
SOLAR ALLIANCE ENERGY INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 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 September 30, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 38,173	\$ 45,634
Accounts receivable and other assets	237,129	493,643
Due from related party	304,200	288,000
Prepaid expenses and deposits	915	3,706
Work in process	123,513	426,806
Total current assets	703,930	1,257,789
Non-current assets		
Deposits (note 3)	25,336	25,169
Equipment (note 5)	8,338	20,311
Right-of-use assets (note 4)	18,583	45,234
Total non-current assets	52,257	90,714
Total assets	\$ 756,187	\$ 1,348,503
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Trade and other payables (notes 6 and 15)	\$ 5,261,684	\$ 5,135,192
Customer deposits	135,749	531,530
Contingent consideration	58,342	58,342
Current portion of lease liability (note 7)	21,078	38,862
Loans and borrowing (note 8)	876,908	758,857
Total current liabilities	6,353,761	6,522,783
Non-current liabilities		
Lease liability (note 7)	-	9,715
Asset retirement obligations	101,762	101,762
Total current liabilities	101,762	111,477
Total liabilities	6,455,523	6,634,260
Shareholders' deficiency		
Share capital (note 9)	43,419,814	43,230,210
Reserves (notes 10 and 11)	12,635,168	13,826,269
Accumulated other comprehensive (loss) income	(9,677)	15,902
Deficit	(61,744,641)	(62,358,138)
Total shareholders' deficiency	(5,699,336)	(5,285,757)
Total liabilities and shareholders' deficiency	\$ 756,187	\$ 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 November 27, 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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues (note 14)	\$ 530,385	\$ 388,132	\$ 2,517,610	\$ 1,288,552
Cost of services	(295,473)	(381,149)	(1,753,348)	(1,090,626)
	234,912	6,983	764,262	197,926
Operating and selling expenses				
Depreciation (notes 4 and 5)	11,975	9,257	41,002	27,947
Consulting fees (note 15)	70,000	92,500	234,355	299,194
Insurance and filing fees	12,310	21,145	58,875	89,150
Marketing and advertising	5,172	3,382	15,139	14,002
Office, rent and utilities	44,020	67,029	156,551	244,486
Professional fees	86,559	54,014	117,034	104,115
Salaries and benefits	302,547	226,162	779,109	613,010
Share-based payments (notes 12 and 15)	54,262	96,756	103,590	762,966
Travel and related	1,430	15,108	4,505	33,269
	588,275	585,353	1,510,160	2,188,139
Loss before undernoted	(353,363)	(578,370)	(745,898)	(1,990,213)
Other income				
Gain on settlement of trade and other payables	-	-	33,500	-
Other income	-	-	33,500	-
Loss from operations for the period	(353,363)	(578,370)	(712,398)	(1,990,213)
Net finance income (expense)				
Interest expense	(58,177)	(21,838)	(112,104)	(85,488)
Interest income	7,228	5,400	20,834	16,200
Foreign exchange	(99,919)	49,486	122,474	(74,163)
	(150,868)	33,048	31,204	(143,451)
Net loss for the period	(504,231)	(545,322)	(681,194)	(2,133,664)
Other comprehensive income (loss)				
Change in accumulated foreign exchange translation adjustment	150,277	(114,409)	(25,579)	178,889
Comprehensive loss for the period	\$ (353,954)	\$ (659,731)	\$ (706,773)	\$ (1,954,775)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	224,060,179	214,102,013	221,386,434	192,099,596

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)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating activities		
Net loss for the period	\$ (681,194)	\$ (2,133,664)
Adjustments for non-cash items:		
Depreciation	41,002	27,947
Share-based payments	103,590	762,966
Gain on settlement of trade and other payables	(33,500)	-
Interest on lease liability	70,555	69,382
Unrealized foreign exchange	(46,096)	173,121
Changes in non-cash working capital items:		
Accounts receivables and other assets	256,514	(104,632)
Prepaid expenses and deposits	2,624	11,426
Work in process	303,293	(319,163)
Trade and other payables	349,596	261,339
Customer deposits	(395,781)	495,020
Net cash used in operating activities	(29,397)	(756,258)
Financing activities		
Private placements	-	493,488
Share issue costs	-	(18,710)
Exercise of options	-	35,000
Lease liability payments	(24,750)	-
Loans received	46,686	270,000
Loans repaid	-	(62,931)
Net cash provided by financing activities	21,936	716,847
Net change in cash and cash equivalents	(7,461)	(39,411)
Cash and cash equivalents, beginning of period	45,634	77,888
Cash and cash equivalents, end of period	\$ 38,173	\$ 38,477

