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**SOLAR ALLIANCE ENERGY INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Solar Alliance Energy Inc.

### Opinion

We have audited the accompanying consolidated statements of Solar Alliance Energy Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity, consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 consolidated financial statements, which indicates that the Company incurred a net loss of \$684,134 during the year ended December 31, 2024 (December 31, 2023: \$1,811,861) and, as of that date, the Company's current liabilities exceeded its total assets by \$2,794,950 (December 31, 2023: \$2,821,889). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Emphasis of Matter – Reclassified comparative information

We draw attention to Note 22 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2023 has been reclassified. Our opinion is not modified in respect of this matter.

As part of our audit of the consolidated financial statements for the year ended December 31, 2024, we also audited the adjustments that were applied to reclassify certain comparative information for the year ended December 31, 2023. In our opinion, such adjustments are appropriate and have been properly applied.

### knowing you.

## Key Audit Matter

The key audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

### **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(b) and 2.5(j) to the financial statements. The Company recognized EPC revenue of \$5,446,757.

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.

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 Key Audit Matter Was Addressed in the Audit*

Our audit procedures included, amongst others, the following:

- Performing a walkthrough to understand the Company’s revenue process and evaluating the design of related controls.
- We evaluated the Company’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.
- Recalculated the revenue recognized for a sample of contracts based on the overall contract price and percentage completed at year-end.
- Tested how management determined the percentage of completion for a sample of ongoing contracts, which included the following:
  - Tested the underlying data, which included agreeing key contractual terms back to signed contracts.
  - Evaluated the reasonableness of significant assumptions used by management, including estimated cost of materials and labour.
  - Assessing completion of contract phases by testing a sample of actual costs incurred during the year by project.
- Performed look-back procedures for a sample of contracts completed during the year by comparing the originally estimated and actual costs and gross margins.

## **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's 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 this auditor's report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 these consolidated 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.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Akil Pervez.

*Kreston GTA LLP*

Chartered Professional Accountants  
Markham, Canada  
May 20, 2025

# Solar Alliance Energy Inc.

## Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	Note	As at December 31, 2024	As at December 31, 2023 (Restated) Note 22
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 9,697	\$ 702,988
Accounts receivable	3	719,771	730,205
Prepaid expenses	4	140,083	8,563
Contract assets	22	-	-
Inventory		-	102,214
Total current assets		869,551	1,543,970
<b>Non-current assets</b>			
Deposits	5	45,128	42,633
Property, plant and equipment	6	80,866	80,926
Total non-current assets		125,994	123,559
<b>Total assets</b>		<b>\$ 995,545</b>	<b>\$ 1,667,529</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current liabilities</b>			
Trade and other payables	7 & 17	\$ 3,244,392	\$ 3,530,738
Short-term loans and note payable	8 & 17	227,621	137,500
Contract liabilities	22	103,353	608,486
Contingent consideration	9	29,135	29,135
Government assistance	10	60,000	60,000
Total current liabilities		3,664,501	4,365,859
<b>Non-current liabilities</b>			
Asset retirement obligations	11	119,550	115,731
Total non-current liabilities		119,550	115,731
<b>Total liabilities</b>		<b>3,784,051</b>	<b>4,481,590</b>
<b>Shareholders' deficiency</b>			
Share capital	12	49,225,521	48,581,031
Reserves		17,417,669	17,039,615
Accumulated other comprehensive income		123,087	435,942
Deficit		(69,554,783)	(68,870,649)
<b>Total shareholders' deficiency</b>		<b>(2,788,506)</b>	<b>(2,814,059)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 995,545</b>	<b>\$ 1,667,529</b>

