
SOLAR ALLIANCE ENERGY INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2020
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Solar Alliance Energy Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Solar Alliance Energy Inc.

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

	As at June 30, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 61,300	\$ 45,634
Accounts receivable and other assets	259,031	493,643
Due from related party	281,400	288,000
Prepaid expenses and deposits	19,192	3,706
Work in process	127,976	426,806
Total current assets	748,899	1,257,789
Non-current assets		
Deposits (note 3)	25,082	25,169
Equipment (note 5)	11,272	20,311
Right-of-use assets (note 4)	28,478	45,234
Total non-current assets	64,832	90,714
Total assets	\$ 813,731	\$ 1,348,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables (notes 6 and 15)	\$ 5,109,842	\$ 5,135,192
Customer deposits	100,222	531,530
Contingent consideration	58,342	58,342
Current portion of lease liability (note 7)	31,715	38,862
Loans and borrowing (note 8)	811,492	758,857
Total current liabilities	6,111,613	6,522,783
Non-current liabilities		
Lease liability (note 7)	-	9,715
Asset retirement obligations	101,762	101,762
Total liabilities	6,213,375	6,634,260
Shareholders' deficiency		
Share capital (note 9)	43,419,814	43,230,210
Reserves (notes 11 and 10)	12,906,546	13,826,269
Accumulated other comprehensive income (loss)	(159,954)	15,902
Deficit	(61,566,050)	(62,358,138)
Total shareholders' deficiency	(5,399,644)	(5,285,757)
Total liabilities and shareholders' deficiency	\$ 813,731	\$ 1,348,503

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

Nature of operations and going concern (note 1)

These consolidated financial statements are approved for issue by the Board of Directors of the Company on August 25, 2020. Signed on the Company's behalf by:

"Jason Bak"
Director

"Michael Clark"
Director

Solar Alliance Energy Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues	\$ 1,361,937	\$ 686,873	\$ 1,987,225	\$ 900,420
Cost of services	(1,271,584)	(604,533)	(1,457,875)	(709,477)
	90,353	82,340	529,350	190,943
Operating and selling expenses				
Depreciation (notes 5 and 4)	21,759	9,374	29,027	18,690
Consulting fees	111,438	92,500	164,355	206,694
Insurance and filing fees	14,558	46,024	46,565	68,005
Marketing and advertising	7,398	3,474	9,967	10,620
Office, rent and utilities	48,855	115,462	112,531	177,457
Professional fees (note 15)	16,737	14,065	30,475	50,101
Salaries and benefits (note 15)	222,500	206,141	476,562	386,848
Share-based payments (note 11)	-	666,210	49,328	666,210
Travel and related	420	9,264	3,075	18,161
	443,665	1,162,514	921,885	1,602,786
Gain on settlement of trade and other payables	-	-	33,500	-
Other (expense) income	-	-	33,500	-
Loss from operations for the period	(353,312)	(1,080,174)	(359,035)	(1,411,843)
Net finance income (expense)				
Interest expense	(28,533)	(19,391)	(53,927)	(63,650)
Interest income	6,263	5,400	13,606	10,800
Foreign exchange	(196,095)	(90,923)	222,393	(123,649)
	(218,365)	(104,914)	182,072	(176,499)
Net loss for the period	(571,677)	(1,185,088)	(176,963)	(1,588,342)
Other comprehensive income (loss)				
Change in accumulated foreign exchange translation adjustment	251,904	128,807	(175,856)	251,624
Comprehensive loss for the period	\$ (319,773)	\$ (1,056,281)	\$ (352,819)	\$ (1,336,718)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	224,060,179	210,720,026	218,866,455	180,916,047

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

Solar Alliance Energy Inc.

