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**SOLAR ALLIANCE ENERGY INC.**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**JUNE 30, 2023**  
**(UNAUDITED)**

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# Solar Alliance Energy Inc.

## Interim Condensed Consolidated Statements of Financial Position

(All figures in Canadian Dollars)

(Unaudited)

	As at June 30, 2023	As at December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 285,745	\$ 650,061
Restricted cash (note 3)	-	471,331
Accounts receivable	613,088	336,415
Prepaid expenses and deposits	27,519	20,623
Unbilled revenue	493,292	36,483
Inventory	80,926	170,327
<b>Total current assets</b>	<b>1,500,570</b>	<b>1,685,240</b>
<b>Non-current assets</b>		
Deposits (note 4)	60,225	60,123
Property, plant and equipment (note 5)	682,092	1,952,756
<b>Total non-current assets</b>	<b>742,317</b>	<b>2,012,879</b>
<b>Total assets</b>	<b>\$ 2,242,887</b>	<b>\$ 3,698,119</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Trade and other payables (notes 7 and 16)	\$ 3,704,080	\$ 2,675,389
Short-term loans and note payable (notes 8 and 16)	100,000	1,556,984
Customer deposits and deferred revenue	-	399,069
Contingent consideration	29,135	29,135
Tax equity (note 9)	94,761	68,522
Government assistance (note 10)	60,000	60,000
<b>Total current liabilities</b>	<b>3,987,976</b>	<b>4,789,099</b>
<b>Non-current liabilities</b>		
Asset retirement obligations (note 11)	113,883	112,034
Tax equity (note 9)	199,140	236,165
<b>Total non-current liabilities</b>	<b>313,023</b>	<b>348,199</b>
<b>Total liabilities</b>	<b>4,300,999</b>	<b>5,137,298</b>
<b>Shareholders' deficiency</b>		
Share capital (note 12)	48,581,031	48,581,031
Reserves (notes 13 and 14)	16,997,033	16,751,461
Accumulated other comprehensive income	1,153,747	287,117
Deficit	(68,789,923)	(67,058,788)
<b>Total shareholders' deficiency</b>	<b>(2,058,112)</b>	<b>(1,439,179)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 2,242,887</b>	<b>\$ 3,698,119</b>

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<b>Revenues</b>	\$ 1,454,213	\$ 964,548	\$ 2,428,790	\$ 1,627,817
<b>Cost of sales</b>	(951,052)	(891,789)	(2,190,827)	(1,423,356)
<b>Gross Profit</b>	<b>503,161</b>	<b>72,759</b>	<b>237,963</b>	<b>204,461</b>
<b>Expenses</b>				
Depreciation (note 5)	(8,878)	7,648	15,847	15,236
Consulting fees (note 16)	10,000	-	29,441	-
Insurance and filing fees	11,804	5,709	25,400	11,446
Marketing and advertising	43,004	85,843	81,191	143,936
Office, rent and utilities	131,312	75,521	201,760	174,123
Professional fees	110,245	89,232	402,991	148,859
Salaries and benefits (note 16)	149,532	548,162	442,278	1,007,045
Share-based payments (notes 15 and 16)	96,810	57,927	245,572	172,919
Travel and related	210,510	27,733	258,013	49,230
Total expenses	754,339	897,775	1,702,493	1,722,794
Operating loss	(251,178)	(825,016)	(1,464,530)	(1,518,333)
<b>Other income (expenses)</b>				
Loss on derecognition of trade and other payables (note 7)	-	(15,770)	-	(70,745)
Other income (notes 9 and 10)	34,767	11,489	69,564	14,455
Loss on disposal of equipment (note 5)	(32,484)	-	(32,484)	-
Asset retirement obligation expense	(925)	-	(1,849)	-
Write off of payables	-	535,684	-	535,684
Total other income	1,358	531,403	35,231	479,394
Loss before finance income (expense)	(249,820)	(293,613)	(1,429,299)	(1,038,939)
<b>Net finance income (expense)</b>				
Interest expense	-	(4,737)	-	(5,357)
Interest income	(1,215)	-	(22,258)	134
Foreign exchange	10,513	90,096	(279,578)	(134,302)
Net finance income (expense)	9,298	85,359	(301,836)	(139,525)
Net loss	(240,522)	(208,254)	(1,731,135)	(1,178,464)
<b>Other comprehensive income</b>				
Change in accumulated foreign exchange translation adjustment	437,833	(232,664)	866,630	54,722
Comprehensive income (loss)	\$ 197,311	\$ (440,918)	\$ (864,505)	\$ (1,123,742)
Basic and diluted loss per common share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	274,984,848	274,984,848	274,984,848	274,984,848

