,162,426	$ 1,458,336	$ 36,935	$ 2,657,697
Additions	-	1,392,270	1,803	1,394,073
Transfer to solar facilities in use	1,197,386	(1,197,386)	-	-
Depreciation	(55,157)	-	(12,441)	(67,598)
Foreign exchange differences	-	-	(2,062)	(2,062)
Balance - end of period	$ 2,304,655	$ 1,653,220	$ 24,235	$ 3,982,110
As at September 30, 2022				
Cost	$ 2,417,553	$ 1,653,220	$ 60,827	$ 4,131,600
Accumulated depreciation	(112,898)	-	(36,592)	(149,490)
Net carrying amount	$ 2,304,655	$ 1,653,220	$ 24,235	$ 3,982,110

The Company's plant and equipment consists almost entirely of solar facilities that are either in use or under construction. The cost of solar equipment includes expenditures that are directly attributable to constructing the asset and readying it for use. These included borrowing costs of $111,876 during the first nine months of 2022 (year ended December 31, 2021 - $36,606).

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

7. Project development costs

	As at and for the three months ended September 30, 2022	As at and for the nine months ended September 30, 2022	As at and for the year ended December 31, 2021
Beginning of period	$ 2,373,072	$ 1,292,414	$ 208,649
Additions - consulting and design	866,679	1,243,614	389,555
Additions - commissions and finders' fees	105,572	315,196	438,938
Additions - ROU asset depreciation and lease interest accretion	582,977	1,383,539	531,082
Transfers to assets including construction in progress	3,452	(110,104)	(203,602)
Write-offs and changes in estimate	(251,724)	(444,631)	(72,208)
Balance, end of period	$ 3,680,028	$ 3,680,028	$ 1,292,414

Project development costs have increased commensurate with the growth in the Company's project pipeline and its entry into new lease contracts. Write-offs and changes in estimate consist of costs that were initially capitalized for projects that were later determined would not proceed. The write-offs and changes in estimate during the nine months ended September 30, 2022 include $28,700 of commissions paid in previous periods, $230,503 of commissions that were accrued for projects that will not proceed, and $80,591 reductions to original estimates of commissions payable. It also includes $74,845 of general development costs, and $29,992 of non-cash amounts that were previously capitalized for a lease contract that was cancelled when management assessed that the project would not proceed.

8. Other non-current assets

	September 30, 2022	As at December 31, 2021
Notes receivable - third party - non-current portion	$ 319,805	$ 416,332
Deferred loan fees	102,737	71,712
Deferred customer acquisition costs	112,156	47,454
Derivative asset - converible debenture (Note 11)	9,605	10,765
Other	7,915	9,052
	$ 552,218	$ 555,315

Notes receivable - third-party are associated with solar facility acquisition loans to customers in the Philippines. In the Philippines, in order to comply with local regulations, the current legal structure for self-financed (develop/build/finance/own/operate) projects is different from the US. In the Philippines, the ownership of the solar facility transfers to the customer once completed. Under the current business model, UGE finances the customer's acquisition of the solar facility, and then, subsequent to the commencement of commercial operations, receives interest income and energy generation income over the life of the solar facility. The balance receivable at December 31, 2021 represented three notes with a total balance of $431,199, at interest rates between 9.98% and 10.04%, and maturity dates between November 2034 and May 2036. During the second quarter of 2022, one of the notes was paid in full. Therefore, at September 30, 2022 the balance receivable represents two notes with a total balance of $332,269, at interest rates of 9.98% and 10.04%, and maturity dates of September 2035 and April 2036. Please see Note 4 for detail of the current portion of these notes.

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

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

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

9. Trade and other payables

The Company's trade and other payables include items such as accounts payable, payroll and commission accruals, accruals for professional services such as independent auditor fees, accrued interest on the Company's operating and project debt, and accruals for unbilled goods and services related to the Company's construction activity. Items not expected to be settled within one year, such as deferred commissions, are reclassed to other non-current liabilities.