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities		
Net loss for the period	\$ (176,963)	\$ (1,588,342)
Adjustments for non-cash items:		
Depreciation	29,027	18,690
Share-based payments	49,328	666,210
Gain on settlement of trade and other payables	(33,500)	-
Interest on lease liability	53,927	52,850
Net finance expense	8,069	-
Unrealized foreign exchange	(16,420)	246,482
Changes in non-cash working capital items:		
Receivables	234,612	(97,835)
Prepaid expenses and deposits	(15,486)	10,292
Work in process	298,830	(243,027)
Trade and other payables	25,350	97,617
Customer deposits	(431,308)	206,689
Net cash used in operating activities	25,466	(630,374)
Financing activities		
Private placements	-	373,238
Share issue costs	-	(18,710)
Exercise of options	-	35,000
Lease liability payments	(16,500)	-
Loans received	6,700	267,000
Loans repaid	-	(62,944)
Net cash provided by (used in) financing activities	(9,800)	593,584
Net change in cash and cash equivalents	15,666	(36,790)
Cash and cash equivalents, beginning of period	45,634	77,888
Cash and cash equivalents, end of period	\$ 61,300	\$ 41,098

Supplemental cash flow informaton (note 13)

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

Solar Alliance Energy Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Number of shares	Share Capital	Obligation to issue shares	Reserves	Equity Component of Convertible Loan	Accumulated Other Comprehensive Income (loss)	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2018	96,323,786	\$ 39,481,772	\$ 76,000	\$ 12,919,692	\$ 52,174	\$ (293,298)	\$ (59,593,764)	\$ (7,357,424)
Issuance of shares for loans and borrowings	92,601,416	2,761,827	-	-	(52,174)	-	-	2,709,653
Issuance of shares for trade and other payables	7,297,920	364,896	-	-	-	-	-	364,896
Exercise of options	500,000	65,000	-	(30,000)	-	-	-	35,000
Private placement	14,974,598	308,895	(76,000)	137,848	-	-	-	370,743
Share-based compensation	-	-	-	666,210	-	-	-	666,210
Comprehensive loss for the year	-	-	-	-	-	251,624	(1,588,342)	(1,336,718)
Balance, June 30, 2019	211,697,720	\$ 42,982,390	\$ -	\$ 13,693,750	\$ -	\$ (41,674)	\$ (61,182,106)	\$ (4,547,640)

	Number of shares	Share Capital	Obligation to issue shares	Reserves	Equity Component of Convertible Loan	Accumulated Other Comprehensive Income (loss)	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2019	217,369,386	\$ 43,230,210	\$ -	\$ 13,826,269	\$ -	\$ 15,902	\$ (62,358,138)	\$ (5,285,757)
Issuance of shares for trade and other payables	6,690,793	189,604	-	-	-	-	-	189,604
Warrants cancelled	-	-	-	(969,051)	-	-	969,051	-
Share-based payments	-	-	-	49,328	-	-	-	49,328
Comprehensive income for the year	-	-	-	-	-	(175,856)	(176,963)	(352,819)
Balance, June 30, 2020	224,060,179	\$ 43,419,814	\$ -	\$ 12,906,546	\$ -	\$ (159,954)	\$ (61,566,050)	\$ (5,399,644)

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

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of business and going concern

Solar Alliance Energy Inc. (“Solar Alliance” or the “Company”) is incorporated under the laws of British Columbia and is an energy solutions provider focused on residential, commercial and industrial solar installations in the United States of America. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “SOLR”.

The Company’s corporate office is located at 82 Richmond Street East, Toronto, ON, M5C 1P1.

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, 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.

As at June 30, 2020, the Company had an accumulated deficit of \$61,566,050 (December 31, 2019 - \$62,358,138). Comprehensive loss for the six months ended June 30, 2020 was \$352,819 (six months ended June 30, 2019 - \$1,336,718). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the financing necessary to fund its planned revenue growth and working capital requirements.

2. Significant accounting policies

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 25, 2020.

(b) 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.

(c) Basis of measurement

These consolidated 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.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(d) 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) 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 financial year and are, but are not limited to, the following:

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.