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

# Solar Alliance Energy Inc.

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023 (Restated) Note 22
<b>Operating activities</b>		
Net income (loss)	(684,134)	(1,811,861)
Adjustments for non-cash items: Depreciation	24,459	36,819
Share-based payments	2,544	288,154
Asset retirement obligation expense	3,819	3,697
Gain on derecognition of trade and other payables	-	(651,005)
Loss on disposal of equipment	-	(32,484)
Bad debt expense	-	-
Interest on lease liability	(39,567)	-
Net finance expense	-	(304,687)
Unrealized foreign exchange	(248,884)	(164,907)
<b>Net changes in working capital:</b>		
Accounts receivable	89,245	(393,790)
Prepaid expenses and deposits	(133,284)	29,550
Contract assets	-	36,483
Inventory	114,101	68,113
Trade and other payables	(383,057)	2,163,668
Contract liabilities	(575,900)	209,419
Restricted cash	-	471,331
<b>Net cash (used in) provided by operating activities</b>	<b>(1,830,658)</b>	<b>(51,500)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(20,488)	(10,761)
Proceeds on sale of equipment	-	93,863
<b>Net cash used in investing activities</b>	<b>(20,488)</b>	<b>83,102</b>
<b>Financing activities</b>		
Proceeds from short-term loans	100,000	137,500
Proceeds from common share issue	700,000	-
Shares issued for services	45,000	-
Loans repaid	-	(265,000)
<b>Net cash provided by (used in) financing activities</b>	<b>845,000</b>	<b>(127,500)</b>
<b>Effect of change in currency translation reserve</b>	<b>312,855</b>	<b>148,823</b>
<b>Net change in cash</b>	<b>(693,291)</b>	<b>52,927</b>
<b>Cash, beginning of year</b>	<b>702,988</b>	<b>650,061</b>
<b>Cash, end of year</b>	<b>9,697</b>	<b>702,988</b>

## Solar Alliance Energy Inc.

### Consolidated Statements of Comprehensive Income (Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2024	Year Ended December 31, 2023 (Restated) Note 22
<b>Revenue</b>		<b>\$ 5,446,757</b>	<b>\$ 7,473,937</b>
<b>Cost of sales</b>		<b>(3,873,917)</b>	<b>(6,399,169)</b>
<b>Gross Profit</b>		<b>1,572,840</b>	<b>1,074,768</b>
<b>Expenses</b>			
Depreciation	6	24,459	36,819
Consulting fees	17	226,289	124,441
Insurance and filing fees		25,386	47,362
Marketing and advertising		63,136	130,393
Office, rent and utilities		397,664	384,328
Professional fees		436,498	561,537
Salaries and benefits	17	1,367,439	1,343,363
Share-based payments	15 & 17	2,544	288,154
Travel and related		122,661	121,484
Bad debt expense		203,232	-
<b>Total expenses</b>		<b>2,869,308</b>	<b>3,037,881</b>
<b>Operating loss</b>		<b>(1,296,468)</b>	<b>(1,963,113)</b>
<b>Other (expenses) income</b>			
Gain on derecognition of trade and other payables	7	406,836	651,005
Other income		-	197,459
Loss on disposal of equipment	6	-	(521,648)
Asset retirement obligation expense	11	(3,819)	(3,697)
<b>Total other income (expenses)</b>		<b>403,017</b>	<b>323,119</b>
<b>Net Loss before finance expense</b>		<b>(893,451)</b>	<b>(1,639,994)</b>
<b>Net finance income (expense)</b>			
Interest income		(39,567)	(6,960)
Foreign exchange		248,884	(164,907)
<b>Net finance income (expense)</b>		<b>\$ 209,317</b>	<b>\$ (171,867)</b>
<b>Net income (loss)</b>		<b>(684,134)</b>	<b>(1,811,861)</b>
<b>Other comprehensive income (loss)</b>			
Change in accumulated foreign exchange translation adjustment		(312,855)	148,823
<b>Comprehensive income (loss)</b>		<b>\$ (996,989)</b>	<b>\$ (1,663,038)</b>
<b>Basic and diluted income (loss) per common share</b>		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>295,193,938</b>	<b>274,984,848</b>

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

# Solar Alliance Energy Inc.

## Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Expressed in Canadian Dollars)

	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	-	-	288,154	-	-	288,154
Foreign currency translation	-	-	-	657,928	-	657,928
Comprehensive loss	-	-	-	-	(1,811,861)	(1,811,861)
<b>Balance, December 31, 2023</b>	<b>274,984,848</b>	<b>48,581,031</b>	<b>17,039,615</b>	<b>945,045</b>	<b>(68,870,649)</b>	<b>(2,304,958)</b>
Effect of restatement (Note 22)	-	-	-	(509,103)	-	(509,103)
<b>Balance, December 31, 2023 (restated) (Note 22)</b>	<b>274,984,848</b>	<b>48,581,031</b>	<b>17,039,615</b>	<b>435,942</b>	<b>(68,870,649)</b>	<b>(2,814,061)</b>

  

