Key Events for Q3 2023

About Solar Flow-Through Funds

Since 2012, Solar Flow-Through Funds has been a group of limited partnerships ("LPs") that share the same management team to develop, own, and operate solar power generation projects in the Province of Ontario. These LPs include Solar Flow-Through 2012-I Limited Partnership ("2012-I LP"), Solar Flow-Through 2013-I Limited Partnership ("2013-I LP"), Solar Flow-Through 2014-I Limited Partnership ("2014-I LP"), Solar Flow-Through 2015-I Limited Partnership ("2015-I LP"), Solar Flow-Through 2016-I Limited Partnership ("2016-I LP"), Solar Flow-Through 2017-I Limited Partnership ("2017-I LP"), Solar Flow-Through 2017-A Limited Partnership ("2017-A LP"), Solar Flow-Through 2018-I Limited Partnership ("2018-I LP") and Solar Flow-Through 2018-A Limited Partnership ("2018-A LP").

In 2023, Solar Flow-Through Funds and its management team have begun expanding its portfolio with the addition of battery energy storage systems contracts in Ontario and the exploration of EV charging opportunities in Canada and the US. The company has completed a corporate reorganization to convert its Limited Partnerships into one corporation in preparation for its plans to become publicly listed.

The 450kW DC Van Kirk Project.

Corporate Reorganisation (the "Reorganisation") and Public Listing

Management is pursuing options for a public listing of the Fund in order to maximise stakeholder value and provide ongoing liquidity to the investors in a tax-efficient manner. In preparation for a listing on a Canadian stock exchange, a corporate Reorganisation has been completed. The amalgamation of the nine Limited Partnerships into a consolidated entity (*"Solar Flow-Through Funds Ltd." or "the Company"*) was completed on September 22, 2023.

Reorganising and combining the Fund's nine Limited Partnerships into a single corporate entity also provides significant operational and cost efficiencies in areas including, but not limited to, general and administrative costs, tax planning and compliance, and audit and financial reporting requirements.

Limited partners have received common shares in the Company in exchange for units held in the nine Limited Partnerships. The Fund engaged a Chartered Business Valuator for the purpose of valuing the Fund's business and determining each stakeholder's respective economic interest in the business as of December 31, 2022. Additionally, the Management Companies of the Fund have agreed to receive ownership in the Company in lieu of the management fees owing to the Management Companies. In preparing for a public listing, the Fund has again engaged the Charted Business Valuator to obtain an updated valuation as of September 30, 2023 that will include the Fund's operating solar portfolio, cash, and development pipeline including its ELT-1 Contracts (described below).

600 kW DC FIT 2 Project located in Brampton, Ontario.

In addition to receiving common shares in the Company, the Fund issued Tracking Shares to stakeholders based on each stakeholder's respective interest in Lawsuit #1, Lawsuit #2 and Lawsuit #3 (described below). A Tracking Share is a security that entitles the holder to convert their Tracking Shares into cash or common shares of the Company at a rate to be determined and based on the net proceeds received by the Company, if any, for each of the legal claims. Tracking Shares will also be issued to compensate certain members of the executive teams, boards of directors, employees and shareholders of the Management Companies (collectively, the "Claim Administrators"), for the economic loss suffered as a result of the breaches of certain FIT contracts by IESO (the "Management Legal Claim Entitlement" or "MLCE"). The MLCE is entirely contingent upon a successful outcome of the legal claims and will be paid by the issuance of Tracking Shares to the Claim Administrators.

Management will be working toward a public listing targeted for Q1 2024. Management is considering options for a public listing which include an initial public offering, a direct listing or merging with a listed company. Trading of the common shares will be subject to various hold periods required by regulators, the exchange and as outlined in the Information Circular provided to the limited partners earlier this year.

Commercial Operation of Our Solar Projects

As at September 30, 2023, Solar Flow-Through Funds (the "Fund") has 70 solar photovoltaic generation projects totaling 28.8 MW DC. The projects operate under the Ontario FIT program for a remaining contract period between 12 and 17 years. After the FIT contracts expire, a project may continue generating revenue at the merchant electricity rate. Presently, the projects generate annual revenue and adjusted EBITDA of about $9 million and $6 million, respectively. The Fund is currently focused on improving its operational performance and securing new opportunities to expand its solar photovoltaic portfolio.

