solar alliance

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

These condensed consolidated interim financial statements of Solar Alliance Energy Inc. have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

SOLAR ALLIANCE ENERGY INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		$ 17,707	$ 130,526
Receivables		128,415	84,931
Due from related party	*10*	234,000	217,800
Prepaid expenses		366,399	32,332
Work in process		-	203,365
		746,521	668,954
Non-current assets			
Deposits	*4*	79,235	48,552
Equipment	*5*	7,619	31,266
Goodwill		2,802,518	2,802,518
Intangible assets	*6*	1,126,473	-
		4,015,845	2,882,336
		$ 4,762,366	$ 3,551,290
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade and other payables		$ 4,734,685	$ 4,572,352
Loans and borrowings	*7*	990,169	863,151
Customer deposits		56,441	193,455
Provisions	*8*	77,500	77,500
		5,858,795	5,706,458
Provisions	*8*	101,762	101,762
		5,960,557	5,808,220
Shareholders' deficiency			
Share capital	*9*	38,911,342	36,654,533
Contributed surplus	*9*	11,130,912	11,017,571
Warrants	*9*	1,700,023	311,654
Share subscriptions	*9*	240,000	-
Accumulated other comprehensive income		26,706	(738,596)
Deficit		(53,207,174)	(49,502,092)
		(1,198,191)	(2,256,930)
		$ 4,762,366	$ 3,551,290

Nature of operations and going concern	*1*
Subsequent events	*13*
Proposed transaction	*14*

These condensed consolidated interim financial statements are approved for issue by the Board of Directors of the Company on November 27, 2017.

Signed on the Company's behalf by:

"Jason Bak" Director "David Lamont" Director

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

SOLAR ALLIANCE ENERGY INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian dollars)

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue		$ 574,103	$ 1,785,334	$ 2,492,294	$ 4,600,127
Cost of goods sold		(373,944)	(1,204,257)	(1,488,715)	(3,078,024)
		200,159	581,077	1,003,579	1,522,103
Operating and selling expenses					
Depreciation	5	18,990	2,877	22,357	8,702
Bad debt		(270)	-	12,936	-
Consulting fees		235,243	108,240	442,055	429,940
Insurance and filing fees		30,562	40,492	136,414	148,546
Marketing and advertising		187,232	176,428	909,254	899,770
Office, rent and utilities		164,429	106,099	456,827	345,252
Professional fees		87,617	112,514	191,016	210,497
Salary and benefits		278,965	474,099	1,195,885	1,267,706
Share-based compensation	9	151,949	140,000	236,545	140,000
Travel and related		30,860	56,032	186,855	155,047
		(1,185,577)	(1,216,781)	(3,790,144)	(3,605,460)
Loss before undernoted		(985,418)	(635,704)	(2,786,565)	(2,083,357)
Other income (expenses)					
Gain on forgiveness of trade and other payables		-	-	-	1,099,769
Loss on sale of assets held for sale		-	-	-	(4,352)
		-	-	-	1,095,417
Loss from operations		(985,418)	(635,704)	(2,786,565)	(987,940)
Net finance income (expense)					
Interest income	10	16,200	-	16,200	2
Interest expense	7	233,673	(172,752)	(206,009)	(474,973)
Foreign exchange		(281,339)	(44,006)	(728,708)	(50,924)
		(31,466)	(216,758)	(918,517)	(525,895)
Loss for the period		(1,016,884)	(852,462)	(3,705,082)	(1,513,835)
Other comprehensive loss					
Change in accumulated foreign exchange		314,518	(1,804)	765,302	(57,879)
Comprehensive loss for the period		$ (702,366)	$ (854,266)	$ (2,939,780)	$ (1,571,714)
Basic and diluted loss per common share					
Basic		$ (0.01)	$ (0.01)	$ (0.05)	$ (0.03)
Diluted		(0.01)	(0.01)	(0.05)	(0.03)
Weighted average number of common shares outstanding					
Basic		92,921,250	61,630,960	78,123,221	56,672,833
Diluted		93,670,531	66,990,100	78,837,326	57,139,500