(ii) Critical accounting judgments

Determination of functional currency

The functional currency for 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.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

2. Significant accounting policies (continued)

(d) *Use of accounting assumptions, estimates and judgments (continued)*

(ii) Critical accounting judgments (continued)

Determination of CGUs

A cash generating unit (“CGU”) is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

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.

3. Deposits

	As at June 30, 2020	As at December 31, 2019
BC Licence of Occupation security deposits (i)	\$ 19,000	\$ 19,000
Office lease deposit	6,082	6,169
Total	\$ 25,082	\$ 25,169

(i) 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.

4. Right-of-use assets

	Office space
Balance, January 1, 2020	\$ 45,234
Additions	-
Depreciation	(13,932)
Change in foreign exchange	(2,824)
Balance, June 30, 2020	\$ 28,478

Office spaces are depreciated over 36 months.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

5. Equipment

COST	Vehicles	Office furniture and equipment	Computer	Total
Balance, December 31, 2018, 2019 and June 30, 2020	\$ 104,625	\$ -	\$ -	\$ 104,625

ACCUMULATED DEPRECIATION

Balance, December 31, 2018	\$ 45,046	\$ -	\$ -	\$ 45,046
Depreciation	37,198	-	-	37,198
Foreign exchange	2,070	-	-	2,070
Balance, December 31, 2019	\$ 84,314	\$ -	\$ -	\$ 84,314
Depreciation	10,040	-	-	10,040
Foreign exchange	(1,001)	-	-	(1,001)
Balance, June 30, 2020	\$ 93,353	\$ -	\$ -	\$ 93,353

CARRYING AMOUNTS	Vehicle	Office Furniture and equipment	Computer	Total
Balance, December 31, 2019	\$ 20,311	\$ -	\$ -	\$ 20,311
Balance, June 30, 2020	\$ 11,272	\$ -	\$ -	\$ 11,272

6. Trade and other payables

	June 30, 2020	December 31, 2019
Trade and other payables in Canada (i)	\$ 2,600,471	\$ 2,245,688
Trade and other payables in the U.S.A.	2,029,847	2,364,693
Trade and other payables to related parties (Note 15)	479,524	458,121
Total amounts payable and other liabilities	\$ 5,109,842	\$ 5,068,502

(i) Trade and other payables in Canada include \$708,000 under dispute since 2006 which in management's opinion is not expected to ultimately be paid in full.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

7. Lease liabilities

As at June 30,	2019
Balance, January 1, 2020	\$ 48,577
Additions	-
Interest expense	2,370
Lease payments	(16,500)
Change in foreign exchange	(2,732)
Balance, June 30, 2020	\$ 31,715
Allocated as:	
Current	\$ 31,715
Long-term	-
Balance, June 30, 2020	\$ 31,715

On March 16, 2018, the Company entered into a thirty-six month lease agreement for new office space in Knoxville, Tennessee, commencing on January 1, 2019. Under the lease, the Company is required to pay a monthly base rent of USD\$2,750. In addition to the base rent, the Company must pay its proportionate share of operating costs for the leased premises. The lease agreement includes an extension option for an additional thirty-six months. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date (including the extension option of thirty-six months). The lease payments are discounted using an interest rate of 13.95%, which are the Company's incremental borrowing rate in Canada. Effective interest rate is 14.88%.

8. Loans and Borrowings

	June 30, 2020	December 31, 2019
Convertible Loan (a)	\$ -	\$ -
Loan (b)	180,155	164,695
Related party loans (c)	-	-
Shareholder loan (b)	605,823	566,182
Officer and director loans (c)	10,802	10,076
Other	14,712	17,904
Total	\$ 811,492	\$ 758,857

a) Convertible loan

During the six months ended June 30, 2020, the Company recorded interest expense of \$nil (2019 - \$20,383), being accretion on the debt of \$nil (2019 - \$Nil) and interest expense of \$nil (2019 - \$20,383).

