UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

Three and nine months ended September 30, 2016

The following Management's Discussion and Analysis ("MD&A") is prepared as of November 29, 2016 and is intended to assist in understanding the results of operations and financial condition of UGE International Ltd. (the "Company" or "UGE"). Throughout the MD&A, reference to the Company or UGE is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 which are prepared in accordance with IAS 34, *Interim Financial Reporting*, and the audited consolidated financial statements for the year ended December 31, 2015 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in United States Dollars unless otherwise indicated.

Forward-Looking Information

This MD&A contains forward-looking information that 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, currency fluctuations, the effect of global and regional economic conditions, industry conditions, changes in laws and regulations and how they are interpreted and enforced, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, demand for the Company's products, and availability of funding. The Company's performance could differ materially from those 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 so, what benefits the Company will derive therefrom. The forward-looking information is made as of the date of this press release or the MD&A, as applicable, 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.

Corporate Profile

UGE is a global renewable energy company, focused on providing commercial and industrial clients with energy solutions that deliver cheaper, more reliable, and more sustainable electricity. We design and deploy energy systems around the world, to companies large and small.

UGE began as an energy solutions company, packaging together renewable energy technologies 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, which we leverage to deploy energy systems for our clients with the goal of immediately lowering their electricity costs. On February 22, 2016, we acquired Endura Energy Project Corp. ("Endura"), which strengthened our market position in Canada and added significant additional solar experience. On September 6, 2016, we divested UGE Holdings Ltd. ("UGE Holdings") and its subsidiaries, which represented wind energy operations that we had identified as non-core to our strategic plan. This, combined with the acquisition of Endura, allows us to focus and build on the commercial and industrial solar sector in which we have over 330 megawatts of global project experience.

Today, UGE provides complete turnkey services to clients across our key markets: the Northeast US, Canada, the Philippines, Panama and China. Our focus is to leverage the low cost of distributed energy to provide our clients - businesses from around the world - more affordable energy.

Divestment of wind energy operations

As we have focused on the fast-growing solar sector, and as the economics of solar have continued to improve, our sales have become predominately driven by solar. On September 6, 2016, we sold all the shares of UGE Holdings, the wind operations of the Company, to Zhenyu Li (the "Purchaser"). The sale of UGE Holdings to the Purchaser (the "Transaction") provided for the divestment of all our wind-related assets and operations, allowing us to focus on solar, while allowing for UGE Holdings (which includes a manufacturing facility in China) to focus its operations around advancing distributed wind technology. UGE Holdings is the sole shareholder of the following additional subsidiaries (the "Holdings Group" and collectively with UGE Holdings, the "Sale Group"): Urban Green Energy Hong Kong Ltd. ("Urban HK"), Chengde Urban Green Energy Ltd., Beijing Urban Green Energy Co., Ltd. ("Urban BJ"), PingQuan UGE Co., Ltd. ("Urban PQ"), and Urban Green Energy Inc. ("Urban Inc."). With the acquisition of UGE Holdings, the Purchaser acquired all of the Sale Group.

In consideration for the sale of UGE Holdings, which contained approximately net liabilities of $9.4 million, UGE USA Inc. ("UGE USA"), a subsidiary of the Company, issued a promissory note to Urban HK in the amount of $2.6 million, which shall accrue interest at a rate of 6.5% annually, with interest payable quarterly, and the principal due on August 31, 2021. In addition, UGE USA issued a promissory note to Urban Inc. in the amount of $1.0 million for solar-related assets, which shall accrue interest at a rate of 6.5% annually, with interest payable quarterly, and the principal due on August 31, 2021. As part of the sale, the Company assumed solar related liabilities of approximately $500,000 and the sale resulted in a gain from discontinued operations of approximately $5.2 million for the three months ended September 30, 2016. Closing this transaction has strengthened our balance sheet and focused our attention on our more profitable, and faster growing, solar operations.

