# SOLAR ALLIANCE ENERGY INC.

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# SEPTEMBER 30, 2022

# (UNAUDITED)

# Solar Alliance Energy Inc.

**Interim Condensed Consolidated Statements of Financial Position**
**(All figures in Canadian Dollars)**
**(Unaudited)**

| | As at September 30, 2022 | As at December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **$ 1,051,063** | $ 2,169,258 |
| Restricted cash | **434,861** | - |
| Accounts receivable | **261,637** | 595,982 |
| Prepaid expenses and deposits | **10,994** | 8,990 |
| Work in process | **477,716** | 700 |
| Inventory | **167,964** | 57,595 |
| Total current assets | **2,404,235** | 2,832,525 |
| **Non-current assets** | | |
| Deposits (note 3) | **41,980** | 59,126 |
| Property, plant and equipment (note 5) | **1,103,821** | 90,259 |
| Development costs (note 6) | **-** | 73,724 |
| Total non-current assets | **1,145,801** | 223,109 |
| **Total assets** | **$ 3,550,036** | $ 3,055,634 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | |
| **Current liabilities** | | |
| Trade and other payables (notes 7 and 18) | **$ 3,149,743** | $ 1,914,010 |
| Short term loan (notes 9 and 18) | **350,000** | - |
| Customer deposits | **283,305** | 46,424 |
| Contingent consideration | **29,135** | 29,135 |
| Total current liabilities | **3,812,183** | 1,989,569 |
| **Non-current liabilities** | | |
| Asset retirement obligations (note 11) | **101,762** | 101,762 |
| Government assistance | **60,000** | 60,000 |
| Total non-current liabilities | **161,762** | 161,762 |
| **Total liabilities** | **3,973,945** | 2,151,331 |
| **Shareholders' equity (deficiency)** | | |
| Share capital (note 12) | **48,581,031** | 48,581,031 |
| Reserves (notes 13 and 14) | **16,483,009** | 16,081,231 |
| Accumulated other comprehensive income | **222,918** | 553,915 |
| Deficit | **(65,710,867)** | (64,311,874) |
| **Total shareholders' equity (deficiency)** | **(423,909)** | 904,303 |
| **Total liabilities and shareholders' equity (deficiency)** | **$ 3,550,036** | $ 3,055,634 |

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*
**Subsequent events** (note 20)

# Solar Alliance Energy Inc.

**Interim Condensed Consolidated Statements of Comprehensive Loss**
**(All figures in Canadian Dollars, except per share and share information)**
**(Unaudited)**

| | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|---|---|
| **Revenues** | **$ 2,753,628** | $ 252,352 | **$ 4,381,445** | $ 2,255,460 |
| **Cost of sales** | **(2,185,366)** | (186,986) | **(3,608,722)** | (1,825,806) |
| **Gross Profit** | **568,262** | **65,366** | **772,723** | 429,654 |
| **Expenses** | | | | |
| Depreciation (notes 4 and 5) | **7,827** | 5,533 | **23,063** | 20,425 |
| Consulting fees (note 18) | **79,175** | - | **79,175** | - |
| Insurance and filing fees | **5,019** | 888 | **16,465** | 1,158 |
| Marketing and advertising | **20,190** | 46,802 | **164,126** | 216,336 |
| Office, rent and utilities | **93,214** | 64,113 | **267,337** | 187,419 |
| Professional fees | **134,105** | 127,965 | **282,964** | 450,332 |
| Salaries and benefits (note 18) | **638,774** | 522,369 | **1,645,819** | 1,278,094 |
| Share-based payments (notes 15 and 18) | **228,859** | 12,899 | **401,778** | 12,899 |
| Travel and related | **33,087** | 34,279 | **82,317** | 63,472 |
| Total expenses | **1,240,250** | 814,848 | **2,963,044** | 2,230,135 |
| Operating loss | **(671,988)** | (749,482) | **(2,190,321)** | (1,800,481) |
| **Other income** | | | | |
| Loss on derecognition of trade and other payables (note 7) | **-** | - | **(70,745)** | - |
| Gain on settlement of trade and other payables (note 17) | **-** | - | **-** | 22,197 |
| Other income | **3,227** | 13,594 | **17,682** | 200,880 |
| Write off of payables | **4,887** | - | **540,571** | 176,688 |
| **Total other income (loss)** | **8,114** | 13,594 | **487,508** | 399,765 |
| **Loss before finance income (expense)** | **(663,874)** | (735,888) | **(1,702,813)** | (1,400,716) |
| **Net finance income (expense)** | | | | |
| Interest expense | **(31,489)** | (1,526) | **(36,846)** | (37,875) |
| Interest income | **-** | 745 | **134** | 78,625 |
| Foreign exchange | **474,834** | 107,094 | **340,532** | (190,324) |
| **Net finance income (expense)** | **443,345** | 106,313 | **303,820** | (149,574) |
| **Net loss** | **(220,529)** | (629,575) | **(1,398,993)** | (1,550,290) |
| **Other comprehensive income** | | | | |
| Change in accumulated foreign exchange translation adjustment | **(385,719)** | 13,906 | **(330,997)** | 180,426 |
| **Comprehensive loss** | **$ (606,248)** | $ (615,669) | **$ (1,729,990)** | $ (1,369,864) |
| **Basic and diluted loss per common share** | **$ (0.00)** | $ (0.00) | **$ (0.01)** | $ (0.02) |
| **Weighted average number of common shares outstanding** | **274,984,848** | 274,984,848 | **274,984,848** | 269,819,601 |