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Deficiency
<b>Balance, December 31, 2023 (restated) (Note 22)</b>	<b>274,984,848</b>	<b>48,581,031</b>	<b>17,039,615</b>	<b>435,942</b>	<b>(68,870,649)</b>	<b>(2,814,061)</b>
Issuance of shares for loans and borrowings	5,209,090	275,000	-	-	-	275,000
Issuance of common shares	14,000,000	700,000	-	-	-	700,000
Warrants granted	-	(375,510)	375,510	-	-	-
Issuance of shares for service	1,000,000	45,000	-	-	-	45,000
Share-based payments	-	-	2,544	-	-	2,544
Foreign currency translation and other	-	-	-	(312,855)	(684,134)	(996,989)
<b>Balance, December 31, 2024</b>	<b>295,193,938</b>	<b>49,225,521</b>	<b>17,417,669</b>	<b>123,087</b>	<b>(69,554,783)</b>	<b>(2,788,506)</b>

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

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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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 and industrial 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 OTC 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, 2024, the Company had an accumulated deficit of \$71,298,657, comprehensive loss for the year ended December 31, 2024 was \$(51,802), and negative cash flow from operations of \$1,517,803. 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. Material 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 6, 2025.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Material 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) *Percentage of completion calculation*

The Company measures the stage of completion for Engineering, Procurement and Construction ("EPC") projects based on percentage of contract value delivered to customers, most usually by reference to invoices issued in accordance with project milestones achieved, unless otherwise appropriate. The estimation of total estimated costs requires judgment and changes to these estimates may affect revenue, unbilled revenue, and deferred revenue.

##### 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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Material accounting policies (continued)

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

##### 2.4.2 Critical Accounting Judgments (continued)

###### (c) 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.

#### 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, 2024 and 2023 are as follows:

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership Interest	
			December 31, 2024	December 31, 2023
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	0%	100%
Solar Alliance Energy DevCo LLC	Delaware	Holding company	0%	100%
Abundant Solar Power (US1) LLC	New York	Operating company	0%	100%
Solar Alliance TE Holdco 1, LLC	Delaware	Holding company	0%	100%

There were no activities within Wildmare Wind Energy Limited Partnership, as of December 31, 2024, 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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### (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:

<b>Financial instruments</b>	<b>Category under IFRS 9</b>
<b>Financial assets</b>	
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivables	Amortized cost
Due from related party	Amortized cost
Deposits	Amortized cost
<b>Financial liabilities</b>	
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

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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

(b) *Financial instruments (continued)*

#### **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.

#### **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.

#### **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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

##### (c) Cash and cash equivalents

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

As of December 31, 2024 and 2023, 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.

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:

<b>Class of Equipment</b>	<b>Depreciation rate</b>
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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

##### (f) *Income taxes (continued)*

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 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.

##### (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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

##### (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.

##### (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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

##### (l) Foreign currency (continued)

###### *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.

##### (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.

##### (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.

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.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 2. Significant accounting policies (continued)

#### 2.5 Significant accounting policies (continued)

##### (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, 2024 (2023 - \$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.

### 3. Accounts receivable

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 626,007	\$ 804,110
Allowance for doubtful accounts	-	(126,454)
Sales tax receivable - Canada	93,764	52,549
	<b>\$ 719,771</b>	<b>\$ 730,205</b>

### 4. Prepaid expenses

	As at December 31, 2024	As at December 31, 2023
Prepaid expenses <sup>(1)</sup>	\$ 140,083	\$ 8,563
	<b>\$ 140,083</b>	<b>\$ 8,563</b>

<sup>(1)</sup> Included in prepaid expenses, the Company has approximately \$131,900 (December 31, 2023 - \$nil) for prepaid consulting fees with an unrelated third party.

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 5. Deposits

	As at December 31, 2024	As at December 31, 2023
BC License of Occupation security deposits (i)	\$ 18,000	\$ 18,000
Other prepaid deposit	27,128	24,633
<b>Total</b>	<b>\$ 45,128</b>	<b>\$ 42,633</b>

(i) The Company has \$18,000 (December 31, 2023 - \$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.