Overall Performance

The quarter ended September 30, 2016 was significant in two key ways:

- We completed the operational integration of Endura, acquired February 22, 2016, which has led to a rapidly growing order backlog, as well as added overall company strength in delivering orders to our clients; and
- We divested our wind energy operations, significantly improving our balance sheet and lowering our expense levels, while focusing management on our core solar offering.

As at September 30, 2016, UGE had an order backlog (discussed below) of over $36.4 million, which was bolstered by several project wins announced in the quarter, including for Philippines Spring Water, Christian Cultural Center, and Endura Energy Development Inc. ("EEDI"). With gross margins in the quarter strengthening to 18%, and with a goal to see them surpass 20% as we execute on our backlog we expect to see further improvement in our financial results in the near future.

For the nine months ended September 30, 2016, revenues from continuing operations increased 17%, to $2,444,531, whereas revenue decreased 42% to $735,903 for the three months ended September 30, 2016. The decrease was primarily due to the timing of project deployments, as well as operational bottlenecks during the quarter including the divestiture of a significant division and the completion of the integration of a significant acquisition. Because of the benefits of the sale of our former wind energy operations, we posted a gain of $5.2 million from discontinued operations in the three months ended September 30, 2016, and net income in the quarter ended September 30, 2016 of $4.3 million.

We are focused on reaching positive cash flows from operations in the near future. We have taken key steps towards profitability in terms of growing our order backlog, decreasing our ongoing selling, general and administrative ("SG&A") expenses, and divesting a non-core business to focus on our solar offering. We look forward to showing significant progress towards our goals in the coming quarters.

Order Backlog

We believe it is important to provide an analysis of order backlog in our quarterly financial statements as a measure of our potential to earn revenues in the upcoming quarters. Our backlog is made up of two components:

1. Confirmed: In the normal course of winning sales contracts, we most often reach a stage during project development where the customer makes a form of commitment to UGE, such as through a Letter of Intent or an award letter in response to a Request for Proposal. We identify such projects as "Confirmed" until they are fully contracted with the client.

2. Contracted: Projects eventually reach the stage of being fully contracted, at which point there is a binding contract with the client and a deployment schedule has been identified.

As at September 30, 2016, our order backlog was $36.4 million, including $19.8 of confirmed projects and $16.6 million of contracted projects.

The conversion of backlog to revenue can vary significantly on a project by project basis. A Contracted project will typically start to convert to revenue in either the quarter the contract was signed or the quarter thereafter, with full deployment typically occurring within twelve months. A Confirmed project can often delay one to three quarters, pending completion of contract negotiations.

Based on the magnitude of our backlog, as compared with past revenue results, we expect revenues to grow significantly in the coming quarters.

Selected Quarterly Financial Information

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015 Restated*	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015 Restated*
Revenue	$ 735,903	$ 1,266,113	$ 2,444,531	$ 2,093,419
Cost of sales	(601,514)	(1,289,859)	(2,123,649)	(2,108,311)
Gross margin %	18%	-2%	13%	-1%
Gross profit (loss)	134,389	(23,746)	320,882	(14,892)
Expenses (income):				
Selling, general and administrative	833,191	445,902	2,617,448	1,709,993
Finance expense	41,023	-	59,806	-
Finance income	(147)	(2)	(149)	(4)
Non-cash loss on settlement agreement	406,026	-	406,026	-
Income tax recovery	(207,902)	-	(139,855)	-
	1,072,191	445,900	2,943,276	1,709,989
Loss from continuing operations	(937,802)	(469,646)	(2,622,394)	(1,724,881)
Discontinued operations	5,224,359	(731,914)	3,762,722	(2,233,355)
Income (loss) for the period	$ 4,286,557	$ (1,201,560)	$ 1,140,328	$ (3,958,236)
Net income (loss) per share -				
Continuing operations - basic and diluted	$ (0.03)	$ (0.01)	$ (0.08)	$ (0.05)
Discontinued operations -				
basic	$ 0.16	$ (0.02)	$ 0.14	$ (0.07)
diluted	$ 0.14	$ (0.02)	$ 0.11	$ (0.07)

*The 2015 comparative amounts have been restated to reflect the discontinued operations on the sale of sale of UGE Holdings Ltd.

