
SOLAR ALLIANCE ENERGY INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
MARCH 31, 2023
(UNAUDITED)

Solar Alliance Energy Inc.

Interim Condensed Consolidated Statements of Financial Position

(All figures in Canadian Dollars)

(Unaudited)

	As at March 31, 2023	As at December 31, 2022
ASSETS		
Current assets		
Cash	\$ 394,293	\$ 650,061
Restricted cash (note 3)	470,948	471,331
Accounts receivable	804,463	336,415
Prepaid expenses and deposits	28,446	20,623
Unbilled revenue	-	36,483
Inventory	172,688	170,327
Total current assets	1,870,838	1,685,240
Non-current assets		
Deposits (note 4)	60,754	60,123
Property, plant and equipment (note 5)	1,916,575	1,952,756
Total non-current assets	1,977,329	2,012,879
Total assets	\$ 3,848,167	\$ 3,698,119
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Trade and other payables (notes 7 and 16)	\$ 4,060,729	\$ 2,675,389
Short-term loans and note payable (notes 8 and 16)	1,432,583	1,556,984
Customer deposits and deferred revenue	157,781	399,069
Contingent consideration	29,135	29,135
Tax equity (note 9)	61,211	68,522
Government assistance (note 10)	60,000	60,000
Total current liabilities	5,801,439	4,789,099
Non-current liabilities		
Asset retirement obligations (note 11)	112,958	112,034
Tax equity (note 9)	216,777	236,165
Total non-current liabilities	329,735	348,199
Total liabilities	6,131,174	5,137,298
Shareholders' deficiency		
Share capital (note 12)	48,581,031	48,581,031
Reserves (notes 13 and 14)	16,900,223	16,751,461
Accumulated other comprehensive income	715,914	287,117
Deficit	(68,480,175)	(67,058,788)
Total shareholders' deficiency	(2,283,007)	(1,439,179)
Total liabilities and shareholders' deficiency	\$ 3,848,167	\$ 3,698,119

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

Going concern (note 1)

Subsequent event (note 18)

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 March 31, 2023	Three Months Ended March 31, 2022
Revenues	\$ 974,577	\$ 663,269
Cost of sales	(1,239,775)	(531,567)
Gross Profit	(265,198)	131,702
Expenses		
Depreciation (note 5)	24,725	7,588
Consulting fees (note 16)	19,441	-
Insurance and filing fees	13,596	5,737
Marketing and advertising	38,187	58,093
Office, rent and utilities	70,448	98,552
Professional fees	223,520	59,627
Salaries and benefits (note 16)	292,746	458,883
Share-based payments (notes 15 and 16)	148,762	114,992
Travel and related	47,503	21,497
Total expenses	878,928	824,969
Operating loss	(1,144,126)	(693,267)
Other income (expenses)		
Loss on derecognition of trade and other payables (note 7)	-	(54,975)
Other income (notes 9 and 10)	34,797	2,966
Asset retirement obligation expense	(924)	-
Total other income	33,873	(52,009)
Loss before finance income (expense)	(1,110,253)	(745,276)
Net finance income (expense)		
Interest expense	-	(620)
Interest income	(21,043)	134
Foreign exchange	(290,091)	(224,398)
Net finance income (expense)	(311,134)	(224,884)
Net loss	(1,421,387)	(970,160)
Other comprehensive income		
Change in accumulated foreign exchange translation adjustment	428,797	287,386
Comprehensive loss	\$ (992,590)	\$ (682,774)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	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)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating activities		
Net loss	\$ (1,421,387)	\$ (970,160)
Adjustments for non-cash items:		
Depreciation	24,725	7,588
Share-based payments	148,762	114,992
Asset retirement obligation expense	924	-
Gain on derecognition of trade and other payables	-	54,975
Net finance expense	20,993	-
Unrealized foreign exchange	445,007	248,724
Net changes in working capital:		
Accounts receivable	(468,048)	38,354
Prepaid expenses and deposits	(8,454)	9,272
Work in process and inventory	34,122	(579,620)
Trade and other payables	1,385,340	437,419
Customer deposits	(241,288)	145,697
Restricted cash	-	(434,861)
Net cash used in operating activities	(79,304)	(927,620)
Investing activity		
Purchase of property, plant and equipment	(464)	(5,286)
Acquisition of development project	-	(32,517)
Net cash used in investing activities	(464)	(37,803)
Financing activity		
Loans repaid	(176,000)	-
Net cash used in financing activities	(176,000)	-
Net change in cash	(255,768)	(965,423)
Cash, beginning of period	650,061	2,169,258
Cash, end of period	\$ 394,293	\$ 1,203,835