### 6. Property, plant and equipment

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

<b>COST</b>	<b>Solar facilities <sup>(2)</sup></b>	<b>Other equipment <sup>(1)</sup></b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ 1,882,700</b>	<b>\$ 219,944</b>	<b>\$ 2,102,644</b>
Additions	-	10,761	10,761
Disposals	(1,882,700)	-	(1,882,700)
Foreign exchange	-	36,928	36,928
<b>Balance, December 31, 2023</b>	<b>\$ -</b>	<b>\$ 267,633</b>	<b>\$ 267,633</b>
Additions	-	20,488	20,488
Foreign exchange	-	2,230	2,230
<b>Balance, December 31, 2024</b>	<b>\$ -</b>	<b>\$ 290,351</b>	<b>\$ 290,351</b>

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

<b>ACCUMULATED DEPRECIATION</b>	<b>Solar facilities <sup>(2)</sup></b>	<b>Other equipment <sup>(1)</sup></b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ -</b>	<b>\$ 149,888</b>	<b>\$ 149,888</b>
Depreciation	-	36,819	36,819
<b>Balance, December 31, 2023</b>	<b>\$ -</b>	<b>\$ 186,707</b>	<b>\$ 186,707</b>
Depreciation	-	24,459	24,459
Foreign exchange	-	(1,681)	(1,681)
<b>Balance, December 31, 2024</b>	<b>\$ -</b>	<b>\$ 209,485</b>	<b>\$ 209,485</b>

### CARRYING AMOUNTS

<b>Balance, December 31, 2023</b>	<b>\$ -</b>	<b>\$ 80,926</b>	<b>\$ 80,926</b>
<b>Balance, December 31, 2024</b>	<b>\$ -</b>	<b>\$ 80,866</b>	<b>\$ 80,866</b>

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

<sup>(2)</sup> On June 21, 2023 the Company sold a 67% interest in the two solar projects in New York. On December 6, 2023, the Company sold the remaining 33% interest in VC1 and UC1.

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## Solar Alliance Energy Inc.

### Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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#### 7. Trade and other payables

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	December 31, 2024	December 31, 2023
Trade and other payables in the United States	3,244,392	3,530,738
Total trade and other payables	\$ 3,244,392	\$ 3,530,738

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#### 8. Short-term loans and note payable

In February 2024, the Company closed an unsecured short-term loan for \$100,000, which was due to a related party (note 17). 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, 2024, the Company repaid the loan and interest by way of a shares for debt agreement announced on June 17, 2024. Interest expense of \$15,000 was recorded in Q2, 2024 (2023 - \$nil).

In June 2023, the Company closed an unsecured short-term construction loan for a total capacity of \$137,500, which was due to a related party (note 17). The term of the loan is one year from the date of each advance and bears interest at 15% per annum. The company is in the process of renegotiating the terms of the short-term loan with the lender. During the year ended December 31, 2024, the Company repaid \$nil and recorded interest expense of \$35,360 (2023 - \$nil).

In July 2024, the Company closed an unsecured short-term loan for a total capacity of \$100,000 USD (\$137,500 CAD). The term of the loan is one year from the date of each advance and bears interest at 0% per annum. During the year ended December 31, 2024, the Company repaid \$70,000. Interest expense of \$nil was recorded (2023 - \$nil).

#### 9. Contingent Consideration

In November 2017, the Company completed the acquisition of Aries Solar, LLC ("Aries"), an established commercial and industrial solar company that is licensed to operate in four Southeast US states. Aries changed its name to Solar Alliance Southeast, LLC ("SASE") on closing.

In consideration, the seller vendor is entitled to a payment of 20% of earnings before income tax depreciation and amortization ("EBITDA") on the existing SASE prospective project pipeline listed in the agreement up to a maximum of US\$1,000,000 until November 7, 2022. EBITDA for each prospective project will be determined using project-based accounting and calculating for allocation overhead by project. Projects signed by SASE after November 7, 2017 are not subject to the EBITDA allocation.

At acquisition, management determined the fair value of the contingent consideration to be \$Nil. As a result of a significant contract being entered into in December 2017, the fair value of the contingent consideration was determined to be \$58,342 as at December 31, 2017 and March 31, 2018. As of December 31, 2024, the Company determined the fair value of the contingent consideration to be \$29,135 (December 31, 2023 - \$29,135). The contingent consideration was determined using management's best estimates of the amounts expected to be payable pursuant to the agreement and the expected timing of such payments.

#### 10. Government Assistance

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 bears interest at 5% per annum and is due on December 31, 2026.