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

# Solar Alliance Energy Inc.

**Interim Condensed Consolidated Statements of Cash Flows**
**(All figures in Canadian Dollars)**
**(Unaudited)**

| | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|
| **Operating activities** | | |
| Net loss | **$ (1,398,993)** | $ (1,550,290) |
| Adjustments for non-cash items: | | |
| Depreciation | **23,063** | 20,425 |
| Share-based payments | **401,778** | 12,899 |
| Loss on derecognition of trade and other payables | **70,745** | - |
| Write off of payables | **(540,571)** | (176,688) |
| Gain on settlement of trade and other payables | **-** | (22,197) |
| Interest on lease liability | **-** | 202 |
| Net finance expense | **-** | 4,247 |
| Unrealized foreign exchange | **(404,721)** | (7,751) |
| Net changes in working capital: | | |
| Accounts receivable | **334,345** | (55,612) |
| Prepaid expenses and deposits | **15,142** | (33,016) |
| Work in process and inventory | **(587,385)** | (165,946) |
| Trade and other payables | **1,705,559** | (623,718) |
| Customer deposits | **236,881** | 87,008 |
| Restricted cash | **(434,861)** | - |
| **Net cash used in operating activities** | **(579,018)** | (2,510,437) |
| **Investing activity** | | |
| Purchase of equipment (note 5) | **(889,177)** | (104,870) |
| **Net cash used in investing activities** | **(889,177)** | (104,870) |
| **Financing activity** | | |
| Proceeds from short term loan | **350,000** | - |
| Proceeds from common share issue | **-** | 5,752,530 |
| Share issue costs | **-** | (581,495) |
| Proceeds from exercise of options | **-** | 611,500 |
| Proceeds from exercise of warrants | **-** | 974,868 |
| Lease liability payments | **-** | (8,250) |
| Loans repaid | **-** | (969,834) |
| **Net cash provided by financing activities** | **350,000** | 5,779,319 |
| **Net change in cash** | **(1,118,195)** | 3,164,012 |
| **Cash, beginning of period** | **2,169,258** | 1,877 |
| **Cash, end of period** | **$ 1,051,063** | $ 3,165,889 |