Budget, Adjusted and Actual Generation

The table below provides a summary of the portfolio energy performance over the last quarter and over the last twelve months. Budget Performance, Expected Performance and Actual Performance are used to measure and monitor the operating performance of the projects. Budget Performance or ***kWh Budget*** is the amount of energy expected to be generated in kilowatt hours based on the irradiance (i.e., amount of sunlight) that was forecast for each site in each quarter prior to commercial operation. Expected Performance or ***kWh Expected*** is the Budgeted kWh adjusted for the actual irradiance weather conditions at each site within the listed period (i.e., the expected generation based on each project and the actual amount of irradiance for each project). Actual Performance or ***kWh Actual*** is the amount of energy produced in kilowatt hours within the listed period.

Portfolio Summary: Energy Generation Performance

	Q3 2023				
Portfolio	**kWh Actual**	**kWh Budget**	**Budget Performance %**	**kWh Expected**	**Expected Performance %**
Rooftop	5,241,034	5,939,637	88.24%	5,314,647	99%
Ground Mount	5,376,783	5,632,116	95.47%	5,125,783	105%
Total	10,617,817	11,571,752	91.76%	10,440,431	102%
	Last 12 Months (Q3 2023 – Q4 2022)				
	kWh Actual	**kWh Budget**	**Budget Performance %**	**kWh Expected**	**Expected Performance %**
Rooftop	14,016,219	16,320,033	85.88%	14,687,841	95%
Ground Mount	15,800,371	16,933,334	93.31%	14,670,957	108%
Total	29,816,590	33,253,367	88.66%	29,358,798	102%

Project MC-ML81, a 600kW DC ground mount solar project.

The Expected Performance for Q3 2023 across the portfolio was 10,440,431 kWh and lower than the Budget Performance of 11,571,752kWh (i.e., the actual amount of irradiance was slightly less than the budget irradiance for the quarter). The Actual Performance over the last quarter across all sites was 92% of Budget Performance and 102% of Expected Performance.

In Q3 2023, performance across our rooftop sites was within 1% of the Expected Performance while our ground mounted sites exceed the Expected Performance by 5%. Across our rooftop sites, the 240kW DC project that was severely damaged by a windstorm is still operating at 50% of its total capacity, and we are working with engineers on remediating the damaged portion of the solar project.A 300kW DC rooftop project was damaged by a fire caused by a tenant; it is still in remediation, operating at 41% capacity. Multiple projects' generation have been temporarily reduced for buildings to perform roof work in anticipation of the upcoming winter months. These have varied from 5% of the modules being removed up to 50% of the modules being removed at some sites. Additionally, a few sites have had minor inverter faults which are out for repairs/replacements.

Actual Performance at our ground mount sites exceeded Expected Performance with minimal downtime and no major outages. Actual Performance at our ground mount sites were less than Budget Performance due to irradiance being lower than budget for the quarter.

Cost Recovery of Pre-Construction Development Costs ("PCDC")

On July 13, 2018, the Government of Ontario issued a Ministerial order to cancel and wind down 758 renewable energy contracts across the province. Several FIT Contracts belonging to the Fund were cancelled.

Since that time, Management has been focusing on the cost recovery of PCDCs, as provided for pursuant to the terms under the cancelled FIT Contracts. Over the past year, all PCDC submissions have been finalized with executed mutual release agreements, and as of September 30, 2023, we have received approximately $29 million from the IESO.

IESO Expedited Long-Term Request for Proposal ("E-LT1")

In Q3 2022, the Fund qualified to participate under Ontario's Independent Electricity System Operator ("IESO") E-LT1, a program the IESO established to acquire resources to meet Ontario's growing electricity needs. The Fund submitted five battery energy storage ("BESS") projects totaling 20 MW and 80 MWh under the IESO RFP on February 16, 2023. On June 26, 2023, the Fund received notices from the IESO that three of the projects, totaling 15 MW and 60 MWh, and in July 2023, the Fund entered into three E-LT1 Contracts with IESO. The BESS projects are expected to be operational by Q2 2025 and will have a contract term of twenty-two years.