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 11. Asset retirement obligations

	December 31, 2024	December 31, 2023
Asset retirement obligations	\$ 115,731	\$ 112,034
Provisions made during the period	\$ 3,819	\$ 3,697
Total asset retirement obligation	\$ 119,550	\$ 115,731

The Company has recorded asset retirement obligations of \$119,550 (December 31, 2023 - \$115,731) 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, 2022 and December 31, 2023, December 31, 2023	274,984,848	\$ 48,581,031
Issuance of shares for loans and borrowings (i)(ii)	5,209,090	275,000
Private placements (iii)(iv)(v)	14,000,000	700,000
Warrants granted (iii)(iv)(v)	-	(375,510)
Issuance for services(vi)	1,000,000	45,000
Balance, December 31, 2024	295,193,938	\$ 49,225,521

At December 31, 2024, the Company had 295,193,938 common shares issued and outstanding (December 31, 2023 – 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' deficiency for the year ended December 31, 2024 and 2023.

During the year ended December 31, 2024, the Company issued the following shares:

- On June 17, 2024, the Company issued 2,909,090 common shares at a price of \$0.055 per share to settle debts of \$160,000.
- On June 17, 2024, the Company issued 2,300,000 common shares at a price of \$0.05 per share to settle debts of \$115,000.
- On June 27, 2024, the Company completed a private placement through the issuance of 4,000,000 units at a price of \$0.05 per unit for gross proceeds of \$200,000. 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 \$0.07 per share for a period of 36 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 \$130,396. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 3.86%; an expected volatility of 116.63%; an expected life of three years; a forfeiture rate of zero and an expected dividend of zero.

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 12. Share capital (continued)

#### 12.2 Common shares issued (continued)

- iv. On July 19, 2024, the Company completed a private placement through the issuance of 9,000,000 units at a price of \$0.05 per unit for gross proceeds of \$450,000. 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 \$0.07 per share for a period of 36 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 \$217,289. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 3.64%; an expected volatility of 98.04%; an expected life of three years; a forfeiture rate of zero and an expected dividend of zero.
- v. On June 27, 2024, the Company completed a private placement through the issuance of 1,000,000 units at a price of \$0.05 per unit for gross proceeds of \$50,000. 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 \$0.07 per share for a period of 36 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 \$27,825. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 3.35%; an expected volatility of 98.05%; an expected life of three years; a forfeiture rate of zero and an expected dividend of zero.
- vi. On October 25, 2024, the Company issued 1,000,000 common shares at a price of \$0.045 to the former CEO for his services.

### 13. Warrants

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2022	14,955,255	0.60
Expired	(14,655,255)	0.60
Balance, December 31, 2023	300,000	0.08
Balance, December 31, 2023	300,000	0.08
Issued for private placements (note 12(b)(i)(ii)(iii))	14,000,000	0.07
Balance, December 31, 2024	14,300,000	0.07

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

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

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 13. Warrants (continued)

The following table reflects the warrants issued and outstanding as of December 31, 2024:

Expiry Date	Exercise Price	Balance		Granted	Exercised	Expired	Balance			
		December 31, 2023					December 31, 2024			
June 27, 2027	\$ 0.07	-		4,000,000	-	-		4,000,000		
July 19, 2027	\$ 0.07	-		9,000,000	-	-		9,000,000		
July 31, 2027	\$ 0.07	-		1,000,000	-	-		1,000,000		
December 29, 2027	\$ 0.08	300,000		-	-	-		300,000		
		300,000		14,000,000	-	-		14,300,000		
Weighted Average exercise price	\$	0.08	\$	0.07	\$	-	\$	-	\$	0.07

### 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 December 31, 2023 are as follows:

Expiry Date	Exercise Price	Balance	Granted	Exercised	Expired/ Cancelled	Balance		
		December 31, 2022				December 31, 2023		
May 4, 2023	\$ 0.08	500,000	-	-	(500,000)	-		
May 6, 2023	\$ 0.06	-	-	-	-	-		
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

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 14. Stock options (continued)

Details of the stock options outstanding as at December 31, 2024 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2023	Granted	Exercised	Expired/ Cancelled	Balance December 31, 2024
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	-	-	(1,000,000)	50,000
November 23, 2026	\$ 0.18	1,000,000	-	-	-	1,000,000
August 5, 2027	\$ 0.09	4,475,000	-	-	(1,250,000)	3,225,000
September 26, 2027	\$ 0.11	100,000	-	-	-	100,000
February 23, 2028	\$ 0.08	900,000	-	-	(200,000)	700,000
		18,914,286	-	-	(9,639,286)	9,275,000
Weighted average exercise price	\$ 0.08	\$ -	\$ -	\$ -	\$ 0.05	\$ 0.08

As of December 31, 2024, the weighted average remaining contractual life of the Company's stock options is 1.64 years (December 31, 2023 - 2.18 years).