10. Right of use assets and lease liabilities

Right-of-use assets		Land and Rooftop
Nine months ended September 30, 2022		
Balance - beginning of period	$	12,181,538
Additions		8,563,872
Amortization		(397,487)
Termination adjustment		(426,715)
Balance - end of period	**$**	**19,921,208**
As at September 30, 2022		
Cost	$	21,268,806
Accumulated depreciation		(590,599)
Termination adjustment		(756,999)
Net carrying amount	**$**	**19,921,208**

Lease liabilities		Land and Rooftop
Nine months ended September 30, 2022		
Balance - beginning of period	$	12,613,512
New obligations		7,059,900
Payments		(121,214)
Interest accretion		1,069,006
Termination adjustment		(425,256)
Balance - end of period	**$**	**20,195,948**
As at September 30, 2022		
Current	$	426,174
Long term		19,769,774
Net carrying amount	**$**	**20,195,948**

As described more fully in the consolidated financial statements for the year ended December 31, 2021, the Company enters into leases in the conduct of its operations. During the development and construction period, the Company defers expenses that are considered part of the development costs of the solar facilities. These costs are amortized as a component of the solar facilities from the date they begin commercial operation.

During the three and nine months ended September 30, 2022, the Company capitalized net $171,921 and $372,216 of depreciation, and $411,063 and $1,004,947 of lease interest, as part of deferred development costs (see Note 7).

During the three and nine months ended September 30, 2022, the Company capitalized net $3,804 and $19,007 of depreciation, and $10,846 and $49,185 of lease interest, to solar facilities under construction. (see Note 6)

Commissions related to obtaining a land or rooftop lease agreement are considered part of the cost of the associated right-of-use asset. During the three and nine months ended September 30, 2022, the Company capitalized net $60,000 and $1,514,125 of commissions as part of its right of use assets.

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

11. Debt

OPERATING DEBT	Note	Maturity	Contractual Rate	Original Currency	As at September 30, 2022	As at December 31, 2021	Financing costs [1] Nine months ended September 30, 2022	Financing costs [1] Nine months ended September 30, 2021
UGE International								
Convertible debenture	(i)	Oct-23	6.5%	CAD 2,000,000	**$ 1,350,759**	$ 1,379,536	**$ 152,158**	$ -
UGE Canada RE								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**37,636**	38,717	**5,821**	2,079
UGE Consulting								
Canada Emergency Business Account	(ii)	Dec-23	0.0%	CAD 60,000	**37,636**	38,717	**5,821**	2,079
UGE USA								
Paycheck protection program	(iii)	Apr-22	1.0%	USD 131,998	**-**	15,600	**191**	2,119
Economic injury disaster loan (EIDL)	(iv)	Jun-50	3.75%	USD 917,900	**953,595**	514,792	**31,082**	10,467
UGE Philippines								
Bank loan	(v)	Dec-27	8.00%	PhP 9,000,000	**123,577**	162,831	**8,751**	13,873
Total					**$ 2,503,203**	$ 2,150,193	**$ 203,824**	$ 30,617
Current portion					**$ 52,018**	$ 145,630		
Non-current portion					**$ 2,451,185**	$ 2,004,563		

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

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

(i) *Convertible debenture* – At September 30, 2022 the fair value of the Call Option was determined to be CAD $13,164 (US $9,605) (December 31, 2021 - CAD $13,648 (US $10,765)). During the three and nine months ended September 30, 2022 the Company recorded accretion expense of $26,449 and $79,884 respectively.

(ii) *Canada Emergency Business Account* –At September 30, 2022 the remaining estimated $6,045 interest rate benefit for each loan is being amortized to the December 31, 2023 maturity date, which in January 2022 was extended from the original maturity date of December 31, 2022. The Company received formal notice of this extension during the third quarter of 2022.

(iii) Paycheck Protection Program – The Company's loan forgiveness was approved in February 2022, and the remaining amount of the loan was repaid in full at April 30, 2022.

(iv) *Economic Injury Disaster Loan ("EIDL)* – On February 19, 2022, the SBA advanced a further $417,900 and modified the terms of the loan such that payments on the total advances will begin on December 15, 2022. The interest rate on these advances is at below market terms and the Company is recognizing a total benefit of approximately $479 K over the term of the loan.