In February 2019, the Company issued 76,398,174 common shares valued at \$2,291,945 in full and final settlement of the convertible note and all accrued interest (Note 9).

The issuance of these common shares, along with the common shares issued in settlement of the shareholder loans (Note 8(d)), together with common shares already held, made Mr. Anderson a control person of the Company. Mr. Anderson has acquired the shares for investment purposes and neither he, nor the companies he controls, have any present intention to acquire further securities of the Company although Mr. Anderson may acquire or dispose of common shares of the Company in the market, privately or otherwise, as circumstances or market conditions warrant.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

8. Loans and Borrowings (continued)

b) Loan

	June 30, 2020	December 31, 2019
Principal	\$ 88,582	\$ 84,422
Interest	91,573	80,273
Total	\$ 180,155	\$ 164,695

In October 2007, the Company assumed a loan from a third party to a former subsidiary that the Company previously guaranteed 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 six months ended June 30, 2020, the Company accrued interest of \$7,345 (2019 - \$12,902) and recorded a foreign exchange gain on the loan of \$8,116 (2019 - 7,643).

c) Related party loans

As at December 31, 2018, a company controlled by an officer of the Company had advanced the Company \$52,396 pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the six months ended June 30, 2020, the Company recorded interest expense of \$nil (2019 - \$2,013).

In April 2019, the Company repaid \$58,739 of principal and interest in full and final settlement of the loan and all accrued interest.

d) Shareholder loan

	June 30, 2020	December 31, 2019
Principal	\$ 530,000	\$ 530,000
Interest	75,823	36,182
Total	\$ 605,823	\$ 566,182

During the six months ended June 30, 2020, a company controlled by a shareholder advanced the Company \$530,000 pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the six months ended June 30, 2020, the Company recorded interest expense of \$75,823 (2019 - \$36,182) on the promissory notes.

e) Officer and director loans

	June 30, 2020	December 31, 2019
Principal	\$ 9,700	\$ 9,700
Interest	1,102	376
Total	\$ 10,802	\$ 10,076

During the six months ended June 30, 2020, the Chief Executive Officer of the Company advanced the Company \$3,000 pursuant to a promissory note bearing interest at 15% per annum and due August 15, 2020. During the six months ended June 30, 2020, the Company recorded interest expense of \$225 (2019 - 170) on the promissory note.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

8. Loans and Borrowings (continued)

e) Officer and director loans (continued)

During the six months ended June 30, 2020, a director of the Company advanced the Company \$6,700 pursuant to a promissory note bearing interest at 15% per annum and due in October 2020. During the six months ended June 30, 2020, the Company recorded interest expense of \$501 (2019 - \$206) on the promissory note.

9. Share capital

a) Authorized share capital

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

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2018	96,323,786	\$ 39,481,772
Issuance of shares for loans and borrowings	92,601,416	2,761,827
Issuance of shares for trade and other payables	7,297,920	364,896
Private placement	14,974,598	308,895
Exercise of options	500,000	65,000
Balance, June 30, 2019	211,697,720	\$ 42,982,390
Balance, December 31, 2019	217,369,386	\$ 43,230,210
Issuance of shares for trade and other payables (i)(ii)	6,690,793	189,604
Balance, June 30, 2020	224,060,179	\$ 43,419,814

At June 30, 2020, the Company had 224,060,179 common shares issued and outstanding (June 30, 2019 – 211,697,720) 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 six months ended June 30, 2020 and 2019.