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, 2021	274,984,848	\$ 48,581,031	\$ 16,081,231	\$ 553,915	\$(64,311,874)	\$ 904,303
Share-based payments	-	-	114,992	-	-	114,992
Foreign currency translation	-	-	-	287,386	-	287,386
Comprehensive loss	-	-	-	-	(970,160)	(970,160)
Balance, March 31, 2022	274,984,848	\$ 48,581,031	\$ 16,196,223	\$ 841,301	\$(65,282,034)	\$ 336,521

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2022	274,984,848	\$ 48,581,031	\$ 16,751,461	\$ 287,117	\$(67,058,788)	\$ (1,439,179)
Share-based payments	-	-	148,762	-	-	148,762
Foreign currency translation	-	-	-	428,797	-	428,797
Comprehensive loss	-	-	-	-	(1,421,387)	(1,421,387)
Balance, March 31, 2023	274,984,848	\$ 48,581,031	\$ 16,900,223	\$ 715,914	\$(68,480,175)	\$ (2,283,007)

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

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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, and which could be material, 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.

The Company's strategy to mitigate these risks and uncertainties is to execute its business plan focused on increased revenue growth from its commercial and utility installation division, improving overall gross profit, managing operating expenses and working capital requirements as required, and securing additional financing through equity or debt investments.

As at March 31, 2023, the Company had an accumulated deficit of \$68,480,175, comprehensive loss for the three months ended March 31, 2023 was \$992,590, and negative cash flow from operations of \$79,304. The Company is dependent on generating cash flow from its operations and obtaining equity or debt financing to fund its planned revenue growth and working capital requirements. Such financing may not be available when required, or on terms acceptable to the Company. These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern.

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 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 were authorized for issuance by the Board of Directors of the Company on May 29, 2023.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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) *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.

(c) *Percentage of completion calculation*

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

(d) *Tax equity liabilities*

The Company makes estimates in the determination of expected future cash flows to calculate the effective interest rate ("**EIR**") and amortization of tax equity liabilities. Tax equity investors generally require a specified allocation of the project's cash distributions and tax attributes such as investment tax credits and taxable income or loss, including accelerated tax depreciation. Estimates are made when determining the amount and allocation of cash distributions and tax attributes to the tax equity investors, which may be influenced by a number of assumptions such as electricity production, selling prices, costs to operate and tax amounts.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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) *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.

(d) *Determining control or significant influence of special purpose entities*

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

(e) *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.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

2. Significant accounting policies (continued)

2.5 New accounting standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

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.

3. Restricted cash

At March 31, 2023, the Company has \$470,948 (US \$348,000) (December 31, 2022 - \$471,331 (US \$348,000)) in restricted cash being held as collateral, representing a portion of the total surety bond issued for one of the Company's EPC contracts.

4. Deposits

	As at March 31, 2023	As at December 31, 2022
BC Licence of Occupation security deposits (i)	\$ 18,000	\$ 18,000
Other prepaid deposit	42,754	42,123
Total	\$ 60,754	\$ 60,123

(i) The Company has \$18,000 (December 31, 2022 - \$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.

5. Property, plant and equipment

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

COST	Solar facilities ⁽²⁾	Other equipment ⁽¹⁾	Total
Balance, December 31, 2021	\$ -	\$ 208,601	\$ 208,601
Additions	1,882,700	13,014	1,895,714
Foreign exchange	-	(1,671)	(1,671)
Balance, December 31, 2022	\$ 1,882,700	\$ 219,944	\$ 2,102,644
Additions	-	464	464
Foreign exchange	-	(10,504)	(10,504)
Balance, March 31, 2023	\$ 1,882,700	\$ 209,904	\$ 2,092,604

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

5. Property, plant and equipment (continued)

The following table illustrates movements in the Company's accumulated depreciation balance by category:

ACCUMULATED DEPRECIATION	Solar facilities ⁽²⁾	Other equipment ⁽¹⁾	Total
Balance, December 31, 2021	\$ -	\$ 118,342	\$ 118,342
Depreciation	-	31,546	31,546
Balance, December 31, 2022	\$ -	\$ 149,888	\$ 149,888
Depreciation	67,239	(42,514)	24,725
Foreign exchange	-	1,416	1,416
Balance, March 31, 2023	\$ 67,239	\$ 108,790	\$ 176,029

CARRYING AMOUNTS

Balance, December 31, 2022	\$ 1,882,700	\$ 70,056	\$ 1,952,756
Balance, March 31, 2023	\$ 1,815,461	\$ 101,114	\$ 1,916,575

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

⁽²⁾ On April 14, 2022 the Company started construction on two solar projects in New York. Depreciation of \$nil was recorded in 2022 on the solar facilities as the solar facilities were placed in service on January 3, 2023. Please see Note 6.