**Supplemental cash flow information** (note 16)

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

## Solar Alliance Energy Inc.

**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**(All figures in Canadian Dollars)**
**(Unaudited)**

| | Number of Shares | Share Capital | Reserves | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Shareholders' (Deficiency) |
|---|---|---|---|---|---|---|
| **December 31, 2020** | **233,114,037** | **$ 43,759,202** | **$ 14,060,664** | **$ 293,120** | **$(63,863,010)** | **$ (5,750,024)** |
| Issuance of common shares for private placement | 13,696,500 | 5,752,530 | - | - | - | 5,752,530 |
| Share issuance costs | - | (581,495) | - | - | - | (581,495) |
| Warrants granted | - | (2,582,158) | 2,582,158 | - | - | - |
| Broker warrants granted | - | (180,751) | 180,751 | - | - | - |
| Exercise of options | 10,960,714 | 1,103,382 | (491,882) | - | - | 611,500 |
| Exercise of warrants | 17,213,597 | 1,625,672 | (650,804) | - | - | 974,868 |
| Share-based payments | - | - | 12,899 | - | - | 12,899 |
| Comprehensive loss for the period | - | - | - | 180,426 | (1,550,290) | (1,369,864) |
| **Balance, September 30, 2021** | **274,984,848** | **$ 48,896,382** | **$ 15,693,786** | **$ 473,546** | **$(65,413,300)** | **$ (349,586)** |

| | Number of Shares | Share Capital | Reserves | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Shareholders' Equity (Deficiency) |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2021** | **274,984,848** | **$ 48,581,031** | **$ 16,081,231** | **$ 553,915** | **$(64,311,874)** | **$ 904,303** |
| Share-based payments | - | - | 401,778 | - | - | 401,778 |
| Comprehensive income (loss) | - | - | - | (330,997) | (1,398,993) | (1,729,990) |
| **Balance, September 30, 2022** | **274,984,848** | **$ 48,581,031** | **$ 16,483,009** | **$ 222,918** | **$(65,710,867)** | **$ (423,909)** |

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

## 1. Nature of business and going concern

Solar Alliance Energy Inc. (the "**Company**") is incorporated under the laws of British Columbia and is an energy solutions provider focused on commercial, industrial, and residential solar installations in the United States of America ("**United States**"). The Company's common shares are listed for trading on the TSX Venture Exchange ("**TSX-V**") under the symbol "SOLR" and on the OTCQB Venture Market in the United States under the symbol "SAENF.

The Company's corporate office is located at 82 Richmond Street East, Toronto, ON, Canada, M5C 1P1.

### 1.1 Going concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and therefore be required to liquidate its assets and settle its liabilities in other than the normal course of business and at amounts that may differ from those shown in these unaudited interim condensed consolidated financial statements.

As at September 30, 2022, the Company had an accumulated deficit of $65,710,867 (December 31, 2021 - $64,311,874). Comprehensive loss for the nine months ended September 30, 2022 was $1,729,990 (2021 - $1,369,864). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the financing necessary to fund its planned revenue growth and working capital requirements.

## 2. Significant accounting policies

### 2.1 Basis of presentation and measurement

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss ("**FVTPL**"). In addition, these unaudited interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2.4.

### 2.2 Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standards Board ("**IASB**") and interpretations issued by International Financial Reporting Interpretations Committee ("**IFRIC**"). These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 21, 2022.

## 2. Significant accounting policies (continued)

### 2.3 Functional and presentation currency

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency of the Company's US subsidiaries is the US dollar.

### 2.4 Use of Accounting Assumptions, Estimates and Judgments

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, including the assessment of the Company's ability to continue as a going concern as discussed above in Note 1. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### 2.4.1 Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year and are, but are not limited to, the following:

*(a) Share-based payments*

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

*(b) Right-of-use asset and lease liability*

The right of use asset and lease liability are measured by discounting the future lease payments at the incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

*(c) Warrants*

The fair value of warrants granted are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

## 2. Significant accounting policies (continued)

### 2.4 Use of Accounting Assumptions, Estimates and Judgments (continued)

#### 2.4.2 Critical Accounting Judgments

*(a) Going Concern*

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

*(b) Determination of functional currency*

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company is the Canadian dollar. The functional currency of the Company's US subsidiaries is the US dollar.

*(c) Allowances and Provisions for Expected Credit Losses*

An expected credit loss provision includes possible default events of the accounts receivable over their holding period, including the consideration of the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, and default or delinquency in payments are considered indicators that recovery of the accounts receivable is doubtful. The default rate is subject to significant estimate and judgment.