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 (Loss) Income	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	10,564,586	528,229	-	-	-	-	-	528,229
Exercise of options	500,000	65,000	-	(30,000)	-	-	-	35,000
Private placement	17,379,598	393,382	(76,000)	173,611	-	-	-	490,993
Share-based payments	-	-	-	762,966	-	-	-	762,966
Comprehensive loss for the period	-	-	-	-	-	178,889	(2,133,664)	(1,954,775)
Balance, September 30, 2019	217,369,386	\$ 43,230,210	\$ -	\$ 13,826,269	\$ -	\$ (114,409)	\$ (61,727,428)	\$ (4,785,358)

	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	-	-	-	(1,294,691)	-	-	1,294,691	-
Share-based payments	-	-	-	103,590	-	-	-	103,590
Comprehensive loss for the period	-	-	-	-	-	(25,579)	(681,194)	(706,773)
Balance, September 30, 2020	224,060,179	\$ 43,419,814	\$ -	\$ 12,635,168	\$ -	\$ (9,677)	\$ (61,744,641)	\$ (5,699,336)

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 nine months ended September 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements.

As at September 30, 2020, the Company had an accumulated deficit of \$61,744,641 (December 31, 2019 - \$62,358,138). Comprehensive loss for the nine months ended September 30, 2020 was \$706,773 (nine months ended September 30, 2019 - \$1,954,775). 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.

COVID-19

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 Company and its operating subsidiaries in future periods.

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 International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board and interpretations issued by International Financial Reporting Interpretations Committee. 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 November 27, 2020.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(b) *Functional and presentation currency*

These unaudited condensed interim 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

The preparation of these unaudited condensed interim 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.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the nine months ended September 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)

Recovery of deferred tax assets (continued)

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.

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 unaudited condensed interim consolidated financial statements on the date such changes occur.

3. Deposits

	As at September 30, 2020	As at December 31, 2019
BC Licence of Occupation security deposits (i)	\$ 19,000	\$ 19,000
Office lease deposit	6,336	6,169
Total	\$ 25,336	\$ 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, December 31, 2019	\$ 45,234
Depreciation	(20,898)
Change in foreign exchange	(5,753)
Balance, September 30, 2020	\$ 18,583

Office spaces are depreciated over 36 months.

Solar Alliance Energy Inc.

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

5. Equipment

COST	Vehicles
Balance, December 31, 2018, 2019 and September 30, 2020	\$ 104,625

ACCUMULATED DEPRECIATION

Balance, December 31, 2018	\$ 45,046
Depreciation	37,198
Foreign exchange	2,070
Balance, December 31, 2019	84,314
Depreciation	9,826
Foreign exchange	2,147
Balance, September 30, 2020	\$ 96,287

CARRYING AMOUNTS

Balance, December 31, 2019	\$ 20,311
Balance, September 30, 2020	\$ 8,338

6. Trade and other payables

	September 30, 2020	December 31, 2019
Trade and other payables in Canada (i)	\$ 2,762,303	\$ 2,245,688
Trade and other payables in the U.S.A.	1,944,427	2,364,693
Trade and other payables to related parties (Note 15)	554,954	458,121
Total trade and other payables	\$ 5,261,684	\$ 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 nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

7. Lease liabilities

Balance, January 1, 2020	\$	48,577
Interest expense		3,150
Lease payments		(24,750)
Change in foreign exchange		(5,899)
Balance, September 30, 2020	\$	21,078

Allocated as:

Current	\$	21,078
Long-term		-
Balance, September 30, 2020	\$	21,078

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

	September 30, 2020	December 31, 2019
Loan (a)	\$ 179,929	\$ 164,695
Shareholder loan (c)	666,114	566,182
Officer and director loans (d)	11,169	10,076
Other	19,696	17,904
Total	\$ 876,908	\$ 758,857

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

8. Loans and borrowings (continued)

a) Loan

	September 30, 2020	December 31, 2019
Principal	\$ 88,582	\$ 84,422
Interest	91,347	80,273
Total	\$ 179,929	\$ 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 nine months ended September 30, 2020, the Company accrued interest of \$10,784 (2019 - \$12,902) and recorded a foreign exchange loss on the loan of \$4,450 (2019 - gain of \$7,643).

b) 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 nine months ended September 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.

c) Shareholder loan

	September 30, 2020	December 31, 2019
Principal	\$ 569,986	\$ 530,000
Interest	96,128	36,182
Total	\$ 666,114	\$ 566,182

During the nine months ended September 30, 2020, a company controlled by a shareholder advanced the Company \$25,000 (September 30, 2019 - \$530,000) pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the nine months ended September 30, 2020, the Company recorded interest expense of \$59,946 (2019 - \$36,182) on the promissory notes.

During the nine months ended September 30, 2020, a company controlled by a shareholder advanced the Company \$14,986 pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the nine months ended September 30, 2020, the Company recorded interest expense of \$nil (2019 - \$nil) on the promissory notes.

