SOLAR ALLIANCE ENERGY INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Solar Alliance Energy Inc.

Opinion

We have audited the consolidated financial statements of Solar Alliance Energy Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at end of December 31, 2022
- the consolidated statements of comprehensive loss for the year then ended
- the consolidated statements of changes in shareholders' equity for the year then ended
- the consolidated statements of cash flows for the year then ended

and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that going concern is dependent on the Entity's ability to generate cash flow from its operations and obtain adequate equity or debt financing.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that material uncertainties exists that cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue recognition of Engineering, Procurement and Construction ("EPC") contracts using the percentage of completion method

Description of the matter

We draw attention to Notes 2.4.1(c) and 2.5(j) to the financial statements. The Entity recognized EPC revenue of $5,384,109.

Revenue for EPC contracts is recognized as performance obligations are satisfied over time, based on costs incurred to date compared to estimated total costs for the project. Total estimated costs require judgment and changes to these estimates may affect revenue, unbilled revenue, and deferred revenue.

Why the matter is a key audit matter

We identified revenue recognition of EPC contracts using the percentage of completion method as a key audit matter. This matter represented a significant risk of material misstatement requiring significant auditor judgment in evaluating the results of our audit procedures relating to total estimated costs.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's historical ability to estimate total costs by comparing the total actual costs for a selection of EPC contracts completed in the current year against the total contract costs initially estimated.

For a selection of EPC contracts, we evaluated the Entity's estimated total contract costs by:

- Inspecting the executed contracts to obtain an understanding of the contractual requirements
- Evaluating the total costs by assessing progress to date and the nature and complexity of work to be performed through interviewing the Entity's management and inspecting evidence, if any, between the Entity and the suppliers.

Assessment of the recognition and measurement of the tax equity liability

Description of the matter

We draw attention to Notes 2.4.1(d), 2.4.2(d), 2.5(b) and 10 to the financial statements. The Entity has recognized an amount of $304,687 of tax equity liability relating to certain projects in the U.S. under tax equity structures to finance the capital cost of solar facilities.

When a tax equity partnership is formed, the Entity assesses whether the project company should be consolidated based on the Entity's right to variable returns and its ability to influence financial and operational decisions impacting those returns. The determination of whether the Entity has control or significant influence requires the Entity to make assumptions and judgments in evaluating its specific control and influence characteristics.

Tax equity structures allocate the majority of the renewable tax incentives, such as investment tax credits and accelerated depreciation for tax purposes, to tax equity investors until they receive an agreed-upon after-tax investment return (the “flip point”). Estimates are made by the Entity when determining the expected future cash flows to calculate the effective interest rate and amortization of tax equity liability. Future cash flows depend on certain assumptions such as electricity production, selling prices, costs to operate and tax amounts.

Why the matter is a key audit matter

We identified the assessment of the recognition and measurement of tax equity liability as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the measurement of the tax equity liability. In addition, specialized skills and knowledge were required to evaluate the results of our audit procedures regarding the Entity’s estimates relating to tax amounts.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We read the agreements related to the investment made in the current year in U.S. renewable energy projects with the tax equity investor.

We assessed the appropriateness of the Entity’s identification and evaluation of the contractual terms and conditions in their assessment of the recognition of the investor’s contribution.

We evaluated that the methodology used was consistent with the contractual allocation provisions of the agreements.

We involved our tax professionals with specialized skills and knowledge who assisted in evaluating the appropriateness of the Entity’s expected tax amounts and timing of tax credits and other tax attributes in the models by assessing the Entity’s estimated outcome of applicable tax laws.

Other Matter – Comparative information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 28, 2022.

Other Information

Management is responsible for the other information. Other information comprises of the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Sarah Catherine deGuzman.