During the six months ended June 30, 2020, the Company issued the following shares:

- i. In January 2020, the Company issued 2,233,333 common shares at a price of \$0.05 per share to three companies controlled by officers of the Company to settle consulting fees of \$111,667, accrued to January 31, 2020.
- ii. In May 2020, the Company issued 4,457,460 common shares at a price of \$0.025 per share to five companies controlled by officers of the Company to settle debts of \$111,437, accrued to March 31, 2020.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

10. Warrants

The following table reflects the warrants issued and outstanding as of June 30, 2020:

Expiry Date	Exercise Price	Balance December 31 2019	Granted	Exercised	Expired	Balance June 30, 2020
February 28, 2022	\$ 0.05	2,783,333	-	-	-	2,783,333
March 14, 2022	\$ 0.05	1,070,000	-	-	-	1,070,000
April 8, 2022	\$ 0.05	11,121,265	-	-	-	11,121,265
April 25, 2020	\$ 0.18	8,064,332	-	-	(8,064,332)	-
April 25, 2020	\$ 0.25	545,747	-	-	(545,747)	-
May 9, 2020	\$ 0.10	6,506,900	-	-	(6,506,900)	-
June 27, 2020	\$ 0.18	7,608,333	-	-	(7,608,333)	-
July 6, 2020	\$ 0.18	7,258,666	-	-	-	7,258,666
August 22, 2020	\$ 0.07	2,405,000	-	-	-	2,405,000
December 13, 2020	\$ 0.10	2,858,999	-	-	-	2,858,999
	\$ 1.21	50,222,575	-	-	(22,725,312)	27,497,263
Weighted Average exercise price	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ 0.09

As of June 30, 2020, the weighted average remaining contractual life of the Company's warrants is 0.91 years (2019 - 0.41 years).

11. Stock options

The Company has a common share Stock Option Plan (equity-settled). The Board of Directors of the Company may from time to time, at its discretion, and in accordance with the requirements of the TSX-V, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant. There are no vesting requirements pursuant to the stock option plan. The Board may add such provisions at its discretion on a grant-by-grant basis. However, stock options granted in respect of investor relations activities must vest quarterly over a minimum one-year period, pursuant to TSX-V policy. The Board of Directors have resolved that the Stock Option Plan authorize the directors to grant stock options up to a maximum of 10% of the number of common shares issued and outstanding at the time of grant. The "rolling" stock option plan has been in effect since the Company was listed on the TSX-V.

Details of the stock options outstanding as at June 30, 2020 are as follows:

Expiry Date	Exercise Price	Balance December 31 2019	Granted	Exercised	Expired/ Cancelled	Balance June 30, 2020
December 15, 2020	\$ 0.07	1,000,000	-	-	-	1,000,000
June 17, 2021	\$ 0.06	500,000	-	-	-	500,000
November 30, 2021	\$ 0.08	500,000	-	-	(500,000)	-
December 22, 2022	\$ 0.08	1,500,000	-	-	-	1,500,000
January 26, 2023	\$ 0.08	600,000	-	-	(300,000)	300,000
February 1, 2023	\$ 0.08	500,000	-	-	(500,000)	-
May 4, 2023	\$ 0.08	500,000	-	-	-	500,000
May 6, 2024	\$ 0.06	12,250,000	-	-	(2,000,000)	10,250,000
July 16, 2024	\$ 0.06	2,000,000	-	-	-	2,000,000
March 31, 2025	\$ 0.05	-	2,900,000	-	-	2,900,000
	\$ -	19,350,000	2,900,000	-	(3,300,000)	18,950,000
Weighted Average exercise price	\$ 0.09	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.08	\$ 0.06

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

11. Stock options (continued)

As of June 30, 2020, all of the stock options were exercisable. The weighted average remaining contractual life of the Company's stock options is 3.60 years (2019 - 3.85 years).

12. Share-based payments

During the six months ended June 30, 2020, the Company granted 2,900,000 stock options to directors, officers, and employees of the Company and recorded \$49,328 of share-based payments for options that vested during the year.