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

SOLAR ALLIANCE ENERGY INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollars)

	Nine months ended September 30, 2017	2016
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	$ (3,705,082)	$ (1,513,835)
Items not affecting cash:		
Depreciation	22,357	8,702
Share-based compensation	236,545	140,000
Gain on forgiveness of trade and other payables	-	(1,099,769)
Accrued interest income	(16,200)	-
Accrued interest expense	94,621	-
Unrealilzed foreign exchange	756,959	474,973
	(2,610,800)	(1,989,929)
Changes in non-cash working capital items:		
Receivables	(43,484)	15,888
Prepaid expenses	(34,067)	(31,178)
Work in process	203,365	(61,999)
Trade and other payables	162,333	(1,646,224)
Customer deposits	(137,014)	(109,475)
Net cash used in operating activities	(2,459,667)	(3,822,917)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of assets held for sale	-	169,588
Acquisition of intangible assets	(1,126,473)	-
Deposits	(30,683)	(12,531)
Net cash provided by (used in) investing activities	(1,157,156)	157,057
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	2,703,293	706,583
Share issue costs	(145,319)	-
Share subscriptions	240,000	10,000
Exercised of options	291,000	-
Exercised of warrants	373,000	-
Loans repaid	(27,500)	(609,544)
Loans received	69,530	472,500
Interest and financing fees paid	-	(16,260)
Net cash provided by financing activities	3,504,004	563,279
Decrease in cash during the period	(112,819)	(3,102,581)
Cash, beginning of period	130,526	3,272,962
Cash, end of period	$ 17,707	$ 170,381
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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

SOLAR ALLIANCE ENERGY INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Share Subscriptions	Accumulated Other Comprehensive Income	Deficit	Total Shareholders ' Deficiency
Balance, December 31, 2015	-	$ 36,031,974	$ 10,923,493	$ 24,861	$ -	$ (537,770)	$(46,314,327)	$ 128,231
Issuance of shares	-	706,583	-	-	-	-	-	706,583
Share subscriptions	-	-	-	-	10,000	-	-	10,000
Fair value of warants issued	-	(248,070)	-	248,070	-	-	-	-
Warrants expired	-	-	18,011	(18,011)	-	-	-	-
Share-based compensation	-	-	140,000	-	-	-	-	140,000
Comprehensive loss for the period	-	-	-	-	-	(57,879)	(1,513,835)	(1,571,714)
Balance, September 30, 2016	-	$ 36,490,487	$ 11,081,504	$ 254,920	$ 10,000	$ (595,649)	$(47,828,162)	$ (586,900)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Share Subscriptions	Accumulated Other Comprehensive Income	Deficit	Total Shareholders ' Deficiency
Balance, December 31, 2016	65,237,787	$ 36,654,533	$ 11,017,571	$ 311,654	$ -	$ (738,596)	$(49,502,092)	$ (2,256,930)
Issuance of shares	22,505,998	1,651,608	-	1,371,685	-	-	-	3,023,293
Share issue costs	-	(239,399)	-	74,080	-	-	-	(165,319)
Share subscriptions	-	-	-	-	240,000	-	-	240,000
Exercise of options	2,800,000	291,000	-	-	-	-	-	291,000
Fair value of options exercised	-	123,204	(123,204)	-	-	-	-	-
Exercise of warrants	3,730,001	373,000	-	-	-	-	-	373,000
Fair value of warrants exercised	-	57,396	-	(57,396)	-	-	-	-
Share-based compensation	-	-	236,545	-	-	-	-	236,545
Comprehensive loss for the period	-	-	-	-	-	765,302	(3,705,082)	(2,939,780)
Balance, September 30, 2017	94,273,786	$ 38,911,342	$ 11,130,912	$ 1,700,023	$ 240,000	$ 26,706	$(53,207,174)	$ (1,198,191)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Solar Alliance Energy Inc. ("Solar Alliance" or the "Company") has been involved in renewable energy since its inception in 2005. Solar Alliance markets, sells and installs residential rooftop solar systems primarily in the San Diego and Los Angeles, California markets. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "SAN".

