UGE INTERNATIONAL LTD.

Management's Discussion and Analysis

Three months ended March 31, 2017

The following Management's Discussion and Analysis ("MD&A") is prepared as of May 25, 2017 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 months ended March 31, 2017 and the audited consolidated financial statements for the year ended December 31, 2016, both of which are expressed in United States dollars ("USD") and prepared in accordance with International Financial Reporting Standards ("IFRS"). The functional currency of the Company is Canadian dollars ("CAD"). All amounts in this MD&A are expressed in USD, 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 changes in 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 there from. 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 lower cost, 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. ("EEPC"), 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, leaving UGE focused on solar energy services. Subsequent to March 31, 2017, we purchased substantially all the assets of Carmanah Solar Power Corp. ("CSPC"), further strengthening our ability to grow in Canada and globally.

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

Asset purchase from Carmanah

On April 3, 2017, we acquired, for nominal consideration, a 60% interest in UGE RE Inc. ("UGE RE"), a shell entity, which then purchased substantially all the assets of CSPC, a wholly owned subsidiary of Carmanah Technologies Inc. ("CMH"). The remaining 40% of UGE RE is owned by affiliates of OYA Solar Inc. ("OYA") and Polar Racking, Inc. ("Polar"), strategic partners in the solar market. CSPC operates a business similar to EEPC in Toronto, Canada, providing solutions to clients during the solar project design-build lifecycle. All employees from CSPC were included in the purchase and the transaction was considered a business combination. UGE will manage the operations of UGE RE for the purpose of increasing market presence in Canada and increased engineering and project management expertise. UGE RE also adds an additional pipeline of projects.

Cash consideration of $1,991,810 (CAD$2.7 million) was paid by UGE RE to CMH, which was partially funded by a $1.8 million (CAD$2.4 million) loan from The M.H. Brigham Foundation, an arm's length third party to the transaction (the "Loan"). The Loan bears interest at a rate of 10% per annum and is payable on demand. The Loan is guaranteed by UGE, and in consideration for the provision of the Loan, The M.H. Brigham Foundation received 218,182 common shares of UGE with a fair value of $89,664 (CAD$120,000) (being 5% of the Loan amount), and an origination fee of $7,472 (CAD$10,000).

Overall Performance

The first quarter of 2017 saw UGE continue to scale rapidly as we execute on our growth plans in the commercial and mid-scale solar sector. Revenue for the three months ended March 31, 2017 was $5,498,094, compared with $548,257 in the same period of the prior year from continuing operations, an increase of 903%.

Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2017 were $792,486, compared with $750,433 in the same period of the prior year from continuing operations. We managed SG&A expenses closely, allowing us to keep expenses relatively level, despite the 10X increase in revenue. The result was significant progress towards profitability, with a 79% reduction in net loss. Overall, we believe this further validates our ability to scale revenue and reach profitability while maintaining SG&A levels.

Positive cash flow from operations was $664,642 as the fundamentals of the business continue to improve. With this positive cash flow, we repaid a significant portion of our outstanding debt, thereby decreasing future finance costs. This includes a repayment of $500,000 to a third-party lender, repayment of $20,000 of debt held by a former director, and repayment to our line of credit of approximately $162,000.

The Company recorded a net loss for the three months ended March 31, 2017 of $360,026 compared with a net loss of $1,688,847 in the same period of the prior year. This decrease in the net loss was due to higher revenues and maintained SG&A expenses, which allows the net loss for the three months ended March 31, 2017 to be the smallest quarterly loss in the past three years.

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 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 March 31, 2017, our order backlog was $31.6 million, including $11.1 million of contracted projects, and $20.5 million of confirmed projects.

Subsequent to the end of the quarter, we announced the CSPC purchase, which included additional project backlog, as well as a new $3.2 million contract with Philippine Spring Water Resources Inc., both of which are not included above.

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 and scheduling of work.