Assets and Non-Current Financial Liabilities

	September 30, 2016	December 31, 2015
Total assets	$ 6,958,899	$ 7,647,091
Total non-current financial liabilities(1)	$ 2,548,633	$ 2,614,884

(1) Excludes deferred government grants.

Total assets decreased by 9% from December 31, 2015 to September 30, 2016, largely as a result of the sale of UGE Holdings which included a manufacturing plant in China and inventory, but offset by the goodwill from the acquisition of Endura. Total non-current financial liabilities decreased slightly, also due to the sale of UGE Holdings which reduced the long-term debt outstanding.

Results of Operations for the three months ended September 30, 2016 compared with 2015

Primarily due to the timing of deployment of projects, revenue for the three months ended September 30, 2016 decreased 42% to $735,903 from $1,266,113 in the prior period. Order backlog as of September 30, 2016 was $36.4 million, providing significant room for growth in revenues in upcoming quarters.

The gross profit margin for the three months ended September 30, 2016 was 18%, compared with negative 2% in the same period of the prior year. Higher margins were a result of contracting more profitable projects and our method of revenue recognition. Prior to the Endura acquisition we recognized revenue in an amount equal to the cost of sales for that project as deployment was underway, recognizing the project profit margin upon project completion. This had the effect of depressing margins, causing larger fluctuations in margins in prior periods. After the Endura acquisition and due to this subsidiary's management of our project deployment function, we now recognize revenue on a percent completion method for all construction projects, which we expect will make gross profit margins more consistent on a quarterly basis going forward.

In the three months ended September 30, 2016, our SG&A expenses increased 83% to $833,191, from $445,902 in the same period of the prior year. However, this increase was largely attributable to the additional costs in 2016 related to the acquisition of Endura. Overall, overhead costs are below the target we set out in our strategic plan, which accounted for the acquisition of Endura and divestiture of the wind energy operations.

We recorded a loss from continuing operations for the three months ended September 30, 2016 of $937,802, compared with a loss of $469,646 in the same period of the prior year. However, $406,026 of the loss was a non-cash expense related to a settlement agreement which although is a loss for accounting purposes, management views as positive for the overall company as less shares were released related the acquisition of Endura. Due to a non-cash gain from the sale of UGE Holdings, included in the discontinued operations, we had net income for the period of $4,286,557, as compared to a net loss in the prior period of $1,201,560.

Results of Operations for the nine months ended September 30, 2016 compared with 2015

Revenue for the nine months ended September 30, 2016 increased $351,112 or 17% to $2,444,531 from $2,093,419 in the same period of the prior year. This increase was due to the greater focus throughout the year on solar, as wind operations were removed in discontinued operations.

The gross profit margin for the nine months ended September 30, 2016 was 13%, as compared with negative 1% in the same period of the prior year; our gross profit increased to $320,882 from a negative gross profit of $14,892 in the same period of the prior year. The increase is due to contracting more profitable projects as well as our revenue recognition policy (as discussed above) which caused fluctuations in gross profit margin but has since been normalized with the use of the percent completion method for recognizing revenue.

SG&A expenses for the nine months ended September 30, 2016 increased $907,455 or 53% to $2,617,448, from $1,709,993 in the same period of the prior year. As with the above description, this increase was largely attributable to the additional costs in 2016 related to the acquisition of Endura.

The Company realized a loss from continuing operations of $2,622,394 in the nine months ended September 30, 2016 as compared with $1,724,881 in the same period of the prior year. The net income for the period is $1,140,328 as compared to a net loss of $3,958,236 in the prior period, primarily due to the gain of $3,762,722 in 2016 from discontinued operations related to the sale of UGE Holdings.