Trade receivables are reviewed for impairment on a case-by-case basis to identify any deterioration of credit risk since initial recognition, at which time a provision is recognized in the interim condensed consolidated statements of comprehensive loss within bad debt expenses. If the credit risk has increased significantly and if the receivable is impaired, the allowances are based on lifetime expected losses. Subsequent recoveries of amounts previously provided for are credited against bad debt expenses in the interim condensed consolidated statements of comprehensive loss.

*(d) Percentage of completion calculation*

The Company measures the stage of completion for Engineering, Procurement and Construction ("**EPC**") projects based on the milestone payments earned to date compared to the total estimated milestone payments for the project. The estimation of milestones earned requires professional judgment and changes to these estimates may affect revenue, unbilled revenue, and deferred revenue.

*(e) Recovery of deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

## 2. Significant accounting policies (continued)

### 2.4 Use of Accounting Assumptions, Estimates and Judgments

#### 2.4.2 Critical Accounting Judgements (continued)

*(f) Decommissioning liabilities*

The Company makes several estimates when calculating the fair value of asset decommissioning obligations which represent the present value of future decommissioning costs for facilities. Estimates of these costs are dependent on labour and material costs, inflation rates, salvage values, discount rates, the risk specific to the obligation, and the timing of the outlays.

*(g) Determination of CGUs*

A cash generating unit ("**CGU**") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

*(h) Contingencies*

Due to the nature of the Company's operations, various legal, tax, environmental, regulatory, and business acquisition consideration matters are outstanding from time to time. In the event that management's estimates of the future resolution of these matters changes, the Company will recognize the effects of the changes in its unaudited interim condensed consolidated financial statements on the date such changes occur.

*(i) Business Combination and Asset Acquisition*

Judgment is required to determine if the Company's acquisitions represent a business combination or an asset purchase. The assessment requires management to determine if the acquisitions acquired represented an integrated set of activities with inputs, processes and outputs. The acquisition of the solar development projects was determined to be an asset acquisition.

### 2.5 New accounting standards not yet adopted

<u>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</u>
The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

**(All figures in Canadian Dollars, unless otherwise specified)**

### 3. Deposits

| | | As at September 30, 2022 | | As at December 31, 2021 |
|---|---|---|---|---|
| BC Licence of Occupation security deposits (i) | **$** | **18,000** | $ | 18,000 |
| Other prepaid deposit | | **23,980** | | 41,126 |
| Total | **$** | **41,980** | $ | 59,126 |

(i) The Company has $18,000 (December 31, 2021 - $18,000) on deposit with the BC Ministry of Forests, Lands, and Natural Resource Operations in respect of its remaining licenses of occupation. The funds are held in a non-interest-bearing trust by the Provincial Treasury.

### 4. Right-of-use assets

| | | Office space |
|---|---|---|
| **Balance, December 31, 2020** | **$** | **8,869** |
| Depreciation | | (8,869) |
| **Balance, December 31, 2021, September 30, 2021 and September 30, 2022** | **$** | **-** |

Office spaces is depreciated over 36 months. The initial 36-month term expired. The extension has yet to be exercised and the lease is currently month-by-month.

### 5. Property, plant and equipment

The following table illustrates movements in Solar Alliance's property, plant and equipment cost balance by category:

| COST | | Construction in progress (2) | | Other equipment (1) | | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2021** | **$** | **-** | **$** | **208,976** | **$** | **208,976** |
| Additions | | 1,028,014 | | 6,717 | | 1,034,731 |
| **Balance, September 30, 2022** | **$** | **1,028,014** | **$** | **215,693** | **$** | **1,243,707** |

(2) As at September 30, 2022, construction-in-progress relates to the capitalization for the VC1 and US1 projects in New York state.

The following table illustrates movements in Solar Alliance’s accumulated depreciation balance by category:

| ACCUMULATED DEPRECIATION | | Construction in progress (2) | | Other equipment (1) | | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2021** | **$** | **-** | **$** | **118,717** | **$** | **118,717** |
| Depreciation | | - | | 23,063 | | 23,063 |
| Foreign exchange | | - | | (1,894) | | (1,894) |
| **Balance, September 30, 2022** | **$** | **-** | **$** | **139,886** | **$** | **139,886** |
| **CARRYING AMOUNTS** | | | | | | |
| **Balance, December 31, 2021** | **$** | **-** | **$** | **90,259** | **$** | **90,259** |
| **Balance, September 30, 2022** | **$** | **1,028,014** | **$** | **75,807** | **$** | **1,103,821** |

(1) Other equipment includes vehicles, office equipment, furniture and fixtures, computers, and computer software.