Toronto, Canada
May 1, 2023

Solar Alliance Energy Inc.
Consolidated Statements of Financial Position
(All figures in Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	**$ 650,061**	$ 2,169,258
Restricted cash (note 3)	**471,331**	-
Accounts receivable	**336,415**	595,982
Prepaid expenses and deposits	**20,623**	8,990
Unbilled revenue	**36,483**	700
Inventory	**170,327**	57,595
Total current assets	**1,685,240**	2,832,525
Non-current assets		
Deposits (note 4)	**60,123**	59,126
Property, plant and equipment (note 6)	**1,952,756**	90,259
Development costs (note 7)	**-**	73,724
Total non-current assets	**2,012,879**	223,109
Total assets	**$ 3,698,119**	$ 3,055,634
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Trade and other payables (notes 8 and 20)	**$ 2,675,389**	$ 1,914,010
Short-term loans and note payable (notes 9 and 20)	**1,556,984**	-
Customer deposits and deferred revenue	**399,069**	46,424
Contingent consideration	**29,135**	29,135
Tax equity (note 10)	**68,522**	-
Government assistance (note 12)	**60,000**	-
Total current liabilities	**4,789,099**	1,989,569
Non-current liabilities		
Asset retirement obligations (note 13)	**112,034**	101,762
Tax equity (note 10)	**236,165**	-
Government assistance (note 12)	**-**	60,000
Total non-current liabilities	**348,199**	161,762
Total liabilities	**5,137,298**	2,151,331
Shareholders' equity (deficiency)		
Share capital (note 14)	**48,581,031**	48,581,031
Reserves (notes 15 and 16)	**16,751,461**	16,081,231
Accumulated other comprehensive income	**287,117**	553,915
Deficit	**(67,058,788)**	(64,311,874)
Total shareholders' equity (deficiency)	**(1,439,179)**	904,303
Total liabilities and shareholders' equity (deficiency)	**$ 3,698,119**	$ 3,055,634

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

Going concern (note 1)

Subsequent event (note 9)

Signed on the Company's behalf by:

"Ken Stadlin" Director

"Michael Clark" Director

Solar Alliance Energy Inc.
Consolidated Statements of Comprehensive Loss
(All figures in Canadian Dollars, except per share and share information)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues	**$ 4,825,984**	$ 3,666,383
Cost of sales	**(4,371,698)**	(3,002,801)
Gross Profit	**454,286**	663,582
Expenses		
Depreciation (notes 5 and 6)	**31,546**	27,972
Consulting fees (note 20)	**95,324**	-
Insurance and filing fees	**25,497**	7,065
Marketing and advertising	**192,161**	282,059
Office, rent and utilities	**417,285**	246,217
Professional fees	**506,619**	564,567
Salaries and benefits (note 20)	**2,279,413**	1,812,365
Share-based payments (notes 17 and 20)	**651,879**	104,993
Travel and related	**83,284**	83,814
Bad debt expense	**-**	69,002
Total expenses	**4,283,008**	3,198,054
Operating loss	**(3,828,722)**	(2,534,472)
Other income (expenses)		
Gain on derecognition of trade and other payables (note 8)	**685,218**	1,822,504
Gain on settlement of trade and other payables	**-**	198,885
Other income (notes 10 and 12)	**20,155**	232,618
Asset retirement obligation expense	**(10,272)**	-
Total other income	**695,101**	2,254,007
Loss before finance income (expense)	**(3,133,621)**	(280,465)
Net finance income (expense)		
Interest expense	**(51,333)**	(48,327)
Interest income	**10,407**	82,392
Foreign exchange	**427,633**	(202,464)
Net finance income (expense)	**386,707**	(168,399)
Net loss	**(2,746,914)**	(448,864)
Other comprehensive income		
Change in accumulated foreign exchange translation adjustment	**(266,798)**	260,795
Comprehensive loss	**$ (3,013,712)**	$ (188,069)
Basic and diluted loss per common share	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**274,984,848**	269,819,601