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As of September 30, 2017, the Company had a working capital deficiency of $5.1 million and is in default on a loan payable (Note 7). Subsequent to September 30, 2017, the Company began negotiating a convertible note for proceeds of $2,000,000 (Note 13). Management estimates that these funds along with current cash inflows from operations are not currently sufficient to sustain the Company's operational expenditures and to pay the Company's debts and obligations as they become due. Management of the Company intends to address the working capital deficiency through a combination of revenue growth, reduced expenses, the potential sale of its remaining wind assets and injections of capital through share issuances. There can be no assurance that management's plans will be successful or that the Company will be able to obtain the financial resources necessary. he 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.

These condensed consolidated interim financial statements do not reflect any adjustments that would be necessary to the carrying value of its assets and liabilities, its reported expenses, and the statement of financial position, and the classifications used, should the Company conclude that the going concern assumption is not appropriate. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at the date the Board of Directors approved these interim financial statements for issue.

These interim financial statements do not include all of the information and disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017.

2. BASIS OF PRESENTATION (continued)

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency of Solar Alliance of America, Inc. and the Company's Irish subsidiary, Finavera Renewables (Ireland) Limited, is the US Dollar and Euro, respectively.

Use of estimates and judgments

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Significant areas requiring the use of judgement relate to the assessment of the Company's ability to continue as a going concern and the Company's ability to utilize tax losses and the rates at which those losses will be realized. Information about significant areas requiring the use of management estimates are included in the relevant notes for the following estimates: the measurement of any goodwill impairment, valuation of intangible assets, and the calculation of the fair values of stock-based compensation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended December 31, 2016.

New standards, interpretations and amendments not yet effective

The following new accounting standards have been issued but have not been adopted by the Company for the nine month period ended September 30, 2017. The Company does not expect to adopt these standards until their mandatory effective dates and is currently assessing the impact that these standards will have on its condensed consolidated financial statements.

IFRS 9 - Financial Instruments

IFRS 9 will replace the multiple classification and measurement models of IAS 39, Financial Instruments; Recognition and Measurement, with a single model that has only two classifications: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities and provides a new general hedge account standard. The mandatory effective date of IFRS 9 for the Company is January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 is effective for the Company on January 1, 2018 and earlier application is permitted. IFRS 15 will replace IAS 18, Revenue, and a number of related standards and interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16, Leases. The new standard is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease and transitional provisions have been provided.

(Unaudited – Expressed in Canadian dollars)

4. DEPOSITS

	September 30, 2017	December 31, 2016
BC License of Occupation security deposits *	$ 19,000	$ 19,000
Office lease deposit	60,235	29,552
Total	$ 79,235	$ 48,552

* The Company has $19,000 on deposit with the BC Ministry of Forests, Lands, and Natural Resource Operations in respect of its remaining licenses of occupation. The funds are being held in a non-interest bearing trust by the Provincial Treasury.

5. EQUIPMENT

	Vehicles	Office Furniture and equipment	Computer	Total
Cost				
At December 31, 2017	$ 21,483	$ 17,128	$ 68,582	$ 107,193
Additions	-	-	-	-
Disposals	(19,968)	(1,841)	(65,841)	(87,650)
Foreign exchange	(1,515)	(793)	-	(2,308)
At September 30, 2017	$ -	$ 14,494	$ 2,741	$ 17,235
Accumulated depreciation				
At December 31, 2017	$ 8,793	$ 7,828	$ 59,306	$ 75,927
Depreciation for the period	11,920	2,150	8,287	22,357
Disposals	(19,968)	(1,841)	(65,841)	(87,650)
Foreign exchange	(745)	(273)	-	(1,018)
At September 30, 2017	$ -	$ 7,864	$ 1,752	$ 9,616
Carrying amounts				
At December 31, 2017	$ 12,690	$ 9,300	$ 9,276	$ 31,266
At September 30, 2017	$ -	$ 6,630	$ 989	$ 7,619

(Unaudited – Expressed in Canadian dollars)

6. INTANGIBLE ASSTES

In April 2017, the Company completed the acquisition of certain assets of a U.S. solar company (the "Seller"), being the Seller's team of employees and acquired the Seller's pipeline of in-process residential solar projects.