**(All figures in Canadian Dollars, unless otherwise specified)**

## 6. Development costs

On November 15, 2021, the Company acquired a 298-kW solar development project in New York from Abundant Solar Power Inc. (“**Abundant**”), an arm’s length party, for $73,724 (US $58,151), for solar development services including, but not limited to, site evaluation and feasibility studies, site approval and preparation costs, research and compliance with all US Regulatory rules, preliminary engineering, local zoning and permitting requirements, and providing engineering, procurement and construction services. The project assets are owned by Abundant Solar Power (VC1) LLC (**“VC1”**). The Company acquired 100% of the issued and outstanding membership interests of VC1 from Abundant, under a Membership Interest Purchase and Sale Agreement.

On January 31, 2022, the Company acquired a 389-kW solar development project in New York from Abundant for future obligations, for solar development services including, but not limited to, site evaluation and feasibility studies, site approval and preparation costs, research and compliance with all US Regulatory rules, preliminary engineering, local zoning and permitting requirements, and providing engineering, procurement and construction services. The project assets are owned by Abundant Solar Power (US1) LLC (“**US1**”). The Company acquired 100% of the issued and outstanding membership interests of US1 from Abundant, under a Membership Interest Purchase and Sale Agreement.

Under IFRS 3, “Business Combinations”, VC1 and US1 do not meet the definition of a business as the gross assets are concentrated within a single class of assets, being the solar development projects. As such, they are accounted for as asset acquisitions under IFRS 3.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

**As at**

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Net assets (liabilities) acquired** | | |
| Development costs | **$ -** | $ 26,435 |
| Inter-connection deposits | **-** | 47,289 |
| **Paid by** | | |
| Cash | **$ -** | $ 73,724 |

Development projects are depreciated over the useful lives of the resulting assets once they become operational. During the nine months ended September 30, 2021, the development projects began construction and have been reclassified as property, plant and equipment.

## 7. Trade and other payables

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade and other payables in Canada (i) | **$ 1,303,186** | $ 1,252,118 |
| Trade and other payables in the United States (ii) | **1,846,557** | 661,892 |
| Total trade and other payables | **$ 3,149,743** | $ 1,914,010 |

During the nine months ended September 30, 2022, the Company undertook a detailed review of the disputed trade and other payables, and previously included as outstanding in trade and other payables expired by process of law and are no longer legally payable, $70,745 (September 30, 2021 – $nil) . The accounts have been derecognized from accounts payable.

**(All figures in Canadian Dollars, unless otherwise specified)**

## 8. Short-term loan

In June 2022 the Company closed an unsecured short-term construction loan for a total capacity of $350,000. $350,000 was advanced in the nine months ended September 30, 2022. The term of the loan is one year from the date of each advance and bears interest at 15% per annum. During the three and nine months ended September 30, 2022, the Company recorded interest expense of $12,756 (2021 - $nil).

## 9. Lease liabilities

| | | |
|---|---|---|
| **Balance, December 31, 2020** | **$** | **10,247** |
| Interest expense | | 202 |
| Lease payments | | (10,449) |
| **Balance, September 30, 2021 and September 30, 2022** | **$** | **-** |

On March 16, 2018, the Company entered into a 36-month lease agreement for office space in Knoxville, Tennessee, commencing on January 1, 2019. The initial 36-month term has expired, but the extension has not yet been exercised and the lease is currently month-by-month.

## 10. Government Assistance

During the year ended December 31, 2020, the Company applied for and received loan proceeds in the amount of $190,354 (US$149,508) (“PPP Funds”) pursuant to the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The total amount borrowed by the Company under the PPP was forgiven on March 29, 2021.