13. Supplemental cash flow information

For the six months ended June 30,	2020	2019
Non-cash investing and financing activities		
Shares issued for loans and borrowings	\$ -	\$ 2,778,042
Shares issued for trade and other payables	\$ 189,604	\$ 364,896
Valuation of warrants issued in private placements	\$ -	\$ 137,848
Allocation of reserve on exercise of stock options	\$ -	\$ 30,000
Recognition of right-of-use asset and lease liability	\$ -	\$ -
Non-cash investing and financing activities	\$ 189,604	\$ 3,310,786
Supplemental Information		
Interest paid	\$ -	\$ 6,126
Income taxes paid	\$ -	\$ -

14. Sale of assets to Ghost Pine Windfarm

In August 29, 2008, the Company had entered into an Asset Purchase Agreement ("ASA") with Ghost Pine Windfarm LP ("Ghost") pertaining to the sale of certain assets. During the six months ended June 30, 2020, the Company had received the final proceeds from this APA in the amount of \$199,062.

15. Related party transactions and balances

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the following transactions and balances occurred during the six months ended June 30, 2020 with related parties:

- As at June 30, 2020, an amount of \$298,800 (December 31, 2019 - \$288,000) is due from a company controlled by an officer of the Company, comprised of principal of \$180,000 (December 31, 2019 - \$180,000) and accrued interest of \$118,800 (December 31, 2019 - \$108,000). During the six months ended June 30, 2020, the Company accrued interest income of \$10,800 (2019 - \$21,600). The principal amount accrues interest at 12% per annum. The balance receivable is to be offset against the contractual payment described below upon settlement.
- Included in trade and other payables as at June 30, 2020 is \$423,900 (December 31, 2019 - \$423,900) due to an officer of the Company, comprised of principal of \$270,000 (December 31, 2019 - \$270,000) and accrued interest of \$153,900 (December 31, 2019 - \$153,900). This amount relates to a contractual payment resulting from the sale of certain wind projects in British Columbia in 2014 which constituted the material operating assets of the Company and triggered the contractual payment. During the six months ended June 30, 2020, the Company accrued interest expense of \$nil (December 31, 2019 - \$24,300). The principal amount accrues interest at 12% per annum.
- Included in trade and other payables as at June 30, 2020 is \$479,524 (December 31, 2019 - \$458,121) due to current and former officers and directors and a significant shareholder of the Company for consulting fees, salaries and benefits and expense reimbursements.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

15. Related party transactions and balances (continued)

- d) Included in prepaid expenses as at June 30, 2020 is \$nil (December 31, 2019 - \$nil) advanced to an officer of the Company for future travel expenses.

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the six months ended June 30, 2020 and 2019 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Consulting fees	\$ 111,438	\$ 92,500	\$ 164,355	\$ 206,694
Share-based payments	-	532,916	37,400	532,916
Total	\$ 111,438	\$ 625,416	\$ 201,755	\$ 739,610

During the six months ended June 30, 2020, the Company settled consulting fees of \$189,604 through the issuance of common shares of the Company (Note 9).

16. Segmented information

Operating segments are based on the information about the components of the entity that management uses to make decisions about operating matters. The Company and its subsidiaries engage in one main business activity being the residential, commercial and industrial solar business, hence operating segment information is not provided. Geographical segment information is provided by country of operation as follows:

Operating segment	USA	Canada	Total
As at and for the six months ended June 30, 2020			
Total assets	\$ 495,492	\$ 318,239	\$ 813,731
Non-current assets	45,832	19,000	64,832
Total revenues	1,987,225	-	1,987,225
Net loss	(257,420)	80,457	(176,963)
As at and for the six months ended June 30, 2019			
Total assets	\$ 888,159	\$ 323,136	\$ 1,211,295
Non-current assets	45,027	19,000	64,027
Total revenue	900,420	-	900,420
Net Loss	(317,519)	(1,270,823)	(1,588,342)

During the six months ended June 30, 2020, the Company recorded revenue of \$1,271,824 from one major project, representing 64% of total revenue (2019 - 28% from one major project).

17. Subsequent events

- a) On July 31, 2020, the Company granted stock incentive options of a total of 2,000,000 common shares to certain Directors and Officers, exercisable for up to five years at a price of C\$0.05 per share. The options granted will be subject to applicable regulatory hold periods.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

17. Subsequent events (continued)

- b) The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.