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

PROJECT DEBT	Note	Maturity	Contractual Rate	Original Currency	As at September 30, 2022	As at December 31, 2021	Financing costs [1] Nine months ended September 30, 2022	Financing costs [1] Nine months ended September 30, 2021
UGE International								
Green Bonds	(i)	Apr-26	8%	CAD 2,874,000	$ **1,942,191**	$ -	$ **111,433**	$ -
Green Bonds	(i)	Jun-26	8%	CAD 2,225,000	**1,292,121**	-	**57,713**	-
Green Bonds	(i)	Sep-26	8%	CAD 365,760	**233,211**	-	-	-
UGE USA and its subsidiaries								
Development financing	(ii)		13.5%		**1,036,602**	-	**-**	-
Construction financing	(iii)		8.58%-9.0%		**2,295,998**	1,290,272	**164,808**	3,263
Operating project debt	(iv)	2029	5.9%-7.39%		**2,327,756**	1,076,889	**76,450**	69,106
Tax equity financing	(v)				**872,530**	432,602	**40,835**	42,282
UGE Project Holdco.								
Green Bonds	(vi)	Oct-23	7.0%	CAD 500,000	**352,737**	372,033	**29,606**	30,282
Green Bonds	(vi)	Jan-25	7.0%	CAD 105,000	**69,177**	72,210	**6,843**	6,898
Total					$ **10,422,323**	$ 3,244,006	$ **487,688**	$ **151,831**
Current portion					$ **578,912**	$ 104,509		
Non-current portion					$ **9,843,411**	$ 3,139,497		

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

Construction loan finance costs are capitalized.

TOTAL DEBT		
Current portion	$ **630,930**	$ 250,139
Non-current portion	$ **12,294,596**	$ 5,144,060

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

(i) During 2022 the Company has issued several Green Bonds, in the form of Debenture Units and, in the case of the September 2022 issue, Debentures with no attached warrants. The details of each issue are outlined below. All issues are secured by collateral pledged by UGE USA Inc., UGE Capital LLC, and UGE Dev LLC, all subsidiaries of the Company.

Closing Date	Principal CAD ($MM)	Principal US ($MM)	Debenture Unit Face Value (CAD)	Rate	Term	Note
April 8, 2022	$2.87	$2.28	$1,000.00	8%	4 years	a)
July 28, 2022	$2.23	$1.73	$1,000.00	8%	4 years	b)
September 29, 2022	$0.37	$0.27	$1,000.00	8%	4 years	c)

a) This issue was a non-brokered private placement. The Company has the option to call the Green Bonds at any time following the two-year anniversary of the issue date in return for payment of one additional month's interest. For each Debenture Unit issued, subscribers received 70 warrants to purchase the Company's common shares. Each warrant has a strike price of $2.00 and expires 18 months after the issue date. A total of 201,180 warrants were issued. In connection with the private placement, the Company paid cash finders fees equal to 4% of the gross proceeds and issued 46,355 share purchase warrants to the finders. Each finders warrant has a strike price of $1.24 and expires 18 months after the issue date. During the nine months ended September 30, 2022 the Company recorded $22,344 accretion expense related to the Green Bonds. Interest is payable semi-annually on April 30 and October 31, with the principal due at maturity.

b) This issue was a brokered private placement. The Company has the option to call the Green Bonds at any time following the two-year anniversary of the issue date in return for payment of one additional month's interest. For each Debenture Unit issued, subscribers received 70 warrants to purchase the Company's common shares. Each warrant has a strike price of $1.50 and expires 18 months after the issue date. A total of 155,750 warrants were issued. In connection with the private placement, the Company paid cash finders fees equal to 6% of the gross proceeds and issued 66,750 share purchase warrants to the agents. Each agents warrant has a strike price of $1.50 and expires 24 months after the issue date. During the nine months ended September 30, 2022 the Company recorded $23,347 accretion expense related to the Green Bonds. Interest is payable semi-annually on June 30 and December 31, with the principal due at maturity.

c) This issue was a non-brokered private placement. The Company has the option to call the Green Bonds at any time following the two-year anniversary of the issue date in return for payment of one additional month's interest. Interest is payable semi-annually on March 31 and September 30, commencing March 31, 2023, with the principal due at maturity.