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)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<b>Operating activities</b>		
Net loss	\$ (1,731,135)	\$ (1,178,464)
Adjustments for non-cash items:		
Depreciation	15,847	15,236
Share-based payments	245,572	172,919
Asset retirement obligation expense	1,849	-
Gain on derecognition of trade and other payables	-	70,745
Write off of payables	-	535,684
Loss on disposal of equipment	(32,484)	-
Net finance expense	(10,786)	-
Unrealized foreign exchange	532,659	53,430
Net changes in working capital:		
Accounts receivable	(276,673)	(77,742)
Prepaid expenses and deposits	(6,998)	17,744
Work in process and inventory	(367,408)	(605,466)
Trade and other payables	1,458,887	(501,475)
Customer deposits	(399,069)	278,564
Restricted cash	471,331	(434,861)
<b>Net cash used in operating activities</b>	<b>(98,408)</b>	<b>(1,653,686)</b>
<b>Investing activity</b>		
Purchase of property, plant and equipment	(908)	(284,736)
<b>Net cash used in investing activities</b>	<b>(908)</b>	<b>(284,736)</b>
<b>Financing activity</b>		
Proceeds from short-term loans	-	90,000
Loans repaid	(265,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(265,000)</b>	<b>90,000</b>
<b>Net change in cash</b>	<b>(364,316)</b>	<b>(1,848,422)</b>
<b>Cash, beginning of period</b>	<b>650,061</b>	<b>2,169,258</b>
<b>Cash, end of period</b>	<b>\$ 285,745</b>	<b>\$ 320,836</b>

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	Deficit	Total Shareholders' Equity
<b>December 31, 2021</b>	<b>274,984,848</b>	<b>\$ 48,581,031</b>	<b>\$ 16,081,231</b>	<b>\$ 553,915</b>	<b>\$(64,311,874)</b>	<b>\$ 904,303</b>
Share-based payments	-	-	172,919	-	-	172,919
Foreign currency translation	-	-	-	54,722	-	54,722
Comprehensive loss	-	-	-	-	(1,178,464)	(1,178,464)
<b>Balance, June 30, 2022</b>	<b>274,984,848</b>	<b>\$ 48,581,031</b>	<b>\$ 16,254,150</b>	<b>\$ 608,637</b>	<b>\$(65,490,338)</b>	<b>\$ (46,520)</b>

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' (Deficiency)
<b>Balance, December 31, 2022</b>	<b>274,984,848</b>	<b>\$ 48,581,031</b>	<b>\$ 16,751,461</b>	<b>\$ 287,117</b>	<b>\$(67,058,788)</b>	<b>\$ (1,439,179)</b>
Share-based payments	-	-	245,572	-	-	245,572
Foreign currency translation	-	-	-	866,630	-	866,630
Comprehensive loss	-	-	-	-	(1,731,135)	(1,731,135)
<b>Balance, June 30, 2023</b>	<b>274,984,848</b>	<b>\$ 48,581,031</b>	<b>\$ 16,997,033</b>	<b>\$ 1,153,747</b>	<b>\$(68,789,923)</b>	<b>\$ (2,058,112)</b>

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

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# Solar Alliance Energy Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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### 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 June 30, 2023, the Company had an accumulated deficit of \$68,789,923, comprehensive loss for the six months ended June 30, 2023 was \$864,505, and negative cash flow from operations of \$98,408. 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 August 23, 2023.

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# Solar Alliance Energy Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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## 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.

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# Solar Alliance Energy Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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### 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

June 30, 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 June 30, 2023, the Company has \$nil (US \$nil) (December 31, 2022 - \$471,331 (US \$348,000)) in restricted cash which was previously being held as collateral, representing a portion of the total surety bond issued for one of the Company's EPC contracts. This balance was repaid at the end of Q2 2023.