### 15. Share-based payments

During the year ended December 31, 2024, the Company granted nil stock options to directors, officers, and employees of the Company (2023 - 900,000) and recorded \$2,544 (2023 - \$288,154) of share-based payments for options that vested during the period. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

The Company made the following option grants during 2023:

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

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 16. 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:

	2024	2023
Loss before income taxes	\$ (684,134)	\$ (1,811,861)
Statutory income tax rate	27%	27%
Income tax recovery computed at statutory rates	(184,700)	(489,200)
Non-deductible items	78,000	218,647
Impact of foreign exchange on tax assets and liabilities	-	-
Prior period tax adjustments and other	(61,000)	22,265
Change in benefit of deferred tax assets not recognized	167,700	248,288
Income tax recovery	\$ -	\$ -

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

	December 31, 2024	2023
Tax losses carried forward	\$ 5,065,130	\$ 4,490,630
Project development costs and equipment	90,600	104,000
Other deductible temporary differences	14,000	399,000
Share issue costs	1,390,000	71,500
Unrecognized deferred tax assets	\$ 6,559,730	\$ 5,065,130

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.

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
2043	1,669,000
2044	2,714,000
	<u>\$ 18,561,000</u>

### 17. 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, 2024 and balances as at December 31, 2024 with related parties:

- Included in trade and other payables as at December 31, 2024 is \$415,112 (December 31, 2023 - \$289,000) 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 December 31, 2024 is \$227,621 (December 31, 2023 - \$137,500) due to current directors of the Company.
- Included in interest expense as at December 31, 2024 is \$24,567 (December 31, 2023 - \$40,997) due to current directors of the Company.

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 17. Related party transactions and balances (continued)

- Included in professional fees as at December 31, 2024 is \$70,509 (December 31, 2023 - \$32,962) to Marrelli Support Services Inc., a company which the CFO is related to. As of December 31, 2024, the company owed \$24,857 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 year ended December 31, 2024 and 2023 were as follows:

Consulting fees	\$	92,000	\$	47,000
Salaries and benefits		187,533		246,471
Share-based payments		1,413		120,489
Total	\$	280,946	\$	413,960

### 18. 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 year ended December 31, 2024 and 2023, all of the Company's revenues and cost of goods sold related to its solar EPC segment. As of December 31, 2024 and December 31, 2023, the Company's assets and non-current assets related to each of the segments:

	December 31, 2024	December 31, 2023
<b>As at December 31, 2024</b>		
Solar EPC		
Total assets	\$ 724,363	\$ 1,091,536
Total liabilities	1,889,721	2,382,111
Corporate		
Total assets	271,182	132,169
Total liabilities	1,894,330	1,655,655
Total		
Total assets	995,545	1,223,705
Total liabilities	3,784,051	4,037,766

Operating segment	United States	Canada	Total
<b>For the year ended December 31, 2024</b>			
Total revenue	5,414,806	-	5,414,806
Non-current assets (as at December 31, 2024)	87,701	38,293	125,994
<b>For the year ended December 31, 2023</b>			
Total revenue	7,473,937	-	7,473,937
Non-current assets (as at December 31, 2023)	87,208	36,351	123,559

During the year ended December 31, 2024 the Company had three (year ended December 31, 2023 - three) customers that individually accounted for more than 10% of consolidated revenue.

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# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

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### 19. 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 \$37,352 (2023 - \$133,802) as an expected credit loss allowance at December 31, 2024 and incurred \$nil (2023 - \$9,109) 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, 2024, 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 \$1,740,804 at December 31, 2024, 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 \$174,080.

### 20. 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.

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

### 20. Fair value measurements (continued)

(a) Categories of financial instruments:

As at December 31,	2024	2023
	Carrying amount	Carrying amount
Financial assets:		
Cash	\$ 9,697	\$ 702,988
Accounts receivable	719,771	730,205
	\$ 729,468	\$ 1,433,193
Financial liabilities:		
Trade and other payables	\$ 3,244,392	\$ 3,530,738
Short-term loans and note payable	227,621	137,500
	\$ 3,472,013	\$ 3,668,238

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.