(ii) *Development financing* – On August 31, 2022 the Company closed a $15 million credit line, to be used for acquisitions and development expenses. The interest rate on this facility is 13.5%, and there are no fees associated with either draws or repayments. At September 30, 2022 the Company had drawn $1,036,602 of the funds available under this facility. On October 6, 2022 the Company used $584,430 to close the acquisition of a solar project located in Oregon. The remaining funds were used in September for pre-closing costs including assumed project development expenses. The financing is secured against each project company that has drawn against the facility.

(iii) *Construction financing* – The Company enters into construction financing arrangements to fund the construction of solar facilities, with funds drawn based on project milestones. The financing is secured against the solar facility under construction and is converted to long term project debt when commercial operations commence. At September 30, 2022 the Company had outstanding advances for one solar facility, compared to advances for two solar facilities at December 31, 2021. The Company defers origination fees and capitalizes borrowing costs (see Note 7 and Note 10) during the construction period. Origination fees are subsequently amortized over the project debt term, and borrowing costs are included in the carrying cost of the underlying project.

(iv) *Operating project debt* – At September 30, 2022 the Company had project loans for five solar facilities, compared to two loans at December 31, 2021. The loans have 7-year terms with 20-year amortization schedules, and interest rates between 5.90% and 7.39%. Interest and principal are payable monthly. The project debt is secured by the underlying solar facilities.

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

(vi) *Green Bonds* – On October 23, 2018, the Company completed an offering of CAD $500,000 of Secured Green Bonds. The coupon is 7% and the effective interest rate is 10.13%. For each $1,000 of principal issued in bonds, the Company issued 25 bonus units (the "Bond Units") consisting of one common share of the Company (the "Bond Unit Shares") and half of one common share purchase warrant (each whole warrant, a "Bond Unit Warrant") resulting in the issuance of 12,500 Bond Unit Shares, and 6,250 Bond Unit Warrants. Each Bond Unit Warrant could be exercised by the holder for one common share of the Company at an exercise price of CAD $1.40 per share up to October 23, 2020. The Bond Unit Warrants expired unexercised. In addition, 21,429 broker warrant purchase units were issued at an exercise price of CAD $1.40, expiring October 23, 2020. Each warrant entitled the holder thereof to acquire a unit of the Company consisting of one common share and half of one common share purchase warrant for a period of 24 months from the offering’s closing date, with each warrant being exercisable for one common share at an exercise price of CAD $1.40 per share for a period of 24 months from the closing date. The broker warrants expired unexercised. On January 24, 2020, the Company completed a second offering of Secured Green Bonds in the aggregate amount of CAD $105,000 (US $83,073). The coupon is also 7% and the effective interest rate is 11.18%. The bonds are secured against projects of the Company with security interest owned by the Company's wholly owned subsidiary, UGE Project HoldCo Ltd. During the nine months ended September 30, 2022, the Company recorded accretion expense of $11,766 (nine months ended September 30, 2021 - $11,876). Interest is payable semi-annually with the principal due at maturity.

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

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

12. Other non-current liabilities

	September 30, 2022	As at December 31, 2021
Decommissioning liabilities	**$ 35,188**	$ 17,829
Accrued payables	**1,288,429**	332,570
Other	**11,635**	12,581
	$ 1,335,252	$ 362,980

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

At September 30, 2022 the decommissioning liabilities reported above related to five operating solar facilities in the US, compared to four operating facilities at December 31, 2021. The provisions were calculated using discount rates between 6.19% and 7.39% reflective of the risk-free rate. The decommissioning of the facilities is expected to occur between July 2045 and July 2047.

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

13. Other expense (income)

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Government grants and loan forgiveness - COVID 19 related	**$ (7,059)**	$ (99,096)	**$ (15,379)**	$ (366,870)
Net gain on proposal under the BIA	**-**	5,925	**-**	(27,595)
Net gain on other trade payables settlements	**-**	-	**-**	(25,043)
Warranty expiration	**-**	(5,555)	**-**	(32,724)
Tax equity investor allocations	**82,353**	(7,007)	**(296,325)**	(24,747)
Other	**(71,729)**	1,474	**(72,156)**	(8,998)
	$ 3,565	$ (104,259)	**$ (383,860)**	$ (485,977)

During the three and nine months ended September 30, 2022 the income from COVID-19 related grants and loan forgiveness consists solely of non-cash benefits related to amortizing the interest rate benefits on COVID-19 relief loans that were provided in 2020 and 2021. During the three and nine months ended September 30, 2021 this income primarily consisted of direct cash payments of $88,780 and $216,204, respectively, and loan forgiveness of $120,811.