In consideration, Solar Alliance paid the Seller $1,099,787 (US$824,242) cash.

In addition, Solar Alliance agreed to make contingent payments of up to US$2,000,000 subject to the following payment waterfall:

- Prior to any payment to the Seller, Solar Alliance will be repaid any working capital injected by Solar Alliance, plus an agreed upon return on that capital;
- Once the working capital and working capital return have been paid to Solar Alliance, Solar Alliance will then receive all profit from the Seller up to a 6% net profit threshold; and
- For profit in excess of the 6% net profit threshold, 50% will be paid to the Seller until such time as the US$2,000,000 contingent payment is fulfilled. 50% of profits above the 6% net profit threshold will be paid to Solar Alliance.

There is also a provision for an additional US$2,000,000 contingent payment to the Seller, subject to the same waterfall described above, if revenue from the Seller exceeds US$50,000,000 in any fiscal year.

The acquisition was accounted for as follows:

Consideration given up		
Cash	$	1,099,787
Transaction costs		26,686
Total	$	1,126,473

Net assets received		
Intangible assets	$	1,126,473
Total	$	1,126,473

The fair value of the contingent consideration was determined to be $Nil based on management's best estimates of the amounts expected to be payable pursuant to the agreement.

7. LOANS AND BORROWINGS

	September 30, 2017	December 31, 2016
Loan (a)	$ 131,131	$ 132,627
Demand loan (b)	535,350	479,129
Related party loan (c)	323,688	251,395
Total	$ 990,169	$ 863,151

(Unaudited – Expressed in Canadian dollars)

7. LOANS AND BORROWINGS (continued)

(a) In October 2007, the Company guaranteed a loan from a third party to a former subsidiary in the amount of US$65,000. Interest began accruing in October 2010 at a rate of 8.5% per annum. The loan is unsecured and due on demand. During the nine months ended September 30, 2017, the Company accrued interest of $7,859 and recorded a foreign exchange gain on the loan of $9,355.

(b) During 2012, the Company issued an unsecured promissory note for $1,000,000 bearing interest at 1.0% per annum that was payable on September 30, 2012. On August 28, 2014, the Company received a claim filed in the Supreme Court of British Columbia seeking to enforce payment of this note. On May 7, 2015, the parties entered into an agreement whereby the loan was to be fully settled by paying $850,000 at the time the Company receives the proceeds due in respect of the 2010 sale of the Cloosh Project, with interest accruing at 5% per annum from January 1, 2015 to March 31, 2015, and 10% per annum thereafter. On February 12, 2016, the payment terms were amended and required the Company to make a payment of $200,000 on February 15, 2016 and $100,000 of the first day of each month thereafter until fully repaid. The Company paid $500,000 in principal and interest during the year ended December 31, 2016. The Company is in default of the amended payment terms at September 30, 2017 as no payment has been made since May 2016. As a result, the interest rate from May 2016 is 15% per annum and the balance is payable on demand. During the nine months ended September 30, 2017, the Company accrued interest of $56,221.

(c) The Company received a loan from an officer of the Company. The loan bears interest at 15% per annum, which is repayable two years from the date of advance, or at an earlier date at the Company's option with no penalty, and is secured by certain assets of the Company and its subsidiaries. The loan has been classified as current as the Company expects to repay the balance in 2017. During the nine months ended September 30, 2017, the Company received an additional $69,530, repaid $27,500 and recorded interest of $30,263.