### 4. Deposits

	As at June 30, 2023	As at December 31, 2022
BC Licence of Occupation security deposits (i)	\$ 18,000	\$ 18,000
Other prepaid deposit	42,225	42,123
Total	\$ 60,225	\$ 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 <sup>(2)</sup>	Other equipment <sup>(1)</sup>	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	-	908	908
Disposals	(1,262,966)	-	(1,262,966)
Foreign exchange	-	7,241	7,241
Balance, June 30, 2023	\$ 619,734	\$ 228,093	\$ 847,827

## Solar Alliance Energy Inc.

### Notes to Interim Condensed Consolidated Financial Statements

June 30, 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 <sup>(2)(3)</sup>	Other equipment <sup>(1)</sup>	Total
Balance, December 31, 2021	\$ -	\$ 118,342	\$ 118,342
Depreciation	-	31,546	31,546
Balance, December 31, 2022	\$ -	\$ 149,888	\$ 149,888
Depreciation	-	15,847	15,847
Balance, June 30, 2023	\$ -	\$ 165,735	\$ 165,735

#### CARRYING AMOUNTS

Balance, December 31, 2022	\$ 1,882,700	\$ 70,056	\$ 1,952,756
Balance, June 30, 2023	\$ 619,734	\$ 62,358	\$ 682,092

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

<sup>(2)</sup> 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.

<sup>(3)</sup> On June 21, 2023 the Company sold a 67% interest in the two solar projects in New York. The Company will maintain a 33% interest in the two projects. 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.

On June 21, 2023, the Company sold a 67% interest in VC1 and UC1 for consideration of \$1,311,798 (US \$973,361). Solar Alliance will maintain a 33% interest in the two projects, enabling the Company to continue to benefit from the economics of the projects.

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## Solar Alliance Energy Inc.

### Notes to Interim Condensed Consolidated Financial Statements

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

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#### 7. Trade and other payables

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	June 30, 2023	December 31, 2022
Trade and other payables in Canada	\$ 2,106,916	\$ 2,141,498
Trade and other payables in the United States	1,597,164	533,891
Total trade and other payables	\$ 3,704,080	\$ 2,675,389

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#### 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 16). The term of the loan is one year from the date of each advance and bears interest at 15% per annum. During the six months ended June 30, 2023, the Company repaid \$150,000 and recorded interest expense of \$37,151 (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 six months ended June 30, 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 June 30, 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 \$15,659 (2022 - \$nil) was recognized in other income and as a reduction in tax equity.

#### 10. Government Assistance

During the six 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

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

### 11. Asset retirement obligations

	June 30, 2023	December 31, 2022
Asset retirement obligations	\$ 112,034	\$ 101,762
Provisions made during the year	\$ 1,849	\$ 10,272
Total Asset retirement obligation	\$ 113,883	\$ 112,034

The Company has recorded asset retirement obligations of \$113,883 (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, June 30, 2022, December 31, 2022 and June 30, 2023	274,984,848	\$ 48,581,031

At June 30, 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 six months ended June 30, 2023 and 2022.

### 13. Warrants

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

Expiry Date	Exercise Price	Balance December 31, 2021	Granted	Exercised	Expired	Balance June 30, 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

June 30, 2023

(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

#### 13. Warrants (continued)

The following table reflects the warrants issued and outstanding as of June 30, 2023,

Expiry Date	Exercise Price	Balance December 31, 2022	Granted	Exercised	Expired	Balance June 30, 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 June 30, 2022 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2021	Granted	Exercised	Expired/ Cancelled	Balance June 30, 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.

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(Unaudited)

### 14. Stock options (continued)

Details of the stock options outstanding as at June 30, 2023 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2022	Granted	Exercised	Expired/ Cancelled	Balance June 30, 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	-	(500,000)	18,914,286
Weighted average exercise price	\$ 0.08		\$ 0.08	\$ -	\$ 0.08	\$ 0.08

As of June 30, 2023, the weighted average remaining contractual life of the Company's stock options is 2.44 years (December 31, 2022 - 1.58 years).

### 15. Share-based payments

During the six months ended June 30, 2023, the Company granted 900,000 stock options to directors, officers, and employees of the Company (2022 - nil) and recorded \$245,572 (2022 - \$172,919) 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.

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## Solar Alliance Energy Inc.