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.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

7. Trade and other payables

	March 31, 2023	December 31, 2022
Trade and other payables in Canada	\$ 1,581,774	\$ 2,141,498
Trade and other payables in the United States	2,478,955	533,891
Total trade and other payables	\$ 4,060,729	\$ 2,675,389

8. Short-term loans and note payable

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 year ended December 31, 2022 of which \$250,000 was due to a related party (note 20). The term of the loan is one year from the date of each advance and bears interest at 15% per annum. During the three months ended March 31, 2023, the Company repaid \$61,000 and recorded interest expense of \$12,895 (2022 - \$nil).

During 2022, the Company entered into a note payable with the contractor of the two solar facilities to finance a portion of the construction costs. The note payable matured February 28, 2023 and bore interest at 15% per annum. During the three months ended March 31, 2023, the Company repaid \$115,000 and recorded interest expense of US \$2,770 (2022 - \$nil).

9. Tax equity

The Company owns and operates certain solar facilities in the US under subsidiaries that are set up as tax equity structures to finance the capital cost of the solar facilities. Amounts paid by the TEIs for their equity stakes are classified as debt on the consolidated statements of financial position and are measured at amortized cost using the EIR method. Amortized cost is affected by the allocation of ITCs, taxable income, and accelerated tax depreciation. Financing expenses represent the interest accretion using the EIR. The EIR of the tax equity was determined to be 0.1%, the loan value was \$414,699, with a maturity date (representing the expected flip point as estimated) of 2028 and the percentage of ownership between 99%, reflecting the allocation of taxable income or loss prior to the flip date. As of March 31, 2023, \$414,699 was received.

Tax equity investors in U.S. solar projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investments, the Company executed guarantees indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Company believes these indemnifications cover matters which are substantially under its control and are very unlikely to occur.

Tax attributes earned and allocated to tax equity investors in 2023 of \$8,098 (2022 - \$nil) was recognized in other income and as a reduction in tax equity.

10. Government Assistance

During the three months ended December 31, 2021, the Company applied for and received loan proceeds in the amount of \$20,000 in connection with COVID-19 Government-sponsored Canada Emergency Business Account ("CEBA") program, for a total CEBA loan of \$60,000. 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.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

11. Asset retirement obligations

	March 31, 2023	December 31, 2022
Asset retirement obligations	\$ 112,034	\$ 101,762
Provisions made during the year	\$ 924	\$ 10,272
Total Asset retirement obligation	\$ 112,958	\$ 112,034

The Company has recorded asset retirement obligations of \$112,958 (December 31, 2022 - \$112,034) associated with the future decommissioning of weather monitoring equipment situated on the Wildmare Wind Energy Project site.

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.

12.2 Common shares issued

	Number of common shares	Amount
Balance, December 31, 2021, March 31, 2022, December 31, 2022 and March 31, 2023	274,984,848	\$ 48,581,031

At March 31, 2023, the Company had 274,984,848 common shares issued and outstanding (December 31, 2022 – 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 three months ended March 31, 2023 and 2022.

13. Warrants

The following table reflects the warrants issued and outstanding as of March 31, 2022:

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

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

13. Warrants (continued)

The following table reflects the warrants issued and outstanding as of March 31, 2023,

Expiry Date	Exercise Price	Balance December 31, 2022	Granted	Exercised	Expired	Balance March 31, 2023
February 19, 2023	\$ 0.60	14,655,255	-	-	(14,655,255)	-
December 29, 2027	\$ 0.08	300,000	-	-	-	300,000
		14,955,255	-	-	(14,655,255)	300,000
Weighted Average exercise price	\$ 0.60	\$ -	\$ -	\$ -	\$ 0.60	\$ 0.08

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 March 31, 2022 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2021	Granted	Exercised	Expired/ Cancelled	Balance March 31, 2022
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
		13,439,286	-	-	-	13,439,286
Weighted average exercise price	\$ 0.08	\$ -	\$ -	\$ -	\$ -	\$ 0.08

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

14. Stock options (continued)

Details of the stock options outstanding as at March 31, 2023 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2022	Granted	Exercised	Expired/ Cancelled	Balance March 31, 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
February 23, 2028	\$ 0.08	-	900,000	-	-	900,000
		18,514,286	900,000	-	-	19,414,286
Weighted average exercise price	\$ 0.08		\$ 0.08	\$ -	\$ -	\$ 0.08

As of March 31, 2023, the weighted average remaining contractual life of the Company's stock options is 2.43 years (December 31, 2022 - 1.58 years).