8. PROVISIONS

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	September 30, 2017	December 31, 2016
Asset retirement obligations	$ 101,762	$ 101,762
Other provisions	77,500	77,500
	179,262	179,262
Less current portion	(77,500)	(77,500)
Total	$ 101,762	$ 101,762

The Company has recorded asset retirement obligations associated with the future decommissioning of weather monitoring equipment situated on the former Wildmare Wind Energy Project site.

9. SHARE CAPITAL

a) Authorized share capital

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

b) Issued share capital

At September 30, 2017, the Company had 94,273,786 common shares issued and outstanding (December 31, 2016 – 65,237,787). A summary of changes in share capital and reserves is contained on the consolidated statements of changes in equity for the nine months ended September 30, 2017 and 2016.

During the nine months ended September 30, 2017, the Company issued the following shares:

i) In April 2017, the Company issued 8,064,332 units at a price of $0.16 per unit for gross proceeds of $1,290,293. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.25 for a period of 3 years. The Company determined the fair value of the warrants to be $537,234 and recorded this amount in warrants within equity with the difference between the cash proceeds received and the value of the warrants recorded in share capital.

   The Company paid finder's fees of $87,319 in cash and issued 545,747 finder's warrants valued at $36,357 in connection with the private placement.

   The warrants and the finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.93%; an expected volatility of 114%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

ii) In June 2017, the Company issued 7,208,333 units at a price of $0.12 per unit for gross proceeds of $865,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.18 for a period of 3 years. The Company determined the fair value of the warrants to be $531,445 and recorded this amount in warrants within equity with the difference between the cash proceeds received and the value of the warrants recorded in share capital.

   The Company paid finder's fees of $48,000 in cash and issued 400,000 finder's warrants valued at $29,491 in connection with the private placement.

   The warrants and the finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.10%; an expected volatility of 114%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

b) Issued share capital (continued)

iii) In July 2017, the Company issued 7,066,666 units at a price of $0.12 per unit for gross proceeds of $848,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of price of $0.18 for a period of 3 years. The Company determined the fair value of the warrants to be $303,006 and recorded this amount in warrants within equity with the difference between the cash proceeds received and the value of the warrants recorded in share capital.

The Company paid finder's fees of $10,000 in cash, issued 166,667 finder's shares valued at $20,000, and issued 192,000 finder's warrants valued at $8,232 in connection with the private placement.

The warrants and the finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.15%; an expected volatility of 112%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

In addition, the Company received proceeds of $240,000 that have been included in share subscriptions as at September 30, 2017.

c) Warrants

The continuity of warrants for the nine months ended September 30, 2017 is as follows:

Expiry date	Exercise price	Balance, December 30, 2016	Granted	Exercised	Expired/ cancelled	Balance, September 30, 2017
May 17, 2018	$0.10	8,279,757	-	-	-	8,279,757
June 18, 2018	$0.10	1,814,286	-	(1,814,286)	-	-
December 9, 2018	$0.10	3,001,857	-	(1,915,815)	-	1,086,042
April 27, 2020	$0.25	-	8,610,079	-	-	8,610,079
June 13, 2020	$0.18	-	7,608,333	-	-	7,608,333
July 6, 2020	$0.35	-	7,258,666	-	-	7,258,666
		13,095,900	23,477,078	(3,730,101)	-	32,842,877
Weighted average exercise price		$0.10	$0.26	$0.10	$0.00	$0.21

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

d) 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.

The continuity of stock options for the nine months ended September 30, 2017 is as follows:

Expiry date	Exercise price	Balance, December 30, 2016	Granted	Exercised	Expired/ cancelled	Balance, September 30, 2017
January 31, 2019	$0.085	1,284,000	-	-	-	1,284,000
December 15, 2020	$0.070	2,050,000	-	-	(50,000)	2,000,000
September 19, 2021	$0.075	2,500,000	-	(1,000,000)	(1,500,000)	-
January 29, 2019	$0.075	-	250,000	-	-	250,000
April 5, 2022	$0.195	-	750,000	-	-	750,000
July 8, 2022	$0.105	-	500,000	-	-	500,000
August 4, 2022	$0.110	-	1,800,000	(1,800,000)	-	-
		5,834,000	3,300,000	(2,800,000)	(1,550,000)	4,784,000
Weighted average exercise price		$0.075	$0.126	$0.098	$0.075	$0.098

At September 30, 2017, all stock options were exercisable.

e) Share-based compensation

During the nine months ended September 30, 2017, the Company recorded $236,545 of share-based compensation for options that vested during the period.