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

Solar Alliance Energy Inc.
Consolidated Statements of Cash Flows
(All figures in Canadian Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating activities		
Net loss	**$ (2,746,914)**	$ (448,864)
Adjustments for non-cash items:		
Depreciation	**31,546**	27,972
Share-based payments	**651,879**	104,993
Asset retirement obligation expense	**10,272**	-
Gain on derecognition of trade and other payables	**(685,218)**	(1,822,504)
Gain on settlement of trade and other payables	**-**	(198,885)
Bad debt expense	**-**	69,002
Interest on lease liability	**-**	202
Net finance expense	**(51,333)**	(21,903)
Change in fair value of contingent consideration	**-**	(29,207)
Debt forgiveness	**-**	(185,048)
Unrealized foreign exchange	**(476,159)**	261,170
Net changes in working capital:		
Accounts receivable	**370,153**	(544,224)
Prepaid expenses and deposits	**(12,630)**	(38,458)
Work in process and inventory	**(148,515)**	94,020
Trade and other payables	**1,691,385**	(775,630)
Customer deposits	**352,645**	(127,868)
Restricted cash	**(471,331)**	-
Net cash used in operating activities	**(1,484,220)**	(3,635,232)
Investing activity		
Purchase of property, plant and equipment	**(688,730)**	(104,351)
Acquisition of development project	**-**	(73,724)
Net cash used in investing activities	**(688,730)**	(178,075)
Financing activity		
Proceeds from short-term loans	**350,000**	-
Proceeds from common share issue	**-**	5,752,530
Share issue costs	**-**	(657,440)
Proceeds from CEBA	**-**	20,000
Proceeds from exercise of options	**-**	591,500
Proceeds from exercise of warrants	**-**	1,003,629
Lease liability payments	**-**	(10,449)
Loans repaid	**-**	(719,082)
Proceeds from tax equity	**303,753**	-
Net cash provided by financing activities	**653,753**	5,980,688
Net change in cash	**(1,519,197)**	2,167,381
Cash, beginning of year	**2,169,258**	1,877
Cash, end of year	**$ 650,061**	$ 2,169,258

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

Solar Alliance Energy Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(All figures in Canadian Dollars)

	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	-	(657,440)	-	-	-	(657,440)
Warrants granted	-	(2,582,158)	2,582,158	-	-	-
Broker warrants granted	-	(180,751)	180,751	-	-	-
Exercise of options	10,960,714	1,130,566	(491,882)	-	-	638,684
Exercise of warrants	17,213,597	1,359,082	(355,453)	-	-	1,003,629
Share-based payments	-	-	104,993	-	-	104,993
Comprehensive loss	-	-	-	260,795	(448,864)	(188,069)
Balance, December 31, 2021	**274,984,848**	**$ 48,581,031**	**$ 16,081,231**	**$ 553,915**	**$(64,311,874)**	**$ 904,303**

	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**
Warrants granted	-	-	18,351	-	-	18,351
Share-based payments	-	-	651,879	-	-	651,879
Comprehensive loss	-	-	-	(266,798)	(2,746,914)	(3,013,712)
Balance, December 31, 2022	**274,984,848**	**$ 48,581,031**	**$ 16,751,461**	**$ 287,117**	**$(67,058,788)**	**$ (1,439,179)**

The accompanying notes are an integral part of these 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 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 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 December 31, 2022, the Company had an accumulated deficit of $67,058,788, comprehensive loss for the year ended December 31, 2022 was $3,013,712, and negative cash flow from operations of $1,484,220. 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 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 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 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 consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 1, 2023.

2. Significant accounting policies (continued)

2.3 Functional and presentation currency

These 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 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.

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 consolidated financial statements on the date such changes occur.

(All figures in Canadian Dollars, unless otherwise specified)

2. Significant accounting policies (continued)

2.5 Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Details of the Company's subsidiaries as at December 31, 2022 and 2021 are as follows:

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership Interest December 31, 2022	Ownership Interest December 31, 2021
Solar Alliance Southeast, LLC	Tennessee	Operating company	100%	100%
Solar Alliance of America, Inc.	California	Dormant Company	100%	100%
Solar Alliance Services, Inc.	Delaware	Dormant Company	100%	100%
Finavera Solar Holding Inc.	Delaware	Holding company	100%	100%
Wildmare Wind Energy Corp.	BC	Holding company	100%	100%
Wildmare Wind Energy Limited Partnership	BC	Operating company	85%	85%
Abundant Solar Power (VC1) LLC	New York	Operating company	100%	100%
Solar Alliance Energy DevCo LLC	Delaware	Holding company	100%	100%
Abundant Solar Power (US1) LLC	New York	Operating company	100%	100%
Solar Alliance TE Holdco 1, LLC	Delaware	Holding company	100%	100%