15. Share-based payments

During the three months ended March 31, 2023, the Company granted 900,000 stock options to directors, officers, and employees of the Company (2022 - nil) and recorded \$148,762 (2022 - \$114,992) of share-based payments for options that vested during the period. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

The Company made the following option grants during 2023:

- On February 23, 2023, the Company granted 900,000 stock options to directors, officers and employees of the Company with each option exercisable into one common share of the Company at an exercise price of \$0.08 per share until February 23, 2028. A fair value of \$68,770 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.08; dividend yield - 0%; expected volatility - 176.05%; risk-free interest rate - 3.50%; and an expected life - 5 years. The options vested a quarter after three months from the date of grant, a quarter after six months from the date of grant, a quarter after nine months from the date of grant and a quarter after twelve months from the date of grant.

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

16. 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 are transactions that occurred during the three months ended March 31, 2023 and balances as at March 31, 2023 with related parties:

- Included in trade and other payables as at March 31, 2023 is \$265,703 (December 31, 2022 - \$265,703) 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 (note 8) as at March 31, 2023 is \$189,000 (December 31, 2022 - \$250,000) due to a current director of the Company.
- Included in interest expense as at March 31, 2023 is \$12,945 (December 31, 2022 - \$25,989) due to a current director of the Company.
- Included in professional fees as at March 31, 2023 is \$5,696 (December 31, 2022 - \$nil) to Marrelli Support Services Inc., a company which the CFO is related to. As of March 31, 2023, the company owed \$2,380 which is included in trade and other payables.

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 March 31, 2023 and 2022 were as follows:

	Three months ended March 31,	
	2023	2022
Salaries and benefits	58,972	129,333
Share-based payments	60,428	114,992
Total	\$ 119,400	\$ 244,325

17. 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.

The Company identified the operating segments as Solar EPC and Solar generation from solar facilities. During the three months ended March 31, 2023 and 2022, all of the Company's revenues and cost of goods sold related to its solar EPC segment. During the years 2023 and 2022, the Company's assets and non-current assets related to each of the segments:

Solar Alliance Energy Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

17. Segmented information (continued)

	March 31, 2023	December 31, 2022
As at March 31, 2023		
Solar EPC		
Total assets	\$ 1,886,565	\$ 1,676,271
Total liabilities	4,561,828	3,921,297
Solar Generation		
Total assets	1,882,700	73,724
Total liabilities	1,569,346	-
Corporate		
Total assets	78,902	1,948,124
Total liabilities	2,703,369	1,216,001
Total		
Total assets	3,848,167	3,698,119
Total liabilities	6,131,174	5,137,298

Operating segment	United States	Canada	Total
As at March 31, 2023			
For the three months ended March 31, 2023			
Total revenues	974,577	-	974,577
Non current assets	81,644	1,895,685	1,977,329
For the three months ended March 31, 2022			
Total revenue	663,269	-	663,269
Non current assets	1,888,638	124,241	2,012,879

During the year ended March 31, 2023 the Company had three (year ended December 31, 2022 - three) customers that individually accounted for more than 10% of consolidated revenue.

18. Subsequent events

- a) On May 18, 2023, the Company announced it has entered into a arm's length Letter of Intent dated May 16, 2023 to acquire a growing, profitable Canadian solar company in a predominately share-based transaction.

Total consideration to be paid by the Company in connection with the Transaction is \$6,000,000, consisting of the following components:

- ◆ \$500,000 cash;
- ◆ \$700,000 in unsecured convertible debt (five-year term, 10% interest per annum, convertible at a price of \$0.16 per share);
- ◆ \$4,800,000 in common shares of the Company, at a deemed price of \$0.08 per share, for a total of 60,000,000 common shares; and,
- ◆ One half share purchase warrant for each common share issued, at a price of \$0.20 per share for a period of two years, for a total of 30,000,000 warrants.