On August 4, 2017, the Company granted 1,800,000 stock options to a consultant exercisable for a period of five years at an exercisable price of $0.11 per share. The fair value of the options was calculated to be $123,202, which has been recognized as share-based compensation as the options fully vested on the grant date. The options were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.43%; an expected volatility of 110%; an expected life of 2.5 years; a forfeiture rate of zero; and an expected dividend of zero

On July 6, 2017, the Company granted 500,000 stock options to a consultant exercisable for a period of five years at a price of $0.105 per share. The fair value of the options was calculated to be $28,746, which has been recognized as share-based compensation as the options fully vested on the grant date. The options were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.72%; an expected volatility of 114%; an expected life of 2.5 years; a forfeiture rate of zero; and an expected dividend of zero.

9. SHARE CAPITAL (continued)

e) Share-based compensation (continued)

On April 5, 2017, the Company granted 750,000 stock options to a consultant exercisable for a period of five years at a price of $0.195 per share. The fair value of the options was calculated to be $72,088, which has been recognized as share-based compensation as the options fully vested on the grant date. The options were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.72%; an expected volatility of 114%; an expected life of 2.5 years; a forfeiture rate of zero; and an expected dividend of zero.

On January 15, 2017, the Company granted 250,000 stock options to a consultant exercisable for a period of two years at a price of $0.075 per share. The fair value of the options was calculated to be $12,509, which has been recognized as share-based compensation as the options fully vested on the grant date. The options were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.74%; an expected volatility of 97%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero.

10. RELATED PARTY TRANSACTIONS

In addition to related party transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the following transactions and balances occurred during the period with related parties:

(a) Amounts owing to related parties as at September 30, 2017 are $253,291 (December 31, 2016 - $334,430) in respect of fees charged by related parties, including key management personnel and expenses incurred by directors. These amounts are included in trade and other payables on the statement of financial position and are non-interest bearing.

(b) The sale of the certain wind projects in British Columbia in 2014 constituted the material operating assets of the Company which triggered contractual payments of $660,000 to certain officers. At September 30, 2017, an amount of $270,000, plus accrued interest of $45,000 (December 31 2016 - $270,000 plus accrued interest of $28,800) is payable to one officer and remains accrued in trade and other payables. Interest of $16,200 was accrued on those payments during the nine months ended September 30, 2017.

(c) At September 30, 2017, an amount of $234,000 was due from a company controlled by an officer of the Company (December 31, 2016 - $217,800), comprised of a loan of $180,000 plus accrued interest at 12% per annum. During the nine month ended September 30, 2017, interest income of $16,200 was accrued on this loan. The balance receivable is to be offset against the contractual payment described above (note 11b) upon settlement.

All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

In addition to their salaries, from time to time the Company also provides non-cash benefits to directors and executive officers, including share based compensation (Note 9).

(Unaudited – Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (continued)

Compensation charged by key management personnel including the Chief Executive Officer, President, Chief Financial Officer, Chief Marketing Officer and the Board of Directors is set out below:

	Three months ended September 30,				Nine months ended September 30,			
		2017		2016		2017		2016
Consulting fees	$	114,090	$	78,570	$	342,270	$	356,470
Salaries and benefits		73,063		147,873		327,030		147,843
	$	187,153	$	226,443	$	669,300	$	504,313