There are no activities within Wildmare Wind Energy Limited Partnership, and as such, the 85% ownership does not result in non-controlling interest. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

Financial assets within the scope of IFRS 9 - Financial Instruments ("**IFRS 9**") are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income ("**FVTOCI**"). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

The Company's financial instruments are accounted for as follows:

Financial instruments	Category under IFRS 9
Financial assets	
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivables	Amortized cost
Due from related party	Amortized cost
Deposits	Amortized cost
Financial liabilities	
Trade and other liabilities	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost
Short term loans and note payable	Amortized cost
Tax equity liabilities	Amortized cost

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(b) Financial instruments (continued)

For amounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no legal expectation of recovery.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash, restricted cash, accounts receivable and deposits are classified as financial assets measured at amortized cost.

Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's trade and other payables, due to related party, customer deposits, and short-term loans and tax equity liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(b) Financial instruments (continued)

Tax equity structures

The Company owns and operates certain projects (solar facilities) in the US under subsidiaries that are set up as tax equity structures to finance the construction and operation of solar facilities. These structures are designed to allocate the majority of renewable tax incentives, such as investment tax credits (“ITCs”) and accelerated depreciation for tax purposes, to tax equity investors (“TEIs”). With its current portfolio of solar facilities, the Company cannot fully monetize such tax incentives and it therefore partners with third party TEIs. Generally, tax equity structures allocate the majority of the project’s US taxable income and renewable tax incentives, along with a portion of the project’s cash flows, to the TEIs until they receive an agreed-upon after-tax investment return (the “flip point”). The flip points are generally dependent on the projects’ respective returns but also may be contractually determined. At all times, both before and after the projects’ flip points, the Company retains control over the projects financed with a tax equity structure in partnership with third party TEIs. Subsequent to the flip point, the Company receives the majority of the projects’ taxable income, cash flows and remaining tax incentives.

When a tax equity partnership is formed, the Company assesses whether the project company should be consolidated based on the Company's right to variable returns and its ability to influence financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects, and the protective nature of the rights normally given to tax equity investors, the Company typically has the control and influence to consolidate the entity.

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. The Company has the option to settle with the TEI after the flip date at a defined price and in certain contracts the TEI can put their investment back to the Company after the flip date at the same defined price. These options are generally time bound.

The Company recognizes the TEI contributions as a long-term liability, at an amount representing the proceeds received from the TEI in exchange for shares of the subsidiary, net of the following elements affecting amortized cost of the tax equity:

- *ITC:* Allocation of ITCs to the TEI is recognized in other income and as a reduction of tax equity.
- *Taxable income (loss), including tax attributes such as accelerated tax depreciation:* Allocation of taxable income and other tax attributes to the TEI is recognized in other (income) expenses as incurred and as a reduction of tax equity.
- *Cash distributions:* Cash allocation to the TEI is recognized as a reduction of tax equity.

Tax equity balances are increased by interest recognized at the implicit interest rate.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(b) Financial instruments (continued)

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

For accounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Accounts receivable are written off when there is no legal expectation of recovery.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and with Canadian and American chartered banks.

As of December 31, 2022 and 2021, there were no cash equivalents.

(d) Property, plant and equipment

Property, plant, and equipment consists of operating solar facilities and corporate equipment.

Solar facilities are recorded at cost, net of accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the construction and readying of the asset for use, including borrowing costs incurred during the construction phase, and development fees to the original developer. Maintenance and repair costs are expensed as incurred.

Corporate equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation begins on the date the assets are put in use and is recognized in operations on either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependent on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates are as follows:

Class of Equipment	**Depreciation rate**
Solar facilities	30 years
Equipment	30%
Vehicles	30%

Useful lives, residual values, and amortization methods are reviewed at least annually and adjusted if appropriate. Impairment losses are recognized as impairment losses in profit and loss.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(e) Project development costs

Project development costs consist of design, development, engineering, interconnection, and acquisition costs associated with new solar facilities. These costs are capitalized within project development costs until construction begins, at which time they are transferred to property, plant and equipment. The Company capitalizes these costs when it believes the facilities will more likely than not be constructed.