Tax equity investor allocations include the allocation of taxable income and tax benefits to the investors, net of any cash allocations made to the investors based on their percentage allocation. As described above in Note 2 A, in the second quarter of 2022 the Company changed its estimate of the allocations attributable to its tax equity investors, resulting in other income of $312,955 in the quarter.

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

14. Finance costs

	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Interest on operating and project debt	**$ 168,668**	$ 55,340	**$ 378,605**	$ 161,409
Interest on tax equity financing	**23,991**	14,094	**40,835**	42,282
Interest on lease liabilities	**14,873**	-	**26,872**	-
Accretion expenses	**65,812**	19,086	**138,593**	58,165
Finance Income	**(9,011)**	(11,488)	**(36,270)**	(27,374)
Other	**1,287**	262	**31,825**	9,575
	$ 265,620	$ 77,294	**$ 580,460**	$ 244,057

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

15. Share capital

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

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

The issued and outstanding share capital is as shown below:

	Nine months ended September 30, 2022 Number of shares	2022 Amount	2021 Number of shares	2021 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	**638,667**	**251,240**	71,233	54,001
Warrant exercises	**-**	**-**	47,801	76,230
Debt to equity conversions	**-**	**-**	286,220	445,413
Balance at end of period	**32,878,075**	**$ 27,816,915**	31,214,506	$ 26,874,905

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

Warrants

The Warrant activity during 2022 is as shown below:

Date issued	Expiry	Exercise price (CAD)	Outstanding at Dec 31, 2021	Issued	Expired	Exercised	Outstanding at September 30, 2022
23-Dec-20	23-Jun-22	$2.40	454,077	-	(454,077)	-	**-**
23-Dec-20	23-Dec-22	$1.80	26,550	-	-	-	**26,550**
17-Feb-21	17-Feb-23	$3.30	1,465,610	-	-	-	**1,465,610**
17-Feb-21	17-Feb-23	$2.65	158,700	-	-	-	**158,700**
08-Apr-22	08-Oct-23	$2.00	-	201,180	-	-	**201,180**
08-Apr-22	08-Oct-23	$1.24	-	46,355	-	-	**46,355**
28-Jul-22	28-Jan-24	$1.50	-	155,750	-	-	**155,750**
28-Jul-22	28-Jul-24	$1.50	-	66,750	-	-	**66,750**
			2,104,937	**470,035**	**(454,077)**	**-**	**2,120,895**

Stock Options

The Company offers an incentive stock option plan that provides for granting options to purchase its common shares to directors, officers, employees, and consultants.

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

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Number of options		Weighted average exercise price (CAD)	Number of options		Weighted average exercise price (CAD)
Balance at beginning of period	**3,055,341**	**$**	**0.78**	**3,347,285**	**$**	**0.70**
Granted	**-**		**-**	**220,000**		**1.49**
Exercised	**(250,500)**		**0.16**	**(638,667)**		**0.30**
Expired	**(10,000)**		**0.73**	**(48,359)**		**1.66**
Forfeited	**(5,000)**		**0.73**	**(90,418)**		**0.92**
Balance at end of period	**2,789,841**	**$**	**0.83**	**2,789,841**	**$**	**0.83**
Balance exercisable at end of period	**2,114,241**	**$**	**0.75**	**2,114,241**	**$**	**0.75**

During the three and nine months ended September 30, 2022, the Company recorded share-based compensation expense of $50,788 and $300,661 in the unaudited condensed consolidated interim statement of operations and comprehensive loss, relating to stock options issued to employees, directors, and consultants. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

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

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

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

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

The Company's outstanding options at September 30, 2022 are as shown below:

Exercise price CAD $	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$0.24	700,800	475,200	2.72
0.28	200,000	200,000	1.79
0.32	300,325	300,325	1.75
0.52	78,791	78,791	1.16
0.70	62,500	62,500	1.43
0.78	280,000	280,000	0.97
1.16	64,925	64,925	0.67
1.32	2,500	2,500	0.62
1.41	475,000	408,333	2.00
1.46	305,000	101,667	1.72
1.47	200,000	100,000	1.27
1.65	20,000	6,667	2.26
1.80	100,000	33,333	3.20
$0.83	**2,789,841**	**2,114,241**	**1.93**

Dilutive shares

The Company had a net loss for all periods presented, and therefore did not include potential common share equivalents in the calculation of diluted net loss per share, as these would be anti-dilutive. The Company's potential dilutive common share equivalents include its convertible debenture (see Note 11), its outstanding common share purchase warrants, and its outstanding options to purchase common shares. The effect of including these dilutive common share equivalents would increase the weighted average number of common shares outstanding to 38,844,118 and 38,962,354 for the three and nine months, respectively, ended September 30, 2022.

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

16. Segmented information

Operations take the form of EPC, engineering services, or the energy generation from the develop/build/finance/own/operate solar facilities model. Revenue and cost of goods sold are the primary means by which management evaluates operations. During the three and nine months ended September 30, 2022 and 2021, the Company had the following revenues and cost of goods sold from each of these business lines:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
GROSS PROFIT				
EPC revenue	$ 1,455,656	$ 427,295	$ 2,027,315	$ 1,284,907
Cost of goods - EPC	1,070,214	374,878	1,412,407	946,010
Gross profit - EPC	385,442	52,417	614,908	338,897
Gross profit %	26%	12%	30%	26%
Engineering services revenue	198,780	33,665	446,453	$ 95,468
Cost of goods - engineering services	91,530	15,955	256,600	60,182
Gross profit - engineering services	107,250	17,710	189,853	35,286
Gross profit %	54%	53%	43%	37%
Energy generation revenue	142,140	68,925	267,090	148,836
Cost of goods - energy generation	837	12,562	22,844	29,828
Gross profit - energy generation	141,303	56,363	244,246	119,008
Gross profit %	99%	82%	91%	80%
REVENUE	1,796,576	529,885	2,740,858	1,529,211
COST OF GOODS	1,162,581	403,395	1,691,851	1,036,020
GROSS PROFIT	$ 633,995	$ 126,490	$ 1,049,007	$ 493,191
Gross profit %	35%	24%	38%	32%

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

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

	Nine months ended September 30,	
	2022	2021
Customer 1	40%	35%
Customer 2	28%	17%
Customer 3	N/A	10%

17. Contingencies

UGE Canada RE was a party to a collaboration agreement with a Canadian solar developer, which saw the two parties complete a portfolio of solar projects, mostly throughout 2017 with the final two sites being completed in early 2018. In 2018, UGE Canada Ltd and UGE International Ltd. jointly filed a Statement of Claim with the Ontario Superior Court of Justice for unpaid invoices and contractual damages totaling $376,369 (CAD $500,425), which consisted of costs and accumulated interest. The Company took a project-related loss of $213,000 in 2018 and at June 30, 2022 had reached a tentative settlement for CAD $100,000. This was received in August and recorded as other income in the third quarter.

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

18. Financial Instruments

Fair value

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

The Company's exposure to financial instruments on a day-to-day basis is limited to the cash and restricted cash it holds, trade and other receivables excluding HST and VAT, trade and other payables, and debt. These financial instruments, with the exception of the debt instruments, are considered Level 1. Their fair values approximate carrying value because of the short-term nature of these instruments. With the exception of certain loans payable that are discussed in Note 11, the carrying values of the majority of the Company's loans payable approximate their fair value, given that interest rates have not changed materially during the term the Company has held the loans. The Company's debt instruments held at amortized cost are Level 2 financial instruments. The Company's debt instruments that were recorded at fair value when issued, comprising its convertible debt, its Green Bonds, and its government-sponsored COVID-19 relief loans, are Level 3 financial instruments. This is due to the fact that their fair value was determined using unobservable inputs. The derivative asset referenced above, which was valued at $9,605 at September 30, 2022 ($10,765 at December 31, 2021), is not material. It is a Level 3 financial instrument, as its fair value was determined using unobservable inputs.