During the nine months ended September 30, 2022, the Company received a loan of $nil, in connection with COVID-19 Government-sponsored Canada Emergency Business Account (“CEBA”) program. The CEBA loan is non-interest bearing and matures on December 31, 2023. $20,000 of the total received of $60,000 is forgivable if the full loan is repaid before the maturity date, otherwise the full amount will revert to an interest-bearing loan with interest at 5% per annum.

## 11. Asset retirement obligations

The Company has recorded asset retirement obligations of $101,762 (December 31, 2021 - $101,762) associated with the future decommissioning of weather monitoring equipment situated on the Wildmare Wind Energy Project site, expected to be incurred during 2022.

## 12. Share capital

### 12.1 Authorized share capital

The authorized share capital consists of an unlimited number of common shares without par value and 100 redeemable preferred shares.

**(All figures in Canadian Dollars, unless otherwise specified)**

## 12. Share capital (continued)

### 12.2 Common shares issued

| | Number of common shares | Amount |
|---|---|---|
| **Balance, December 31, 2020** | **233,114,037** | **$ 43,759,202** |
| Issuance of shares for private placement (i) | 13,696,500 | 5,752,530 |
| Share issuance costs | - | (581,495) |
| Warrants granted | - | (2,582,158) |
| Broker warrants granted | - | (180,751) |
| Exercise of options (ii) | 10,960,714 | 1,103,382 |
| Exercise of warrants (ii) | 17,213,597 | 1,625,672 |
| **Balance, September 30, 2021, December 31, 2021 and September 30, 2022** | **274,984,848** | **$ 48,896,382** |

At September 30, 2022, the Company had 274,984,848 common shares issued and outstanding (December 31, 2021 – 274,984,848) and no preferred shares issued and outstanding. A summary of changes in share capital and reserves is contained on the unaudited interim condensed consolidated statements of changes in shareholders' equity (deficiency) for the nine months ended September 30, 2022 and 2021.

During the nine months ended September 30, 2021, the Company issued the following shares:

i. In February 2021, the Company completed a private placement through the issuance of 13,696,500 units at a price of \$0.42 per unit for gross proceeds of \$5,752,530. Each unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share of the Company at a price of \$0.60 per share for a period of 24 months from the closing date. The securities issued pursuant to the offering have a hold period of four months from the date of closing. The Company determined the fair value of the warrants to be \$2,582,158. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.22%; an expected volatility of 191.87%; an expected life of two years; a forfeiture rate of zero and an expected dividend of zero. The Company paid share issue costs of \$581,495 in cash and issued 958,755 broker warrants with a fair value of \$180,751. The broker warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.22%; an expected volatility of 191.87%; an expected life of two years; a forfeiture rate of zero; and an expected dividend of zero.

ii. During the nine months ended September 30, 2021, the Company issued 10,960,714 common shares of the Company on the exercise of stock options for proceeds of \$611,500.

iii. During the nine months ended September 30, 2021, the Company issued 17,213,597 common shares of the Company on the exercise of stock warrants for proceeds of \$974,868.

**(All figures in Canadian Dollars, unless otherwise specified)**

## 13. Warrants

The following table reflects the warrants issued and outstanding as of September 30, 2021:

| Expiry Date | Exercise Price | Balance December 31, 2020 | Granted | Exercised | Expired | Balance September 30, 2021 |
|---|---|---|---|---|---|---|
| December 13, 2021 | $ 0.10 | 2,858,999 | - | (2,858,999) | - | - |
| February 28, 2022 | $ 0.05 | 2,533,333 | - | (2,533,333) | - | - |
| March 14, 2022 | $ 0.05 | 700,000 | - | (700,000) | - | - |
| April 8, 2022 | $ 0.05 | 11,121,265 | - | (11,121,265) | - | - |
| February 19, 2023 | $ 0.60 | - | 14,655,255 | - | - | 14,655,255 |
| | | 17,213,597 | 14,655,255 | (17,213,597) | - | 14,655,255 |
| Weighted Average exercise price | | $ 0.06 | $ 0.60 | $ 0.06 | $ - | $ 0.60 |