(f) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that the tax arises from a transaction which is recognized directly in equity or in other comprehensive income or directly in shareholder’s deficiency.

Current tax is the expected tax payable or recoverable on the taxable income or loss for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is assets and liabilities are recognized for temporary differences which are differences between the carrying amounts of an asset or liabilities in the consolidated statements of financial position and its tax base, the carry-forward of unused tax losses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply when the asset or liability is expected to be realized or settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(g) Asset retirement obligation

The Company makes several estimates when calculating the fair value of asset retirement 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.

Asset retirement obligations are recorded when the underlying activities requiring future decommissioning obligations are incurred. If a reasonable estimate of the expected costs to settle the liability can be determined, the liabilities are measured at the present value, discounted at a current pre-tax rate specific to the liability. In subsequent periods, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or from changes in the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings. The carrying amounts of the asset retirement obligations are reviewed at each reporting date to reflect current estimates and changes in the discount rate.

(h) Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(i) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

(j) Revenue

The Company generates revenues from development and engineering, procurement, and construction commercial and industrial solar projects and residential solar installations.

Revenue is recognized from the completion for Engineering, Procurement and Construction ("**EPC**") projects as performance obligations are satisfied over time, based on costs incurred to date compared to the total estimated costs for the project.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(k) Loss per share

The Company presents basic and diluted loss per share ("**EPS**") data for its common shares. Basic EPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for any shares held by the Company. Diluted loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options on loss per share would be anti-dilutive.

(l) Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at the financial statement date. Such exchange gains or losses arising from translation are recognized in profit or loss for the reporting period.

The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

Translation of foreign operations for consolidation

For purposes of consolidation, the assets and liabilities of foreign operations with functional currencies other than the Canadian dollar are translated to Canadian dollars using the rate of exchange in effect at the financial statement date. Revenue and expenses of the foreign operations are translated to Canadian dollars at exchange rates at the date of the transactions with the average exchange rate for the period being used for practical purposes. Foreign currency differences resulting from translation of the accounts of foreign operations are recognized directly in other comprehensive income (loss) and are recorded in the accumulated foreign exchange translation adjustment as a separate component of shareholders' deficiency.

When a foreign operation is disposed of, the amount of the associated translation reserve is fully transferred to profit or loss.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(m) Impairment

Financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

Non-financial assets, such as equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing purposes, the assets are grouped together into the smallest group of assets, or CGU's, that generate cash inflows from continuing operations that are largely independent of the cash inflows of other assets or CGU's. Goodwill arising from a business acquisition is allocated to CGU's that are expected to benefit from the synergies of the acquisition.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are first allocated to reduce goodwill and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

Impairment losses in respect of goodwill are not reversed. For other assets, impairment losses are reversed if there has been a change in facts and circumstances that led to the impairment and the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(n) Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. Significant accounting policies (continued)

2.5 Significant accounting policies (continued)

(n) Leases and right-of-use assets (continued)

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

(o) Inventory

Inventory is valued at lower of cost or net realizable value determined by the first-in, first-out method. Inventory primarily consists of solar panels and other materials. The Company reviews the cost of inventories against their estimated net realizable value and records write-downs if any inventories have costs in excess of their net realizable values. Inventory is presented net of an allowance of $nil at December 31, 2022 (2021 - $nil).

(p) New accounting standards adopted

IAS 1, Presentation of financial statements ("IAS 1") and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of materiality across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

2.6 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.

(All figures in Canadian Dollars, unless otherwise specified)

3. Restricted cash

At December 31, 2022, the Company has US $348,000 (December 31, 2021 - $nil) 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 December 31, 2022	As at December 31, 2021
BC Licence of Occupation security deposits (i)	**$ 18,000**	$ 18,000
Other prepaid deposit	**42,123**	41,126
Total	**$ 60,123**	$ 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.