### 21. 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, 2024.

### 22. Restatement of comparative period as at December 31, 2023:

Adjustments have been made to correct classification errors identified in certain items related to consolidated statement of financial position, other comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows in the comparative period.

The following tables summarize the impact of the foregoing reclassification error corrections on the Company's consolidated financial statements:

#### Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at Dec 31, 2023

	Previously Reported	Adjustment	As Restated
<b>Current assets</b>			
Contract assets	\$ 135,168	\$ (135,168)	-
<b>Total current assets</b>	<b>1,679,138</b>	<b>(135,168)</b>	<b>1,543,970</b>
<b>Total Assets</b>	<b>\$ 1,802,697</b>	<b>\$ (135,168)</b>	<b>\$ 1,667,529</b>

# Solar Alliance Energy Inc.

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2024

(Expressed in Canadian Dollars, unless otherwise specified)

<b>Current liabilities</b>			
Trade and other payables	\$ 3,595,661	\$ (64,923)	\$ 3,530,738
Contract liabilities	169,626	\$ 438,860	608,486
<b>Total current liabilities</b>	<b>\$ 3,991,922</b>	<b>\$ 373,937</b>	<b>\$ 4,365,859</b>
<b>Shareholders' deficiency</b>			
Accumulated other comprehensive income	\$ 945,045	\$ (509,101)	\$ 435,942
<b>Total shareholders' deficiency</b>	<b>\$ (2,304,958)</b>	<b>\$ (509,103)</b>	<b>\$ (2,814,061)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 1,802,697</b>	<b>\$ (135,168)</b>	<b>\$ 1,667,529</b>

These adjustments are the net impact of audit adjustments as at December 31, 2022 that were not recorded in the general ledger as at January 1, 2023. Instead, the Company had recorded an erroneous entry to reconcile the general ledger as at January 1, 2023 to the audited consolidated financial statements as at December 31, 2022, resulting in opening and corresponding closing balances of certain accounts being incorrect as at December 31, 2023.

In addition, changes in the accounting nomenclature of the following items appearing on the consolidated statements of financial position have been made – Customer Deposits is renamed as “Contract Assets”, and the Unearned Income account is renamed as “Contract Liabilities”.

**There was no impact on Revenues, Net Loss and Earnings Per Share for the comparative period.**

## Consolidated Statements of Comprehensive Income

(Expressed in Canadian Dollars)

As at Dec 31, 2023

	Previously reported	Adjustment	Restated
<b>Other comprehensive income (loss)</b>			
Change in accumulated foreign exchange translation adjustment	\$ 657,928	\$ (509,105)	\$ 148,823
<b>Comprehensive income (loss)</b>	<b>\$ (1,153,933)</b>	<b>\$ (509,105)</b>	<b>\$ (1,663,038)</b>

These adjustments are the postings to the general ledger required to address the errors in those accounts which remained following the non-posting of the 2022 audit adjustments.

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**Solar Alliance Energy Inc.****Notes to Consolidated Financial Statements****For the Year Ended December 31, 2024****(Expressed in Canadian Dollars, unless otherwise specified)**

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**Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****As at Dec 31, 2023**

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	<b>Previously Reported</b>	<b>Adjustment</b>	<b>As Restated</b>
<b>Operating activities</b>			
Adjustment in non-cash item			
Unrealized foreign exchange	\$ 401,063	\$ (565,970)	\$ (164,907)
Net Changes in working capital			
Contract assets	(98,685)	135,168	36,483
Contract liabilities	(229,443)	438,862	209,419
Trade and other payables	2,320,553	(156,883)	2,163,670
	<b>\$ 2,393,488</b>	<b>\$ (148,823)</b>	<b>2,244,665</b>
<b>Effect of change in currency translation reserve</b>	-	<b>\$ 148,823</b>	<b>\$ 148,823</b>
<b>Cash, end of year</b>	<b>\$ 702,988</b>	<b>-</b>	<b>\$ 702,988</b>

These adjustments were made to align the cash flow classification with the corrected consolidated statement of financial position presentation.

**There is no change to the overall cash position of the Company for the comparative period.**