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#### 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 six months ended June 30, 2023 and balances as at June 30, 2023 with related parties:

- Included in trade and other payables as at June 30, 2023 is \$279,000 (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 June 30, 2023 is \$100,000 (December 31, 2022 - \$250,000) due to a current director of the Company.
- Included in interest expense as at June 30, 2023 is \$37,151 (December 31, 2022 - \$25,989) due to a current director of the Company.
- Included in professional fees as at June 30, 2023 is \$20,510 (December 31, 2022 - \$nil) to Marrelli Support Services Inc., a company which the CFO is related to. As of June 30, 2023, the company owed \$18,131 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 June 30, 2023 and 2022 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Salaries and benefits	<b>62,500</b>	121,859	<b>121,472</b>	251,192
Share-based payments	<b>41,552</b>	57,927	<b>101,980</b>	172,919
Total	<b>\$ 104,052</b>	\$ 179,786	<b>\$ 223,452</b>	\$ 424,111

#### 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 June 30, 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

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(All figures in Canadian Dollars, unless otherwise specified)

(Unaudited)

### 17. Segmented information (continued)

	June 30, 2023	December 31, 2022
<b>As at June 30, 2023</b>		
Solar EPC		
Total assets	\$ 107,290	\$ 1,676,271
Total liabilities	4,008,231	3,921,297
Solar Generation		
Total assets	643,232	73,724
Total liabilities	292,768	-
Corporate		
Total assets	1,492,365	1,948,124
Total liabilities	2,309,933	1,216,001
Total		
Total assets	2,242,887	3,698,119
Total liabilities	4,300,999	5,137,298

Operating segment	United States	Canada	Total
<b>As at June 30, 2023</b>			
<b>For the six months ended June 30, 2023</b>			
Total revenues	2,428,790	-	2,428,790
Non current assets	86,232	656,085	742,317
<b>For the six months ended June 30, 2022</b>			
Total revenue	1,627,817	-	1,627,817
Non current assets	1,544,714	468,165	2,012,879

During the year ended June 30, 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 July 10, 2023, the Company announced it has signed contracts for the design, engineering and construction of two commercial solar projects for a client in Tennessee.

The first project is a ground mount system with a capacity of 250-kilowatts ("kW") and a capital cost of \$720,000. The second project is a ground mount system with a capacity of 299-kW and a capital cost of \$860,000. The two projects, which are being constructed at different facilities, are scheduled to begin construction in Q3 2023 and are currently targeted for completion in Q1 2024.

- b) On July 17, 2023, the Company announced it has signed contracts for the design, engineering and construction of two commercial solar projects for a client in Tennessee, with a total capital cost of \$530,000.

The two projects contribute to a backlog of contracted projects that now total \$6.6 million.

The first project is a rooftop system with a capacity of 131-kW and a capital cost of \$380,000. The second project is a rooftop system with a capacity of 43-kW and a capital cost of \$150,000. The two projects are scheduled to begin construction in Q3 2023 and are currently targeted for completion by the end of 2023.



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# Solar Alliance Energy Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2023

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### 18. Subsequent events (continued)

- c) On July 20, 2023, the Company announced that it has entered into an agreement with Research Capital Corporation, as lead agent (the "Agent") and sole bookrunner in connection with a "best efforts" private placement offering (the "Offering") of up to 25,000,000 units of the Company (each, a "Unit") at a price of \$0.08 per Unit, for aggregate gross proceeds of up to \$2,000,000.

Each Unit will be comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant shall entitle the holder thereof to purchase on Common Share (a "Warrant Share") at an exercise price of \$0.12 per Warrant Share for a period of 36 months from the Closing Date.

The Company will grant the Agent an option (the "Agent's Option"), exercisable in full or in part, up to 48 hours prior to the closing of the Offering, to sell up to an additional 3,750,000 Units at the Issue Price for additional gross proceeds of up to \$300,000.

- d) On July 31, 2023, the Company announced it has signed contracts for three additional solar projects in the Southeast US, ranging in size up to 120-kW. The contracts include the design and installation of solar projects for a range of industries in Tennessee and Kentucky and have a combined capital cost of \$580,000. The projects are scheduled to commence construction in Q3 2023 and are currently targeted for completion by Q1 2024.