5. Right-of-use assets

	Office space
Balance, December 31, 2020	**$ 8,869**
Depreciation	(8,869)
Balance, December 31, 2021 and December 31, 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.

6. Property, plant and equipment

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

COST	Solar facilities	Other equipment [1]	Total
Balance, December 31, 2020	**$ -**	**$ 104,625**	**$ 104,625**
Additions	-	104,351	104,351
Foreign exchange	-	(375)	(375)
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**

(All figures in Canadian Dollars, unless otherwise specified)

6. 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, 2020	**$ -**	**$ 99,239**	**$ 99,239**
Depreciation	-	19,103	19,103
Balance, December 31, 2021	**$ -**	**$ 118,342**	**$ 118,342**
Depreciation	-	31,546	31,546
Balance, December 31, 2022	**$ -**	**$ 149,888**	**$ 149,888**
CARRYING AMOUNTS			
Balance, December 31, 2021	**$ -**	**$ 90,259**	**$ 90,259**
Balance, December 31, 2022	**$ 1,882,700**	**$ 70,056**	**$ 1,952,756**

[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 7.

7. 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 were accounted for as asset acquisitions under IFRS 3. During the year ended December 31, 2022, the Company recorded acquisition costs of $nil (2021 - $nil).

(All figures in Canadian Dollars, unless otherwise specified)

7. Development costs (continued)

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

As at

	December 31, 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. In 2022, the development projects began construction and have been reclassified as property, plant and equipment.

8. Trade and other payables

	December 31, 2022	December 31, 2021
Trade and other payables in Canada	**$ 2,141,498**	$ 1,252,118
Trade and other payables in the United States	**533,891**	661,892
Total trade and other payables	**$ 2,675,389**	$ 1,914,010

During the years ended December 31, 2022 and 2021, the Company undertook a detailed review of trade and other payables, and derecognized amounts for which the Company had no further legal obligation as they were expired by process of law and are no longer legally payable, resulting in a gain on derecognition of trade and other payables of $685,218 (December 31, 2021 – $1,822,504).

9. 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 year ended December 31, 2022, the Company recorded interest expense of $25,989 (2021 - $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 total note payable at December 31, 2022 was US $891,158. The note payable matures February 28, 2023 and bears interest at 15% per annum. During the year ended December 31, 2022, the Company recorded interest expense of US $25,344 (2021 - $nil).

Subsequent to the year end, the Company repaid $176,000, of which $61,000 was repaid to a related party.

(All figures in Canadian Dollars, unless otherwise specified)

10. 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 December 31, 2022, $304,113 was received with the remaining $110,586 received subsequent to year end.

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 believe 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 2022 of $12,362 (2021 - $nil) was recognized in other income and as a reduction in tax equity.

11. Lease liabilities

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

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.

12. 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 year 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.

(All figures in Canadian Dollars, unless otherwise specified)

13. Asset retirement obligations

		December 31, 2022		December 31, 2021
Asset retirement obligations	**$**	**101,762**	$	101,762
Provisions made during the year	**$**	**10,272**	$	-
Total Asset retirement obligation	**$**	**112,034**	$	101,762

The Company has recorded asset retirement obligations of $112,034 (December 31, 2021 - $101,762) associated with the future decommissioning of weather monitoring equipment situated on the Wildmare Wind Energy Project site.

14. Share capital

14.1 Authorized share capital

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

14.2 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	-	(657,440)
Warrants granted	-	(2,582,158)
Broker warrants granted	-	(180,751)
Exercise of options (ii)	10,960,714	1,130,566
Exercise of warrants (iii)	17,213,597	1,359,082
Balance, December 31, 2021, and December 31, 2022	**274,984,848**	**$ 48,581,031**

At December 31, 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 consolidated statements of changes in shareholders' equity (deficiency) for the year ended December 31, 2022 and 2021.

During the year ended December 31, 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.

(All figures in Canadian Dollars, unless otherwise specified)

14. Share capital (continued)

14.2 Common shares issued (continued)

ii. During the year ended December 31, 2021, the Company issued 10,960,714 common shares of the Company on the exercise of stock options for proceeds of $638,684.

iii. During the year ended December 31, 2021, the Company issued 17,213,597 common shares of the Company on the exercise of stock warrants for proceeds of $1,003,629.

