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BY EMAIL

August 18, 2016

UATG Shareholders

Re: Umbra Applied Technologies Group, Inc.  
Semi-annual Letter  
Year 2016

## Chairman's Letter

**Through strategic reorganizing and enhanced enterprise oversight we have improved corporate and market dynamics synergies.**

Dear Fellow Shareholders,

Since UATG's inception more than five years ago, the world has changed significantly. As a nation we have faced the challenges of the existential threat of imported and home grown terrorism. We have witnessed the barbaric effects of terrorism on global moral and the vast public and private market sectors. Consequently, our company has been dealing with many extraordinary challenges as a result of these geopolitical influencers and significant management restructuring. We have endured an unprecedented economic, political and social storm the impact of which will continue to be felt for years and possibly, decades to come. What stands out about our very special company is that in spite of all the challenges, UATG became stronger and more stable.

I feel extraordinarily privileged to work for UATG and honored to lead a team of such talented and dedicated people. Our management team and employees do exceptional work every single day, sometimes under enormous pressure and long hours, while dealing with an extreme number of complex business and regulatory issues. The way our team is able to address our challenges, admit our mistakes while continuing to grow our businesses and support our shareholders is a point of pride for me.

In January, due to a highly volatile geopolitical climate and vicissitudinous market dynamics, we began to actively pursue areas of improvement and restructuring. We identified areas we needed to streamline due to inefficiencies and overlap. We consolidated oversight and improved management's



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ability to direct product delivery. We further conducted strategic reviews of existing market segments and supply chains to identify divisions with favorable margins and deliverable time-frames. In the first ninety days of this year we announced up to a two million dollar stock buyback, we retained Fruci & Associates to conduct an independent audit of our financials, streamlined our subsidiaries, consolidated operations and relocated corporate headquarters.

Another strategic action was the realignment of our product portfolio as it relates to distribution and an actionable delivery calendar for 2016 and 2017. We re-evaluated corporate finance, supply chain, procurement, marketing strategies, research methods, technology development and our ever evolving corporate culture of innovation. As we made the critical choices that would position UATG for sustainable growth, ameliorated market metrics and improved product market share; we continued to deliver outstanding advances in technology and brand identity. Throughout UATG, our people, products and services delivered improved value for our future customers and shareholders.

Our performance and market position have yielded, to date, impressive improvements over key fundamentals and metrics delivering a path to strong returns for our shareholders. Through increased and progressive marketing strategies we have seen interest in the company more than double. Market liquidity has increased many multiples as evident in the more than 56,000% increase in trading volume since December of 2015 with an average daily volume increase of 21,000% in the same time period. While average share price has dropped since last year we have seen a more than 50% reduction in daily price slip and a 231% increase in daily dollar volume. Monthly trades executed on UATG have increased 655% with total dollars traded monthly between December 2015 and July 2016 increasing 314%.

With an expanded focus on becoming more transparent and implementing a more aggressive effort to better communicate with our shareholders we have seen renewed interest in UATG share ownership. This strategy has been accompanied by an aggressive restructuring agenda that strengthens our company while better positioning us to launch our first biotech medical device for 2016. The success of this new strategy is evident in the 73% decrease in short interest of UATG.

We have executed our action plan through some very challenging market conditions but throughout the macro mood swings of the market, we remained focused on our improved business model approach, focusing on course correcting, the company's stable of advanced products to create more shareholder value and a more solvent company with an eye to future growth. As such, some of our more successful strategies were the buyback program in the open market, fast tracking delivery of higher margin biotech products and restructuring operations by moving to a more "overhead-light" business model.

In a time when many in our industry have been in a consolidation phase, which has resulted in over-levered balance sheets and declining deliverables, we have improved future margins by reducing debt, enhancing efficiencies in supply chain and more effective manufacturing processes. The company now



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operates more efficiently and with improved scalability, which it should be able to use as leverage in negotiations. We also believe there will be additional benefits from merger synergies and the upcoming Presidential election, as its products stable lends itself to good television exposure due to its technology's timeliness and increased demand in the market segment spaces we operate in.