Summary of Quarterly Results (unaudited)

All amounts in 000's, except per share figures

	Dec 31 2014 Q4	Mar 31 2015 Q1	Jun 30 2015 Q2	Sep 30 2015 Q3	Trailing four quarters	Dec31 2015 Q4	Mar 31 2016 Q1	Jun 30 2016 Q2	Sep 30 2016 Q3	Trailing four quarters
Continued operations:										
Revenue	$ 210	$ 44	$ 784	$ 1,266	$ 2,304	$ 147	$ 239	$ 1,470	$ 736	$ 2,592
Net loss	$ (566)	$ (653)	$ (604)	$ (470)	$ (2,293)	$ (518)	$ (641)	$ (1,043)	$ (938)	$ (3,140)
Discontinued operations	$ (1,413)	$ (744)	$ (755)	$ (732)	$ (3,644)	$ (1,130)	$ (1,048)	$ (414)	$ 5,224	$ 2,632
Loss per share:										
Continued opeartions: basic and diluted	$ (0.06)	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.21)	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.13)
Discontinued operations:										
basic	$ (0.14)	$ (0.07)	$ (0.07)	$ (0.05)	$ (0.33)	$ (0.05)	$ (0.05)	$ (0.02)	$ 0.16	$ 0.04
diluted	$ (0.14)	$ (0.07)	$ (0.07)	$ (0.05)	$ (0.33)	$ (0.05)	$ (0.05)	$ (0.02)	$ 0.14	$ 0.02

Quarter to quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited, but reflects all adjustments of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results of operations for the periods presented. Revenues and earnings may fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of substantial orders. 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.

Liquidity and Capital Resources

Cash flow from operations

The source of cash flows for UGE includes operations, private placements, public offerings, and term loans. The primary uses of cash are operating expenses, including cost of sales and working capital, and to fund acquisitions.

During the nine months ended September 30, 2016, we had positive cash flow from continued operations of $965,998, and a net loss from continuing operations of $2,622,394. The cash flow from continuing operations was positive due in part to project deposits received which were recognized in operating cash flows but not yet recognized as revenue. As at September 30, 2016, UGE has a working capital deficiency of $1,369,178 which is expected to be settled through the course of operations and, if necessary, raising additional capital.

During the nine months ended September 30, 2016 we have completed a key acquisition, divested our wind energy operations that were no longer part of our strategic plan, completed an equity financing, and lowered overall expense levels, in an effort to strengthen our financial position towards self-sustainable operations. However, to the extent that we do not achieve positive cash flows from operations in the future, or financing is not available on reasonable terms, reductions in expenditures will be required or we may not be able to continue as a going concern. Certain conditions discussed above raise substantial doubt about our ability to continue as a going concern.

The directors are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 on a going concern basis, which does not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation on a liquidation basis, which could differ materially from the values presented in the condensed consolidated interim financial statements.

On June 24, 2016, we completed a short-form prospectus equity financing of 6,133,600 units where each unit consists of one common share and one half share purchase warrant at a subscription price of CAD$0.38 for gross proceeds of $1,803,315 (CAD$2,330,768). Total share issue costs related to the financing were $481,923 (CAD$632,576) and 105,263 shares were issued as a corporate finance fee to the lead agent. Each full warrant may be exercised for one common share at an exercise price of CAD$0.48 per share for a period of 24 months from the date of issuance.

As of September 30, 2016, the Company has contractual commitments as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	$ 3,913,772	$ 3,913,772	$ 3,913,772	$ -	$ -	$ -
Loans payable	3,001,609	5,220,143	703,643	234,000	4,282,500	-
Lease commitments	-	678,495	188,548	144,247	345,700	-
	$ 6,915,381	$ 9,812,410	$ 4,805,963	$ 378,247	$ 4,628,200	$ -

The objective in managing capital is to safeguard our ability to continue as a going concern and to sustain future development of the business. In the management of capital, we include shareholders' equity, excluding accumulated other comprehensive income. Our objective is met by retaining adequate cash reserves to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. In order to maintain or adjust our capital structure, we may issue shares, such as through the short-form prospectus offering described above. The Board of Directors does not establish quantitative return on capital criteria for management. UGE is not subject to any externally imposed capital requirements.