Legal Claims for Improper Termination of FIT Contracts

Lawsuit #1: Termination of FIT Contracts I

On December 2, 2020, a Statement of Claim was filed by the Limited Partnerships and an independent solar project developer against Ontario (Ministry of Energy, Northern Development and Mines) ("**MOE**"), the IESO and John or Jane Doe ("**FIT Claim 1**"). The plaintiffs seek damages from the defendants in the amount of $240 million in lost profits, $17.8 million in development costs, and $50 million in punitive damages for misfeasance of public office, breach of contract, inducing the breach of contract, breach of the duty of good faith and fair dealing, and conspiracy resulting in the wrongful termination of 111 FIT contracts.

Lawsuit #2: Termination of FIT Contracts II

On January 29, 2021, a second Statement of Claim was filed by the Limited Partnerships and an independent solar project developer against the IESO, and on March 5, 2021 a third Statement of Claim was filed by the Limited Partnerships and an independent project developer against Ontario

(MOE) and Gregg Rickford, as Minister of Energy, Northern Development and Mines; a motion will be brought to consolidate these claims into a single action (“**FIT Claim 2**”) and collectively with FIT Claim 1 and the Force Majeure Claim described below, the “**Legal Claims**”). The plaintiffs seek damages from the defendants in the amount of $260 million in lost profits, $26.9 million in development costs, and $50 million in punitive damages for the wrongful termination of 133 FIT contracts. The January 29, 2021 and March 5, 2021 Statements of Claim are separate and in addition to the December 2, 2020 Statement of Claim filed and outlined above under FIT Claim 1.

Lawsuit #3: Force Majeure

The Fund’s force majeure claims in respect of six FIT 5 Contracts that encountered environmental permitting issues were rejected by the IESO. Subsequent to an ineffectual dispute resolution process and the IESO terminating the six Contracts, the Fund filed a legal claim to seek damages in the amount of $15 million for breach of contract against the IESO on December 2, 2020. Discovery and examinations for the legal claim occurred in November 2021. There were a number of undertakings to be provided by both parties from the discovery and these have been prepared and provided to opposing counsel. The trial dates for this claim have now been scheduled for March 2024.

Lawsuit #4: Breach of Contract by Landlord

On September 3, 2020, a fire occurred in a commercial building on which one of the Fund’s FIT 2 rooftop projects is located. The fire caused extensive damage to the roof, and equipment was dismantled for storage. On October 1, 2020, the Electrical Safety Authority gave us its approval to reconnect the project. We reconnected 54% of equipment, which was located on undamaged sections of the roof. After numerous attempts to communicate with the landlord (the “Defendant”) at this site, we have not yet been able to rebuild our project on the section of the roof that was damaged. An insurance claim has been completed, and a legal claim has been filed to seek damages in the amount of $2.5 million for breach of contract by the Defendant.

Net Asset Value

The fair market values of the limited partnerships were updated as of Q4 2022. The Fund has engaged a Charted Business Valuator to obtain an updated valuation as of September 30, 2023 that will include the Company’s operating solar portfolio, cash, and development pipeline. The updated fair market value as of Q3 2023 will be made available at https://solarflowthrough.com/limited-partnerships/net-asset-value. If you have any questions regarding the Reorganisation and the value of your investment in the Company, please contact us at info@solarflowthrough.com.

Forward-Looking Information

This unitholder update contains forward-looking information within the meaning of applicable securities legislation, including statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projection and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, as well as statements regarding our strategic plan, our commitment to maintaining or reducing the current distribution policy, a potential unit buyback program, the effects of not paying management fees in units on our cash flows and our ability to pay distributions. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Management’s control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general and local economic and business conditions including foreign exchange rates, employment levels, mortgage and interest rates and regulations, the uncertainties around the timing and amount of future financings, regulatory risks, environmental risks, consumer confidence, the financial condition of tenants and borrowers, local real estate conditions, adverse weather conditions and variability in solar irradiation, reliance on key clients, partners and personnel, the uncertainties of acquisitions and new projects, inflation and competition. All forward-looking information in this unitholder update speaks as of June 30, 2020. Management does not undertake to update any such forward looking information whether as a result of new information, future events or otherwise.

SOLAR
FLOW-THROUGH FUNDS

Head Office
900-570 Granville St.
Vancouver, BC V6C 3P1
T 604.682.3701

info@solarflowthrough.com
www.solarflowthrough.com