UATG is continuing its process of transformation in response to the challenges that we have addressed in previous letters. Under the guidance of our management team, the company has significantly reduced debt exposure and decreased operational expenses. Conceivably more critical, the company has endeavored to assemble a competent and experienced management team that is capable of fostering a burgeoning world-class business to match UATG's premier pipeline of intellectual property. Although the company has approached our earlier estimate of intrinsic value, domestic manufacturing prices have risen and we believe our management team is capable of mitigating that expenditure increase through newly developed and more efficient manufacturing process ensuring that every product manufactured by UATG will be made here in the United States. After the end of the semi-annual period, we slightly reduced our investment in new product development to shift focus on a more prudent and deliverable product portfolio management procedure. That said, we believe there to be significant optionality associated with a company that has an improving balance sheet, dynamic management team, a significant and stable asset base, virtually no debt and a market liquidity that continues to gain momentum.

In addition, our biotech division, which expanded significantly during the semi-annual period, has become an improved strategic holding. Certainly, we never imagined that oil prices would fall below \$30 per barrel and our initial investments made in 2013 in Intrepid Innovations and its subsidiaries emerged as very poorly timed. Notwithstanding these industry stresses, UATG has managed to not only survive, but to reposition itself and prosper.

Recently the company raised cash through an equity offering that should serve to accelerate its growth plans. While we never favor dilution, we believe the trade-off of a stronger balance sheet and better growth prospects should offset the additional share count.

Over the past seven months we have been able to execute capital allocation actions under challenging circumstances while continuing to improve the company's cost structure. UATG found its genesis as a holding company with many great ideas and assets spread across the United States. Despite difficult conditions under which to reallocate capital, UATG has reorganized, streamlined, improved its balance sheet, discernibly reduced cost structure and focused its asset portfolio which should allow for material growth in innate value.

While pleased with improved performance in recent months, it candidly could have been much better and moving forward we plan to ameliorate corporate performance. The first half of the year saw a



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dramatic decline in the share price of UATG, making overall performance appear poor when it should have been spectacular. We attribute the price weakness to the failures of management to be internally more vigilant, execute on previously announced liquidity and exploit capital initiatives.

This is why, moving forward we have decreased the size of our management team, compartmentalized sensitive data/projects, increased efficiencies throughout the company and forged it within our collective corporate culture. The result is a much more efficient company that is more agile, dynamic and poised to deliver a world changing product pipeline.

I know I speak for all the members of the UATG management team when I say that we have never been more proud, focused, confident and optimistic about the future of UATG.

Sincerely,

Alex Umbra  
Chairman & Chief Executive Officer  
Umbra Applied Technologies Group, Inc.

#### **About Umbra Applied Technologies, Inc.**

Umbra Applied Technologies is a member of the Umbra Applied Technologies Group (OTC: UATG) family of companies. Umbra Applied Technologies, U.S. based Defense and Security Company, is engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems, products, and services for defense, civil, and commercial applications in United States and internationally. It also provides management, engineering, technical, scientific, logistic, and information services.

In support of air, land and naval forces, the company operates in five segments: Aeronautics, Information Systems & Global Solutions, Biotech, Alternative & Renewable Energy, and Intelligence Systems. The Aeronautics segment offers military aircrafts, such as unmanned combat and air mobility aircrafts, and related technologies. The Information Systems & Global Solutions segment provides advanced technology systems and security expertise, integrated information technology solutions, and management services for civil, defense, intelligence, and other government customers. The Biotech



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segment addresses critical gaps that are absent in defense medical research programs. The Alternative & Renewable Energy segment provides alternative solutions to energy through research in bioelectricity, wind, thermodynamic and solar energy. The Intelligence segment provides computational study of signals, open source and network intelligence through advanced metrics and algorithms to locate and extract sentiment from gathered intelligence.

For more information visit [www.uatgroup.com](http://www.uatgroup.com) or [www.umbraappliedtechnologies.com](http://www.umbraappliedtechnologies.com)

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This news release may include "forward-looking statements" including forecasts, estimates, expectations, and objectives for future operations including but not limited to its ability to conclude a business combination with a third party, sale of assets, return of capital or initial public offering and a secondary listing on the OTC as a result of aforementioned and its ability to fund the exploration of its assets through the raising of equity or debt capital or through funding by a joint venture partner that are subject to a number of assumptions, risks, and uncertainties, many of which are beyond the control of Umbra Applied Technologies including but not limited to capital markets and securities risks and continued development success on technology. There can be and are no actual or implied guarantees that any of the above activities will be completed or completed on terms acceptable to the Company and its shareholders or approved by any regulatory authority having jurisdiction. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Risks and uncertainties about Umbra Applied Technologies business are more fully discussed in the company's disclosure materials, including its MD&A, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com) and readers are urged to read these materials. Umbra Applied Technologies does not assume the obligation to update any forward-looking statement, except as required by applicable law.