Financial risk management

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

(a) *Interest rate risk*

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

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

(b) *Foreign currency risk*

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

At September 30, 2022 and December 31, 2021, the following USD balances were held by entities with non-USD functional currencies:

	September 30, 2022	As at December 31, 2021
Cash	**187,402**	28,948
Trade Receivables	**90,633**	115,555
Accounts payable	**147,440**	116,760
Loans payable	**125,491**	-

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

(c) *Credit risk*

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

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

At September 30, 2022, the Company has provided $8,362 (December 31, 2021 - $90,028) for expected credit losses on its trade and accounts receivables, unbilled revenue and notes receivable. As discussed above in Note 4, the decrease compared to December 31, 2021 is due to Management's decisions, in both the second and third quarters of 2022, to write off receivables in the Philippines and the USA. These had been considered doubtful at December 31, 2021 and were included in the allowance at that date.

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

At September 30, 2022, there were approximately $316,000 outstanding accounts receivable aged more than 30 days. Approximately $276,000 of this amount was for a single vendor and was collected in October 2022.

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its financial obligations when due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans. At September 30, 2022, the contractual maturities of financial liabilities, including estimated interest payments, are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Trade and other payables	$ 3,098,629	$ 3,098,629	$ 1,810,200	$ 273,829	$ 1,014,600	$ -
Project loans payable	10,422,323	16,462,808	1,233,647	1,239,510	6,801,116	7,188,535
Operating loans payable	2,503,203	3,367,657	170,490	1,679,682	243,990	1,273,495
Lease liabilities	20,195,948	63,083,521	426,174	1,141,180	5,876,140	55,640,027
	$36,220,103	**$86,012,615**	**$ 3,640,511**	**$ 4,334,201**	**$13,935,846**	**$64,102,057**

19. General and administrative expenses

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and benefits	**$ 1,050,410**	$ 850,566	**$ 3,058,393**	$ 2,149,691
Share-based compensation	**50,788**	152,334	**300,661**	375,948
Development costs	**104,234**	28,841	**291,339**	104,591
Corporate and office	**437,853**	356,776	**1,267,892**	1,050,707
Insurance	**59,767**	42,095	**153,049**	120,034
Travel and marketing	**86,392**	35,152	**158,734**	70,256
	$ 1,789,444	$ 1,465,764	**$ 5,230,068**	$ 3,871,227

20. Subsequent Events

On October 6, 2022, the Company closed its first project acquisition and through this acquisition entered the Oregon market.

On November 28, 2022, the Company closed a brokered private placement of 9% Green Bonds with an aggregate principal of $7.73 MM CAD ($5.74 MM USD), for gross proceeds of $7.38 MM CAD ($5.49 MM USD). Interest is payable semi-annually starting December 31, 2023 with the principal due at maturity. The Company has the option to call the Green Bonds at any time following the two-year anniversary of the issue date in return for payment of one additional month's interest. In connection with the private placement, the Company paid cash finders fees equal to 7% of the gross proceeds and issued 270,445 share purchase warrants to the agents. Each agents warrant has a strike price of $1.50 and expires 24 months after the issue date.

On November 28, 2022 the Board of Directors approved the following share-based compensation grants to the Company's directors, executive officers and employees:

- *Directors:* a total of 340,000 Deferred Share Units ("DSUs"). The DSUs will vest over a period corresponding to the end of each director's immediate term. The term for all directors will end at the conclusion of the next annual meeting of the Corporation, which will occur in 2023 at a date that is yet to be determined.

- *Executive officers:* a total of 60,000 options to purchase common shares, vesting over the period ending June 30, 2023, with the first vesting at December 31, 2022.

- *Executive officers:* a total of 294,333 Performance Share Units ("PSUs"). The PSUs are tied to specific Key Performance Indicators ("KPIs") that have been established for the 2022, 2023 and 2024 fiscal years. The awards will vest over these fiscal years, with the award for each year ranging from 50% of the available PSUs if the KPIs are met, up to 150% of the available PSUs if the KPIs are exceeded by predetermined amounts or percentages.

- *Employees:* a total of 180,000 options to purchase common shares, vesting over the period ending three years from the grant date, with the first vesting at December 31, 2022.