Selected Quarterly Financial Information

	Three months ended March 31, 2017	2016
Revenue	$ 5,498,094	$ 548,257
Cost of sales	(4,910,895)	(476,503)
	11%	13%
Gross profit	587,199	71,754
Expenses		
Selling, general and administrative	(792,486)	(750,433)
Net finance costs	(103,361)	(13,092)
Income tax recovery (expense)	(51,378)	9,226
Net loss from continuing operations	(360,026)	(682,545)
Loss from discontinued operations, net of income tax	-	(1,006,302)
Net loss	$ (360,026)	$ (1,688,847)
Loss per share from continuing operations - Basic and diluted		
Basic and diluted	$ (0.01)	$ (0.03)
Loss per share from net loss - Basic and diluted		
Basic and diluted	$ (0.01)	$ (0.08)

	March 31, 2017	December 31, 2016
Total assets	$ 6,930,833	$ 8,735,804
Total non-current financial liabilities	$ 3,604,066	$ 3,603,397

Results of Operations for the three months ended March 31, 2017

Revenue for the three months ended March 31, 2017 was $5,498,094, the highest in UGE's history, compared with $548,257 in the same period of the prior year from continuing operations, an increase of 903%. The significant increase was due to the continued focus and strong execution of projects in the commercial solar sector.

The majority of revenue for the three months ended March 31, 2017 was from the deployment of a large portfolio of projects in Ontario, which earns lower margins than our company-wide targets. As a result, the gross profit margin for the three months ended March 31, 2017 was 11%, compared with 13% in the same period of the prior year for continuing operations.

SG&A expenses for the three months ended March 31, 2017 were $792,486, compared with $750,433 in the same period of the prior year from continuing operations, an increase of 6%. The slight increase in SG&A expenses was due to the larger scale of the Company as revenues increased over 900%. Overall, cash expenses have been managed closely and are in line with our targets to reach near term profitability.

The Company recorded a loss for the three months ended March 31, 2017 of $360,026, compared with a loss of $1,688,847 in the same period of the prior year, a reduction of 79%, our lowest quarterly loss in the last three years. The primary reason for the lower net loss was due to increased revenue and managing expenses throughout the quarter.

Summary of Quarterly Results

All amounts in 000's, except per share figures

	Jun 30 2015 Q2	Sep 30 2015 Q3	Dec 31 2015 Q4	Mar 31 2016 Q1	Trailing four quarters	Jun 30 2016 Q2	Sep 30 2016 Q3	Dec 31 2016 Q4	Mar 31 2017 Q1	Trailing four quarters
Continuing operations:										
Revenue	$ 784	$ 1,266	$ 147	$ 239	$ 2,436	$ 1,470	$ 736	$ 3,362	$ 5,498	$ 11,066
Net loss from continuing operations	(604)	(470)	(516)	(641)	(2,231)	(1,043)	(938)	(376)	(360)	(2,717)
Net income (loss)	(1,359)	(1,202)	(1,648)	(1,689)	(5,898)	(1,457)	4,287	(2,229)	(360)	241
Net loss from continuing operations per share										
basic and diluted	(0.05)	(0.04)	(0.03)	(0.03)	(0.15)	(0.04)	(0.03)	-	(0.01)	(0.08)
Net income (loss) per share										
basic and diluted	(0.12)	(0.09)	(0.08)	(0.08)	(0.37)	(0.06)	0.13	(0.07)	(0.01)	(0.01)

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. The financial data has been presented in accordance with IFRS and the functional currency for the Company is the CAD, as opposed to the presentation currency of USD. Non-cash adjustments and reclassifications have been made and reflected in the financial information, including to the gain from the sale of UGE Holdings which resulted in recognition of discontinued operations for the fourth quarter of 2016.

Liquidity and Capital Resources

Cash flow from operations

The source of cash flows for UGE includes operations, and debt and equity financings. The primary uses of cash are operating expenses, including cost of sales and working capital, and to fund acquisitions.