15. Warrants

The following table reflects the warrants issued and outstanding as of December 31, 2021:

Expiry Date	Exercise Price	Balance December 31, 2020	Granted	Exercised	Expired	Balance December 31, 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 December 31, 2022,

Expiry Date	Exercise Price	Balance December 31, 2021	Granted	Exercised	Balance December 31, 2022
February 19, 2023	$ 0.60	14,655,255	-	-	14,655,255
December 29, 2027	$ 0.08	-	300,000	-	300,000
		14,655,255	300,000	-	14,955,255
Weighted Average exercise price		$ 0.60	$ 0.08	$ -	$ 0.60

16. 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.

(All figures in Canadian Dollars, unless otherwise specified)

16. Stock options (continued)

Details of the stock options outstanding as at December 31, 2021 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2020	Granted	Exercised	Expired/ Cancelled	Balance December 31, 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
November 23, 2026	$ 0.18	-	1,000,000	-	-	1,000,000
		22,850,000	2,050,000	(10,960,714)	-	13,939,286
Weighted average exercise price		$ 0.06	$ 0.20	$ 0.06	$ -	$ 0.08

Details of the stock options outstanding as at December 31, 2022 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2021	Granted	Exercised	Expired/ Cancelled	Balance December 31, 2022
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 December 31, 2022, the weighted average remaining contractual life of the Company's stock options is 1.58 years (December 31, 2021 - 2.88 years).

(All figures in Canadian Dollars, unless otherwise specified)

17. Share-based payments

During the year ended December 31, 2022, the Company granted 4,575,000 stock options to directors, officers, and employees of the Company (2021 - 2,050,000) and recorded $651,879 (2021 - $104,993) 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 2022:

- On August 5, 2022, the Company granted 4,475,000 stock options to a director with each option exercisable into one common share of the Company at an exercise price of $0.09 per share until August 5, 2027. A fair value of $578,335 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.135; dividend yield - 0%; expected volatility - 170.45%; risk-free interest rate - 2.90%; 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.
- On September 26, 2022, the Company granted 100,000 stock options to a director with each option exercisable into one common share of the Company at an exercise price of $0.11 per share until September 26, 2027. A fair value of $9,451 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.10; dividend yield - 0%; expected volatility - 170.13%; risk-free interest rate - 3.50%; and an expected life - 5 years. The options vested a quarter on December 31, 2022, a quarter on March 31, 2023, a quarter on June 30, 2023 and a quarter on September 30, 2023.

18. Income tax

The provision for income taxes differs from the expected amount calculated by applying the statutory income tax rates to the Company's loss before taxes. This difference results from the following items:

	2022	2021
Loss before income taxes	**$ (2,746,914)**	$ (448,864)
Statutory income tax rate	**27%**	27%
Income tax recovery computed at statutory rates	**(742,000)**	(121,000)
Non-deductible items	**177,000**	28,000
Prior period tax adjustments and other	**(72,000)**	(364,000)
Change in benefit of deferred tax assets not recognized	**637,000**	457,000
Income tax recovery	**$ -**	$ -

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2022	December 31, 2021
Tax losses carried forward	**$ 4,040,000**	$ 3,369,000
Project development costs and equipment	**104,000**	102,000
Other deductible temporary differences	**399,000**	399,000
Share issue costs	**107,000**	144,000
Unrecognized deferred tax assets	**$ 4,650,000**	$ 4,014,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(All figures in Canadian Dollars, unless otherwise specified)

18. Income tax (continued)

The Company's tax losses will expire as indicated below:

2036	$ 1,422,000
2037	2,806,000
2038	2,595,000
2039	2,101,000
2040	1,204,000
2041	1,540,000
2042	2,510,000
	$ 14,178,000

19. Settlement income

During the year ended December 31, 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.