The following table reflects the warrants issued and outstanding as of September 30, 2022,

| Expiry Date | Exercise Price | Balance December 31, 2021 | Granted | Exercised | Balance September 30, 2022 |
|---|---|---|---|---|---|
| February 19, 2023 | $ 0.60 | 14,655,255 | - | - | 14,655,255 |
| | | 14,655,255 | - | - | 14,655,255 |
| Weighted Average exercise price | | $ 0.60 | $ - | $ - | $ 0.60 |

## 14. Stock options

The Company has a common share Stock Option Plan (equity-settled). The Board of Directors of the Company may from time to time, at its discretion, and in accordance with the requirements of the TSX-V, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant. There are no vesting requirements pursuant to the stock option plan. The Board may add such provisions at its discretion on a grant-by-grant basis. However, stock options granted in respect of investor relations activities must vest quarterly over a minimum one-year period, pursuant to TSX-V policy. The Board of Directors have resolved that the Stock Option Plan authorize the directors to grant stock options up to a maximum of 10% of the number of common shares issued and outstanding at the time of grant. The “rolling” stock option plan has been in effect since the Company was listed on the TSX-V.
Details of the stock options outstanding as at September 30, 2021 are as follows:

| Expiry Date | Exercise Price | Balance December 31, 2020 | Granted | Exercised | Expired/ Cancelled | Balance September 30, 2021 |
|---|---|---|---|---|---|---|
| May 4, 2023 | $ 0.08 | 500,000 | - | - | - | 500,000 |
| May 6, 2023 | $ 0.06 | 11,750,000 | - | (7,560,714) | - | 4,189,286 |
| July 16, 2024 | $ 0.06 | 2,000,000 | - | - | - | 2,000,000 |
| December 22, 2024 | $ 0.08 | 1,500,000 | - | (500,000) | - | 1,000,000 |
| January 26, 2025 | $ 0.08 | 300,000 | - | - | - | 300,000 |
| March 31, 2025 | $ 0.05 | 2,900,000 | - | (1,100,000) | - | 1,800,000 |
| July 23, 2025 | $ 0.05 | 2,000,000 | - | (400,000) | - | 1,600,000 |
| October 27, 2025 | $ 0.05 | 1,800,000 | - | (1,400,000) | - | 400,000 |
| December 9, 2025 | $ 0.06 | 100,000 | - | - | - | 100,000 |
| September 13, 2026 | $ 0.22 | - | 1,050,000 | - | - | 1,050,000 |
| | | 22,850,000 | 1,050,000 | (10,960,714) | - | 12,939,286 |
| Weighted average exercise price | | $ 0.06 | $ 0.22 | $ 0.06 | $ - | $ 0.07 |

**(All figures in Canadian Dollars, unless otherwise specified)**

## 14. Stock options (continued)

Details of the stock options outstanding as at September 30, 2022 are as follows:

| Expiry Date | Exercise Price | Balance December 31, 2021 | Granted | Exercised | Expired/ Cancelled | Balance September 30, 2022 |
|---|---|---|---|---|---|---|
| January 23, 2019 | $ - | - | - | - | - | - |
| January 31, 2019 | $ - | - | - | - | - | - |
| February 1, 2023 | $ - | - | - | - | - | - |
| May 4, 2023 | $ 0.08 | 500,000 | - | - | - | 500,000 |
| May 6, 2024 | $ 0.06 | 4,189,286 | - | - | - | 4,189,286 |
| July 16, 2024 | $ 0.06 | 2,000,000 | - | - | - | 2,000,000 |
| December 22, 2024 | $ 0.08 | 1,000,000 | - | - | - | 1,000,000 |
| January 26, 2025 | $ 0.08 | 300,000 | - | - | - | 300,000 |
| March 31, 2025 | $ 0.05 | 1,800,000 | - | - | - | 1,800,000 |
| July 23, 2025 | $ 0.05 | 1,600,000 | - | - | - | 1,600,000 |
| October 27, 2025 | $ 0.05 | 400,000 | - | - | - | 400,000 |
| December 9, 2025 | $ 0.06 | 100,000 | - | - | - | 100,000 |
| September 13, 2026 | $ 0.22 | 1,050,000 | - | - | - | 1,050,000 |
| November 23, 2026 | $ 0.18 | 1,000,000 | - | - | - | 1,000,000 |
| August 5, 2027 | $ 0.09 | - | 4,475,000 | - | - | 4,475,000 |
| September 26, 2027 | $ 0.11 | - | 100,000 | - | - | 100,000 |
| | | 13,939,286 | 4,575,000 | - | - | 18,514,286 |
| Weighted average exercise price | | $ 0.08 | $ 0.09 | $ - | $ - | $ 0.08 |

As of September 30, 2022, the weighted average remaining contractual life of the Company's stock options is 1.61 years (September 30, 2021 - 2.98 years).