Transactions with Related Parties

The Company is contracted to provide services to Endura Energy Development Inc. ("EEDI") where the terms and conditions of these services are no more favourable than those available on an arm's length basis. A director of the Company is currently also a director of EEDI, resulting in the Company and EEDI to be related party entities. During the three and nine months ended September 30, 2016, the Company recorded revenue of $332,186 (2015 - $Nil) and $604,988 (2015 - $Nil), respectively, related to these services. As at September 30, 2016, included in the statements of financial position are accounts receivable for $369,106 (December 31, 2015 - $Nil) due from EEDI and trade and other payable including deferred revenue of $2,404,234 (December 31, 2015 - $Nil) due to EEDI.

Completed Acquisition of Endura Energy Project Corp.

As mentioned above, a major development for the Company in the nine months ended September 30, 2016 was the acquisition of Endura. We acquired 100% of the issued and outstanding shares of Endura, a private renewable energy company located in Toronto, Ontario, Canada, on February 22, 2016. Endura provides solutions to its clients in all aspects of the solar project design-build lifecycle including: development, consulting and project management, engineering and design, and turn-key construction. The primary purpose for this acquisition is to increase market presence in Canada, increase engineering and project management expertise, and to increase our overall scale and efficiency.

Pursuant to the share purchase agreement, the Company paid cash of $88,313 (CAD$123,337), issued 8,888,888 shares of UGE valued at $3,817,600 (CAD$5,333,333) based on the market price of the Company's shares on February 22, 2016 of $0.43 (CAD$0.60), and issued a promissory note in the amount of $627,487 (CAD$876,623), which was repaid in full on April 12, 2016. Of the 8,888,888 shares issued, 2,222,222 were issued to the vendor on February 22, 2016 and the remaining 6,666,666 shares issued were subject to an escrow agreement providing for the release of 2,222,222 shares annually on the anniversary date of the transaction over the next three years. 2,666,666 of the shares in escrow could have been forfeited if Cameron Steinman, one of the vendors, resigned from employment with the Company during the escrow period. Accordingly, the value of these shares had been attributed to post combination employment services to be provided and were not included in the consideration paid for the business combination. The value of these shares had been accounted for as contingent consideration. The acquisition has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective February 22, 2016.

During the three months ended September 30, 2016, the Company entered into a settlement agreement with Cameron Steinman whereby he resigned as an officer of the Company; however, he remains as a director of the Company and continues to work on a part time basis moving forward. As part of the settlement agreement, 2,222,222 of the common shares related to the acquisition of Endura which were in escrow have been released and the remaining 4,444,444 common shares in escrow were forfeited and returned to treasury. The 2,666,666 shares attributed to post combination employment services have been cancelled and returned to treasury. The 888,889 shares of contingent consideration were cancelled and returned to treasury and their cost was written-off and accounted for in contributed surplus. Of the initial consideration, 888,889 shares were cancelled and returned to treasury and the fair value of $406,026 was accounted for as a loss on the statement of operations.

We did not enter into any other acquisition or divestiture transactions during fiscal 2016 as of the date of this MD&A, except as disclosed in the section "Corporate Profile".

Financial Instruments and other instruments

The Company's risk exposures and the impact on our financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. We manage credit risk by requiring payment from customers prior to shipment, where possible. However, we do have trade receivables outstanding with several customers.

Liquidity risk

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. As of September 30, 2016, we had cash of $233,055 to settle current liabilities of $4,366,748. Discussion regarding our ability to manage our liabilities, including with respect to the sale of UGE Holdings, is discussed in the Liquidity and Capital Resources section. We plan to realize our assets, increase revenues and gross profit margin and raise further capital, either through debt or equity, to maintain sufficient liquidity.