11. SEGMENTED INFORMATION

As at and for the nine months ended September 30, 2017

		U.S.A.		Ireland		Canada		Total
Total assets	$	4,094,987	$	6,405	$	660,974	$	4,762,366
Non-current assets		3,990,694		-		25,151		4,015,845
Total revenue		2,492,294		-		-		2,492,294
Noet Loss		(1,857,560)		-		(1,847,522)		(3,705,082)

As at and for the nine months ended September 30, 2016

		U.S.A.		Ireland		Canada		Total
Total assets	$	6,274,355	$	6,402	$	278,378	$	6,559,135
Non-current assets		5,761,542		-		34,954		5,796,496
Total revenue		4,600,127		-		-		4,600,127
Noet Loss		(1,405,752)		(34,373)		(73,710)		(1,513,835)

At September 30, 2017, non-current assets in the United States includes goodwill of $2,802,518 (September 30, 2016 - $5,718,129).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments measured at fair value or for which fair value is disclosed are categorized within a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value of financial instruments, as follows:

- Level 1: quoted prices (unadjusted) in active markets or identical assets or liabilities;
- Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial Instruments (continued)

As at September 30, 2017 and December 31, 2016, the Company does not have any financial instruments measured at fair value. The fair values disclosed below for loans and borrowings is classified as Level 2.

The carrying values of the Company's cash, receivables, deposits, trade and other payables and customer deposits approximate their fair values because of their short term to maturity and/or the interest rates being charged. The fair value of the Company's loans and borrowings that are payable on demand, or that are past due, approximate their carrying value due to their short-term to maturity. The fair value of the Company's other loans and borrowings is estimated to not differ materially from the carrying value due to the terms to maturity, loan security and the interest rates being charged.

Risk management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2016.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company completed the following transactions:

a) In November 2017, the Company completed the acquisition of Aries Solar, LLC ("Aries"), an established commercial solar company that is licensed to operate in four Southeast US. States. The Company acquired all the assets of Aries, including a pipeline of commercial projects from Thompson Machinery Commerce Corporation ("Thompson Machinery"). In consideration, Thompson Machinery will receive an earnout payment of 20% of net income from the current Aries project pipeline up to a maximum of US$1,000,000. Commercial projects signed after the acquisition are not subject to the net income allocation.

b) In November 2017, the Company began negotiating a convertible loan agreement with a lender for $2,000,000 (the "Loan") to fund its ongoing residential and commercial solar operations and expansion plans. The Loan has a term of one year and will bear an interest at a rate of 12% per annum, with interest and principle payable on the maturity date. The Lender shall have the option at any time of converting all or some of any outstanding principle or interest into shares of the Company. The conversion price is $0.08 per share. Any securities issued under the proposed loan transaction will be subject to a four-month hold period from the date of the issue of any shares.

14. PROPOSED TRANSACTION

On December 4, 2017 (the "SH Meeting"), the Company's shareholders will be asked to vote on a corporate reorganization transaction (the "Arrangement") which will see Solar Alliance transfer its business to a new corporate entity with the same assets, name, board and management but with an additional $1,400,000 in cash which Solar Alliance will have received for the sale of its non-core assets being the Bullmoose Wind Energy Project and a 15% interest in the Wildmare Wind Energy Project and certain other development stage wind assets located in British Columbia. The Arrangement will be completed by way of a plan of arrangement, which requires approval of shareholders and the British Columbia Supreme court. The Arrangement is fully described in the information circular supporting the shareholder meeting and is filed on the Company's profile on www.sedar.com.

If the SH Meeting is held as scheduled and not adjourned, the Arrangement resolution is passed and the other necessary conditions at that point in time are satisfied or waived, Solar alliance will apply for the Final Order approving the Arrangement and it is expected that the Effective Date will be on or about December 11, 2017.

If the Arrangement becomes effective Solar Alliance will receive $1,400,000 before costs for the sale of the non-core assets and will retain an 85% interest in Wildmare Wind Energy LP. Wildmare's primary asset is a 77.4 MW project located 4.5 km northwest of Chetwynd, B.C. Costs of the transaction and the Arrangement are expected to be approximately $120,000.