## 15. Share-based payments

During the nine months ended September 30, 2022, the Company granted 4,575,000 stock options to directors, officers, and employees of the Company (2021 - 1,050,000) and recorded $401,778 (2021 - $12,899) of share-based payments for options that vested during the period.

## 16. Supplemental cash flow information

| **For the nine months ended September 30,** | **2022** | **2021** |
|---|---|---|
| **Non-cash investing and financing activities** | | |
| Shares issued for trade and other payables | $ - | $ (581,495) |
| **Non-cash investing and financing activities** | **$ -** | **$ (581,495)** |

## 17. Settlement income

During the nine months ended September 30, 2021, the Company and a third party negotiated a settlement agreement related to a legal claim against the Company, pursuant to which the third party agreed to make a payment of $22,197 (US $17,500) on a set timeline.

**(All figures in Canadian Dollars, unless otherwise specified)**

## 18. Related party transactions and balances

In addition to related party transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the following transactions and balances occurred during the nine months ended September 30, 2022 with related parties:

- Included in trade and other payables as at September 30, 2022 is $251,097 (September 30, 2021 - $254,301) due to current and former officers and directors and a significant shareholder of the Company for consulting fees, salaries and benefits and expense reimbursements.
- Included in short-term loans as at September 30, 2022 is $250,000 (December 31, 2021 - $nil) due to a current director of the Company.

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the years ended September 30, 2022 and 2021 were as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Salaries and benefits | **120,000** | 68,123 | **371,192** | 237,506 |
| Share-based payments | **92,234** | - | **181,606** | - |
| Total | **$ 212,234** | $ 68,123 | **$ 552,798** | $ 237,506 |

## 19. Segmented information

The Company identified the operating segments as outlined in the table below based on the nature of operations and asset class. Geographical segment information is provided by country of operation.

| **Operating segment** | **United States** | **Canada** | **Total** |
|---|---|---|---|
| **As at September 30, 2022** | | | |
| Solar EPC | | | |
| Total assets | $ 2,006,382 | $ - | $ 2,006,382 |
| Non-current assets | 78,329 | - | 78,329 |
| Solar Projects | | | |
| Total assets | 1,025,492 | 520,161 | 1,545,653 |
| Non-current assets | 1,025,492 | - | 1,025,492 |
| Total | | | |
| Total assets | 3,031,874 | 520,161 | 3,550,036 |
| Non-current assets | 1,103,821 | - | 1,145,801 |
| **For the nine months ended September 30, 2022** | | | |
| Total revenues | 4,381,445 | - | 4,381,445 |
| Net loss | (410,260) | (988,733) | (1,398,993) |

**(All figures in Canadian Dollars, unless otherwise specified)**

## 19. Segmented information (continued)

| Operating segment | United States | Canada | Total |
|---|---|---|---|
| **As at December 31, 2021** | | | |
| Total assets | $ 1,005,297 | $ 2,050,337 | $ 3,055,634 |
| Non-current assets | 120,896 | 102,213 | 223,109 |
| **For the nine months ended September 30, 2021** | | | |
| Total revenue | 2,255,460 | - | 2,255,460 |
| Net loss | (1,550,290) | (585,024) | (1,550,290) |

## 20. Subsequent events

a) On October 26, 2022, the Company announced that it had signed a Memorandum of Understanding ("**MOU**") with Redball Energy for the provision of tax equity financing of up to US $530,000 for the Company's initial portfolio of solar projects in the state of New York. This efficient investing structure can be utilized to acquire and develop additional solar energy projects in the United States.