20. Related party transactions and balances

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the following are transactions that occurred during the year ended December 31, 2022 and balances as at December 31, 2022 with related parties:

- Included in trade and other payables as at December 31, 2022 is $265,703 (December 31, 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 (note 9) as at December 31, 2022 is $250,000 (December 31, 2021 - $nil) due to a current director of the Company.
- Included in interest expense as at December 31, 2022 is $25,989 (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 December 31, 2022 and 2021 were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and benefits	**369,667**	355,992
Share-based payments	**346,818**	-
Total	**$ 716,485**	$ 355,992

(All figures in Canadian Dollars, unless otherwise specified)

21. 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 years ended December 31, 2022 and 2021, all of the Company's revenues and cost of goods sold related to its solar EPC segment. During the years 2022 and 2021, the Company's assets and non-current assets related to each of the segments:

	Year ended December 31, 2022	Year ended December 31, 2021
As at December 31, 2022		
Solar EPC		
Total assets	$ 1,736,517	$ 1,033,786
Total liabilities	3,567,952	935,330
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	3,698,119	3,055,634
Total liabilities	5,137,298	2,151,331

Operating segment	United States	Canada	Total
As at December 31, 2022			
For the year ended December 31, 2022			
Total revenues	4,825,984	-	4,825,984
Non current assets	105,961	1,906,918	2,012,879
For the year ended December 31, 2021			
Total revenue	3,666,383	-	3,666,383
Non current assets	120,896	102,213	223,109

During the year ended December 31, 2022 the Company had three (year ended December 31, 2021 - one) customers that individually accounted for more than 10% of consolidated revenue.

22. Financial instruments and risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

Credit risk

Credit risk is the risk that a counterparty to a financial asset will default, resulting in non-collectability and arises mainly from its cash, receivables, and deposits. Cash is held with credit-worthy Canadian and United States financial institutions and receivables are primarily related to sales. The Company has assessed the credit risk of these instruments to be negligible. The Company had $73,715 (2021 - $69,002) as an expected credit loss allowance at December 31, 2022 and incurred $nil (2021 - $69,002) bad debt expenses during the year then ended.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company is subject to liquidity risk from its trade and other payables and short term loans as all of these liabilities are due within the next 12 months.

Market risk

Market risk is the risk to the Company of adverse financial impacts due to changes in the fair value or future cash flows of financial instruments primarily as a result of fluctuations in interest rates and foreign exchange rates.

(a) Interest rate risk

The Company’s interest rate risk on short term loans has been mitigated by fixing interest rates at the inception of the loans. At December 31, 2022, the Company had no material debt subject to floating interest rates.

The Company’s interest income from cash is also subject to interest rate risk, but such risk is not considered material based on the balances on hand and the Company’s expectation of interest rates in the foreseeable future.

(b) Foreign currency risk

The Company has net monetary liabilities denominated in United States dollars, totaling approximately US $924,099 at December 31, 2022, and is therefore subject to currency risk. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. An increase (decrease) in the US dollar exchange rate of 10% relative to the Canadian dollar would decrease (increase) net loss by approximately $92,410.

(All figures in Canadian Dollars, unless otherwise specified)

23. Fair value measurements

Fair value is the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.
(a) Categories of financial instruments:

As at December 31,	**2022**	**2021**
	Carrying amount	**Carrying amount**
Financial assets:		
Cash	**$ 650,061**	$ 2,169,258
Restricted cash	**471,331**	-
Accounts receivable	**336,415**	595,982
	$ 1,457,807	$ 2,765,240
Financial liabilities:		
Trade and other payables	**$ 2,675,389**	$ 1,914,010
Short-term loans and note payable	**1,556,984**	-
Tax equity	**304,687**	-
	$ 4,537,060	$ 1,914,010

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's accounts receivable, trade and other payables and short term loans are close to fair value due to their short-term maturity.

24. Capital management

The Company's capital is comprised of shareholders' equity (deficiency) and loans and borrowings. The Company's overall objective has been to maintain sufficient capital to enable the Company to continue as a going concern and allow it to develop or dispose of certain renewable energy project interests. The corporate objective has been to utilize debt financing to minimize shareholder dilution, and depending on terms, to issue equity securities as a means of raising capital. Market conditions impact the ability of the Company to maintain a balance between debt and equity (Note 1). The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2022.