solar alliance

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025

(CANADIAN DOLLARS)

SOLAR ALLIANCE ENERGY INC.
ITERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025
DATED AUGUST 29, 2025
(All figures in Canadian Dollars)

The following interim Management Discussion & Analysis ("**Interim MD&A**") of Solar Alliance Energy Inc. (the "**Company**" or "**Solar Alliance**") for the three and six months ended June 30, 2025 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("**Annual MD&A**") for the fiscal year ended December 31, 2024. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, audited annual consolidated financial statements of the Company for the years ended December 31, 2024, and December 31, 2023, together with the notes thereto, and unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2025, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 28, 2025, unless otherwise indicated.

Description of the Business

Solar Alliance is a reporting issuer in British Columbia and Alberta and its 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".

Solar Alliance targets commercial and industrial customers for third-party solar system sales and installations. Solar Alliance's strategy is to design, engineer and install commercial solar systems ranging in size up to several megawatts. The technical and operational expertise the Company has developed provides the foundation for sustained growth across the solar project value chain from design, engineering, installation, and potentially ownership and operations/maintenance. With a U.S. base of operations in Tennessee, Solar Alliance provides services to customers in several Southeast U.S. states.

Solar Alliance has built a strong reputation & brand recognition in the Southeast U.S commercial solar region. As a first mover in the market, we combine the stability of an operating business with exposure to a vast addressable market.

Solar Alliance's passion is improving life through ingenuity, simplicity and freedom of choice. Solar Alliance reduces or eliminates customers' vulnerability to rising energy costs, offers an environmentally friendly source of electricity generation, and provides affordable, turnkey clean energy solutions.

Operational Highlights

The following highlights are from the Company's operations during the three and six months ended June 30, 2025 and the period up to the date of this Interim MD&A.

Industry and Corporate Update

Industry Background

The commercial solar industry has shifted significantly over the past 8 to 10 months, with the passage of US legislation signed into law earlier this month, eliminating, for all intents and purposes, the ITC incentives beyond December 2027.

This legislation, however, combined with the subsequent IRS Notice of August 15, 2025 referencing construction guidance rules for wind and solar, ended a period of extreme short to medium term uncertainty, and the Company is now seeing renewed demand for solar systems as clients seek to benefit from the incentives while they continue to remain in place.

Longer term, the fundamentals for growth in solar energy demand remain very compelling.

These include:

- Capital costs for solar installations have fallen by 84%[1] over the past 15 years, moving solar energy from being the most expensive to the lowest cost source of energy

- The speed at which solar generation can be constructed, relative to the available alternatives, such that in excess of 80%[2] of new generation capacity in 2024 was accounted for by solar and solar storage deployments;

- The prospect of substantially higher growth in electricity demand, over the next 5 to 10 years, from the proliferation of datacenters and AI and the consequent likely upward pressure on electricity prices.

  and

- The delays likely to arise in the coming onstream of alternative sources of power supply – viz natural gas pipelines are operating at significant capacity constraints[3] and much evidence suggests that the nuclear alternative, also, will take some years to come onstream[4];

These factors are motivating corporate clients in particular, (and community solar promoters also) to look at how they can mitigate the impact of energy price increases and enhance security of power supply. In this context, solar energy and storage systems are particularly suited for collocated, onsite energy production.

Corporate Operational Highlights

During the six months ended June 30, 2025 and to the date of this Interim MD&A, Solar Alliance, in summary, experienced an active second quarter as the Company worked through the installation of projects in its pipeline,

In the recent short-term period, the Company's business development has been severely impacted through the first half of 2025 by the uncertainties noted above in relation to the new US Administration renewables policy proposals. During this period there was no clarity in respect of the availability of the fiscal incentives, so there was no firm basis for board decision-making. This effectively shut down corporate solar project investment decisions. As the Administration policy decisions unfolded, however, the choices announced provided for a longer transition period for commercial and industrial solar projects with respect to tax incentives than was previously feared.

Similarly, grant funded community and rural solar initiatives across the region have been impacted by funding policy uncertainty and have accordingly progressed very cautiously.

The net impact is that, during the first half of the year, the Company experienced delayed decisions across the board - from commercial, community and rural clients.

[1] REUTERS March 11 025
[2] Lazards LCOE Report June 2025 Slide 14
[3] POWERING AI WITH AMERICAN ENERGY: NATURAL GAS
[4] The World Nuclear Association Report - **August 2024**

Looking forward, however, the Company's purposeful transition to larger commercial solar projects development efforts now includes assessment of specific regional requests for proposals for solar projects, where Solar Alliance believes it has a competitive advantage as a result of its installation experience and regional brand awareness. Solar Alliance continues to see increased demand for commercial solar projects, and remains focused on larger, higher margin commercial solar projects to support growth. In addition to executing larger projects, the Company is experiencing strong demand for solar projects for small and medium-sized businesses in rural communities. Recent focus on AI energy needs and the cost implications of increased electricity demand are generating interest in onsite power generation - where solar and solar + storage solutions are well suited.

The Company is pursuing larger scale projects and some of these are of a scale of up to 5MWs in generation capacity. The procurement of such contracts would be expected to have a material, positive impact on the Company's working capital and financial resources availability.

Also, while the Company continues to execute on existing projects, it is pursuing the upgrade of its business development capability, and in this regard is pursuing initiatives to significantly strengthen and resource up its marketing, business development and sales capability. The Board's view is that is that SOLR's business development activity is driven by the Company's reputation and execution capability, and that this will enable the Company to generate substantially higher revenues, profitability and cashflows than has been achievable before.