Solar Alliance Energy Inc.

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

8. Loans and Borrowings (continued)

d) Officer and director loans

	September 30, 2020	December 31, 2019
Principal	\$ 9,700	\$ 9,700
Interest	1,469	376
Total	\$ 11,169	\$ 10,076

During the year ended December 31, 2019, 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 nine months ended September 30, 2020, the Company recorded interest expense of \$341 (2019 - 170) on the promissory note.

During the year ended December 31, 2019, 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 nine months ended September 30, 2020, the Company recorded interest expense of \$752 (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 (i)	92,601,416	2,761,827
Issuance of shares for trade and other payables (ii)(viii)	10,564,586	528,229
Private placements (iii)(iv)(vi)(vii)	17,379,598	393,382
Exercise of options (v)	500,000	65,000
Balance, September 30, 2019	217,369,386	\$ 43,230,210
Balance, December 31, 2019	217,369,386	\$ 43,230,210
Issuance of shares for trade and other payables (ix)(x)	6,690,793	189,604
Balance, September 30, 2020	224,060,179	\$ 43,419,814

At September 30, 2020, the Company had 224,060,179 common shares issued and outstanding (September 30, 2019 – 217,369,386) and no preferred shares issued and outstanding. A summary of changes in share capital and reserves is contained on the unaudited condensed interim consolidated statements of changes in shareholders' deficiency for the nine months ended September 30, 2020 and 2019.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

9. Share capital (continued)

b) Common shares issued (continued)

During the nine months ended September 30, 2019, the Company issued the following shares:

- i. In February 2019, the Company issued 76,398,174 common shares at a price of \$0.03 per share to a company controlled by Mr. Anderson and 16,203,242 common shares at a price of \$0.03 per share to Mr. Anderson to settle \$2,291,945 and \$486,097 of principal and interest respectively to January 31, 2019. The Company paid share issue costs of \$16,215.
- ii. In February 2019, the Company issued 7,297,920 common shares at a price of \$0.05 per share to three companies controlled by officers of the Company to settle consulting fees of \$364,896 accrued to January 31, 2019.
- iii. In February 2019, the Company completed the first tranche of a non-brokered private placement through the issuance of 2,783,333 units at a price of \$0.03 per unit for gross proceeds of \$83,500 (\$76,000 of which was received in fiscal 2018 and recorded as an obligation to issue shares as at December 31, 2018). Each unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share of the Company at a price of \$0.05 per share until February 28, 2020. The Company determined the fair value of the warrants to be \$9,985. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 1.78%; an expected volatility of 86.7%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero. 2,533,333 units were issued to a director of the Company.
- iv. In March 2019, the Company completed the second tranche of a non-brokered private placement through the issuance of 1,070,000 units at a price of \$0.03 per unit for gross proceeds of \$32,100. Each unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share of the Company at a price of \$0.05 per share until March 14, 2020. The Company determined the fair value of the warrants to be \$6,907. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 1.66%; an expected volatility of 75.5%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero. The Company paid share issue costs of \$2,495 in cash. 1,070,000 units were issued to an officer and a director of the Company.
- v. In March 2019, the Company issued 500,000 common shares to an officer of the Company on the exercise of stock options for proceeds of \$35,000.
- vi. In April 2019, the Company completed the third and final tranche of a non-brokered private placement through the issuance of 11,121,265 units at a price of \$0.03 per unit for gross proceeds of \$333,638. Each unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share of the Company at a price of \$0.05 per share until April 8, 2020. The Company determined the fair value of the warrants to be \$120,956. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 1.63%; an expected volatility of 128.0%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero. 1,666,666 units were issued to a director of the Company.
- vii. In August 2019, the Company completed a non-brokered private placement through the issuance of 2,405,000 units at a price of \$0.05 per unit for gross proceeds of \$120,250. Each unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share of the Company at a price of \$0.07 per share until August 22, 2020. The Company determined the fair value of the warrants to be \$35,763. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 1.39%; an expected volatility of 143.1%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero. 2,405,000 units were issued to an officer and a director of the Company, two companies controlled by an officer and a director of the Company and a significant shareholder.
- viii. In August 2019, the Company issued 3,266,666 common shares at a price of \$0.05 per share to two companies controlled by officers of the Company to settle consulting fees of \$163,333 accrued to July 31, 2019.

Solar Alliance Energy Inc.

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

9. Share capital (continued)

b) Common shares issued (continued)

During the nine months ended September 30, 2020, the Company issued the following shares:

- ix. 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.
- x. 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.