During the three months ended March 31, 2017, we generated positive cash flow from operating activities of $664,642 and a net loss of $360,026. In addition, as at March 31, 2017, UGE had a working capital deficiency of $1,829,467 which is expected to be settled through the course of operations and, if necessary, raising additional capital.

During recent quarters, we have lowered expense levels and increased revenue, as we strengthen our financial position and maintain self-sustainable operations. However, to the extent that we do not maintain positive cash flows from operations in the future, or financing is not available on reasonable terms, reductions in expenditures could be required or we may not be able to continue as a going concern. Certain conditions discussed above raise significant 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 months ended March 31, 2017 on a going concern basis, as has been done for years ending 2016 and 2015, which do 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 consolidated financial statements.

In the three months ended March 31, 2017, UGE primarily used positive cash flow from operations to repay a significant portion of its outstanding debt, totaling $682,000, which will decrease future finance costs.

As of March 31, 2017, 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	$ 4,730,965	$ 4,730,965	$ 4,730,965	$ -	$ -	$ -
Loans payable	4,280,584	5,314,084	914,584	234,000	4,165,500	-
Lease commitments	-	368,717	138,917	119,431	110,369	-
	$ 9,011,549	$ 10,413,766	$ 5,784,466	$ 353,431	$ 4,275,869	$ -

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 and to maintain or adjust our capital structure, we may issue shares. The Board of Directors does not establish quantitative return on capital criteria for management. UGE is not subject to any externally imposed capital requirements.

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 counterparty's inability to fulfill our payment obligations. UGE manages credit risk on large engineering, procurement and construction projects by maintaining the ability to register a lien on projects the Company is involved with, restricting the customer in obtaining or continuing to receive financing, and in selling the project to another party until UGE's trade receivables are settled. 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 March 31, 2017, we had cash of $40,179 and restricted cash of $1,224,887 to settle current liabilities of $5,707,929. Discussion regarding our ability to manage our liabilities, is outlined in the Liquidity and Capital Resources section. We plan to realize our assets, increase revenues and gross profit margin, and raise further capital as necessary, 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

The Company has cash balances and the majority of debt with 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 USD, CAD 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 were prepared using the same accounting policies and methods as those used in the consolidated financial statements of the Company for the year ended December 31, 2016. 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 IFRS 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 after December 31, 2016, or later as outlined below.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 is effective for the Company for annual periods beginning on January 1, 2018.

(ii) IFRS 15, Revenue from Contracts ("IFRS 15")

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

Adoption of IFRS 15 is required for the Company for annual periods beginning on January 1, 2018.

(iii) IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of adopting the standards noted above and does not expect to adopt these standards prior to their mandatory effective dates.

Business Risks

Going concern risk

The condensed consolidated interim financial statements for the three months ended March 31, 2017 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 three months ended March 31, 2017, the Company incurred a net loss of $360,026 and generated positive cash flow from operations of $664,642. 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 the Company has funded the losses by raising funds from debt and equity. To the extent that the Company does not achieve sufficient positive cash flows from operations in the future or financing is not available or not available on reasonable terms, reductions in expenditures will be required or the Company 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 the Company is 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 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 quality control measures and provide 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 three to twelve months and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our backlog and pipeline and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our customers to better understand their needs and proactively manage incoming business levels effectively.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is committed to delivering timely and accurate disclosure of all material information. Disclosure controls and procedures ensure that reporting requirements are satisfied and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting. However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the condensed consolidated interim financial statements for the three months ended March 31, 2017 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the three months ended March 31, 2017 and all material subsequent activity up to May 25, 2017.

Other

As of the date of this MD&A, the Company has 37,103,932 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, 3,328,067 share purchase warrants which may be exercised for one common share each at a fixed exercise price, and stock options to purchase an additional 2,630,311 common shares. The Company also has restricted share units which allow employees and directors to acquire a total of 160,376 common shares over the next two 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$8,000,000 was disclosed. Based on information as of the date of the MD&A we estimate that number to be approximately CAD$5,800,000.

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.