The board and management team is also intent on pursuing serious longer term initiatives to serve the needs of our marketplace after the ITC incentives are gone. In this regard the Company believes it is very strongly placed to address the energy challenges that the C&I and community solar energy providers will likely face in a new era when it is likely that increased demand and potentially much higher energy prices become increasingly evident. The company is looking to reach out to potential partners, and potential consolidation partners to position itself as a compelling, cost effective, microgrid energy solutions provider in the future . The Company believes the emerging energy industry will present massive opportunity for the Company's know-how and experience.

Results of Operations

Revenue for the three and six months ended June 30, 2025 was $849,535 and $1,685,144 compared to $711,532 and $2,376,389 in the comparative period.

Operating and selling expenditures, excluding non-cash depreciation and share-based payments, were $576,116 and $995,672 in the three and six months ended June 30, 2025 compared to $694,653 and $1,133,668 in the comparative period, a decrease of $118,537 and $137,996 in the three and six months ended June 30, 2025 accordingly. The decrease is mainly attributable to a decrease in travelling, office and utilities expenses.

The Company reported an operating loss of $211,922 and $682,470 in the three six months ended June 30, 2025 compared to operating losses of $496,253 and $300,978 in the comparative periods accordingly. Net loss for the three months ended June 30, 2025 was $234,880 and $711,450 for the six months ended June 30, 2025 compared to Net Loss of $ 200,339 and Net Income of $1,495 in the comparative period respectively.

Liquidity and Capital Resources

Solar Alliance began the 2025 fiscal year with $9,697 cash. During the six months ended June 30, 2025, the Company generated $232,770 in operating activities, net of working capital changes, received $nil in investing activities and received $107,557 from financing activities, to end June 30, 2025 with $107,001 cash.

During the six months ended June 30, 2025, the Company generated a working capital surplus of $922,905 compared to a working capital deficiency of $1,017,096 in six months ended June 30, 2024. Notwithstanding the above, the cash inflows from Solar Alliance operations are currently not sufficient to sustain the Company's operations and to pay the Company's obligations as they become due. Management intends to continue to raise capital through a combination of revenue growth, reduced expenses, and injections of capital through debt and equity issuances. There can be no assurance that management's plans will be successful or that the Company will be able to obtain the necessary financial resources. The Company's ability to continue as a going concern is dependent on the Company's ability to raise debt or equity funding in the near term to fulfill its obligations and ultimately in self-generating income and cash flows from its operations. The conditions described above give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

(All figures in Canadian Dollars)

Related party transactions and balances

In addition to related party transactions and balances disclosed elsewhere in these unaudited condensed interim consolidated financial statements, the following are transactions that occurred during the six months ended June 30, 2025 and balances as at June 30, 2025 with related parties:

- Included in trade and other payables as at June 30, 2025 is $697,664 (December 31, 2024 - $415,000) 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 6) as at June 30, 2025 is $137,500 (December 31, 2024 - $137,500) due to current directors of the Company.
- Included in interest expense as at June 30, 2025 is $10,547 (June 30, 2024 - $25,284) due to current directors of the Company.
- Included in professional fees as at June 30, 2025 is $52,783 (June 30, 2024 - $48,781) to Marrelli Support Services Inc., a company which the CFO is related to. As of June 30, 2025, the company had been invoiced, net payments, a total of $67,630 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 three and six months ended June 30, 2025 and 2024 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	**2025**	2024
Salaries and benefits	**71,752**	83,333	**133,752**	125,000
Share-based payments	**-**	-	**-**	1,413
Total	**$ 71,752**	$ 83,333	**$ 133,752**	$ 126,413

Outstanding share data as at the date of this Interim MD&A

	Common Shares Issued and Outstanding	Common Shares Purchase Warrants	Common Shares Purchase Options
Balance at June 30, 2025	**295,193,938**	**300,000**	**9,275,000**
Balance at the date of this Interim MD&A	**295,193,938**	**300,000**	**9,275,000**

Risk management

The Company is exposed to a number of risks arising from its use of financial instruments. The Company is or may be subject to certain risks including credit risk, liquidity risk, interest rate risk, and currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Financial instrument risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength.

Individual risks and the Company's approach to managing such risks are discussed as below.

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 $26,077 (December 31, 2024 - $26,077) as an expected credit loss allowance at June 30, 2025 and incurred $nil (2024 - $nil) bad debt expenses during the year 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.

1. Interest rate risk

   The Company's interest rate risk on loans and borrowings has been mitigated by fixing interest rates at the inception of the loans. At June 30, 2025, 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.

2. Currency risk

   The Company has net monetary liabilities denominated in United States dollars, totaling approximately US$1,640,429 at June 30, 2025, 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 $223,607.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the

Company and its financial position. Please refer to the Company's Annual MD&A for year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

1. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
2. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Cautionary Note Regarding Forward Looking Information

This Interim MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this Interim MD&A that addresses activities, events or developments that Solar Alliance or its management expects or anticipates will or may occur in the future constitute forward- looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Solar Alliance and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

This Interim MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to financing risk, market demand, electricity pricing, regulatory policy, supplier risk, installation risk, competitor risk, safety risk, customer service risk, and fraud and cyber risks. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

Forward-looking statements are based on the beliefs, estimates and opinions of Solar Alliance's management on the date the statements are made. Unless otherwise required by law, Solar Alliance expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Solar Alliance does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

Additional Information

Additional information relating to the Company is available for viewing on SEDAR+ at www.sedarplus.ca and on the Company's website at www.solaralliance.com.