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

We have cash balances and the majority of debt has fixed interest rates and therefore is not significantly exposed to fluctuating interest rates. Our current policy is to invest excess cash in a savings account at our banking institution.

(b) Foreign currency risk

The Company enters into transactions denominated in US dollars, Canadian dollars and Filipino Pesos, for which the related revenue, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As of this time, we do not hedge our exposure to foreign currency risk using financial instruments.

Changes in Accounting Policies including Initial Adoption

The Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and 2015 were prepared using the same accounting policies and methods as those used in the consolidated annual financial statements of the Company for the year ended December 31, 2015. The 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 have been omitted or condensed. The International Accounting Standards Board (IASB) has published new standards and amendments or interpretations to existing standards which are mandatory for periods beginning on or after December 31, 2015, as outlined below.

Accounting standards adopted:

a) Change in accounting policy

There were no new standards effective January 1, 2016 that had a material impact on the Company's condensed consolidated interim financial statements.

b) New standards and interpretations not yet adopted

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2015. There were no new standards effective January 1, 2016 that had a material impact on the Company's condensed consolidated interim financial statements. In addition to the new standards and interpretations not yet adopted discussed in the Company's December 31, 2015 annual consolidated financial statements, the Company notes the following pronouncements issued during the nine month period ended September 30, 2016:

IAS 12, Income Taxes (Amendments)

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses as an amendment to IAS 12. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

IFRS 2, Share-Based Payment (Amendments)

On June 20, 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospective, or early application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Business Risks

Going concern risk

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and 2015 have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the nine months ended September 30, 2016, we incurred positive cash flow from continued operations of $965,998 and a net loss of continuing operations of $2,622,394. We have incurred losses as we develop and expand our operations and revenues have not been sufficient to cover all costs and may not be sufficient in future quarters.

To date we have funded losses with private placements, a short form prospectus offering, and debt. To the extent that we do not achieve positive cash flows from operations in the future or financing is not available or not available on reasonable terms, reductions in expenditures may be required or we may not be able to continue as a going concern. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the accompanying condensed consolidated interim financial statements.

Customer concentration risk

We derive a significant portion of revenue from sales to a relatively limited number of customers. If any of our more significant prospective customers fail to purchase our solutions or our existing customers discontinue their relationship with us for any reason, our revenue may be substantially reduced. To mitigate this risk, we have implemented customer retention programs to emphasize both quality of services and superior customer service. Our sales programs also address a large base of potential customers and at any given time, we are pursuing a significant number of sales opportunities.

Sales risk

Our sales efforts target medium sized and large corporations and we spend significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from 3 to 12 months and sales delays could cause our operating results to vary. We balance this risk by continuously assessing the condition of our sales “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.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS.

There were no changes in the Company’s internal control over financial reporting that occurred during the period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the consolidated financial statements.

Other

As of the date of this MD&A, the Company has 36,082,244 common shares issued and outstanding. In addition, there are 5,100,000 special warrants held by the founders of UGE, which may be converted to common shares for no additional consideration, 3,557,488 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options to purchase an additional 2,822,461 common shares. The Company also has restricted share units which allow employees and directors to acquire a total of 99,906 common shares over the next three years for no additional consideration.

We filed a short form prospectus offering dated May 24, 2016 wherein certain forward looking information regarding the Estimated Future Cash Flows for the period April 2016 to March 2017 of CAD$7,983,000 was disclosed. Based on information as of the date of the MD&A we estimate that number to now be approximately CAD$8,000,000.

The Estimated Future Cash Flows for the period April 2016 to March 2017 of CAD$7,983,000 included an estimate of CAD$2,670,261 to be received for the three months ended September 30, 2016 and the actual amount received was approximately CAD$1,700,000.

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.