10. Warrants

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

Expiry Date	Exercise Price	Balance December 31, 2019	Granted	Exercised	Expired	Balance September 30, 2020
February 28, 2022 (i)	\$ 0.05	2,783,333	-	-	-	2,783,333
March 14, 2022 (i)	\$ 0.05	1,070,000	-	-	-	1,070,000
April 8, 2022 (i)	\$ 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(ii)	\$ 0.10	2,858,999	-	-	-	2,858,999
		50,222,575	-	-	(32,388,978)	17,833,597
Weighted Average exercise price	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ 0.06

As of September 30, 2020, the weighted average remaining contractual life of the Company's warrants is 1.40 years (2019 - 0.41 years).

- i. During the nine months ended September 30, 2020,, the expiry dates have been extended to February 28, 2022, March 14, 2022 and April 8, 2022 respectively.
- ii. See note 17(a).

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.

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11. Stock options (continued)

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

Expiry Date	Exercise Price	Balance December 31, 2019	Granted	Exercised	Expired/ Cancelled	Balance September 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
July 23, 2025	\$ 0.05	-	2,000,000	-	-	2,000,000
		19,350,000	4,900,000	-	(3,300,000)	20,950,000
Weighted average exercise price	\$ 0.06	\$ 0.05		\$ -	\$ 0.08	\$ 0.06

As of September 30, 2020, all of the stock options were exercisable. The weighted average remaining contractual life of the Company's stock options is 3.49 years (2019 - 3.85 years).

12. Share-based payments

During the nine months ended September 30, 2020, the Company granted 4,900,000 stock options to directors, officers, and employees of the Company and recorded \$103,590 of share-based payments for options that vested during the period (nine months ended September 30, 2019 - \$762,966). The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$0.03; 154% of volatility; risk-free interest rate of 0.35%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

13. Supplemental cash flow information

For the nine months ended September 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	\$ 528,229
Valuation of warrants issued in private placements	\$ -	\$ 173,611
Allocation of reserve on exercise of stock options	\$ -	\$ 30,000
Non-cash investing and financing activities	\$ 189,604	\$ 3,509,882
Supplemental Information		
Interest paid	\$ -	\$ 7,305
Income taxes paid	\$ -	\$ -

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14. Sale of assets to Ghost Pine Windfarm LP

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 nine months ended September 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 nine months ended September 30, 2020 with related parties:

- As at September 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 \$124,200 (December 31, 2019 - \$108,000). During the nine months ended September 30, 2020, the Company accrued interest income of \$16,200 (2019 - \$16,200). 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 September 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 \$178,200 (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 nine months ended September 30, 2020, the Company accrued interest expense of \$24,300 (December 31, 2019 - \$24,300). The principal amount accrues interest at 12% per annum.
- Included in trade and other payables as at September 30, 2020 is \$554,954 (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.

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 nine months ended September 30, 2020 and 2019 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Consulting fees	\$ 62,500	\$ 92,500	\$ 226,855	\$ 299,194
Share-based payments	42,824	96,756	80,224	629,672
Total	\$ 105,324	\$ 189,256	\$ 307,079	\$ 928,866

During the nine months ended September 30, 2020, the Company settled consulting fees of \$223,104 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:

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16. Segmented information (continued)

Operating segment	USA	Canada	Total
As at and for the nine months ended September 30, 2020			
Total assets	\$ 432,987	\$ 323,200	\$ 756,187
Non-current assets	33,257	19,000	52,257
Total revenues	2,517,610	-	2,517,610
Net loss	(410,045)	(271,149)	(681,194)

Operating segment	USA	Canada	Total
As at and for the nine months ended September 30, 2019			
Total assets	\$ 970,189	\$ 316,938	\$ 1,287,127
Non-current assets	36,281	19,000	55,281
Total revenue	1,288,552	-	1,288,552
Net Loss	(644,149)	(1,489,515)	(2,133,664)

During the nine months ended September 30, 2020, the Company recorded revenue of \$1,271,824 from one major project, representing 51% of total revenue (2019 - 30% from one major project).

17. Subsequent events

- a) On October 9, 2020, the Company received final approval from the TSX-V to amend the expiry dates of 2,858,999 outstanding common share purchase warrants. The exercise price of the warrants will not change from \$0.10. The expiry date of the warrants would have been December 13, 2020 and the amended expiry date is December 13, 2021.
- b) On October 13, 2020, the Company entered into a settlement agreement (the "Debt Settlement Agreement") with certain directors to fully settle an aggregate of up to \$260,185 (the "Debt Settlement 2") of unpaid consulting fees recorded in the books of the Company by the issue of up to an aggregate of 7,433,857 common shares at \$0.035 per share as allowed by the temporary relief bulletin issued by the TSX-V on April 8, 2020.
- c) On October 28, 2020, the Company announced that it has signed an agreement to commence design work at a 10 MW hyperscale data centre in Murphysboro, Illinois owned by Green Data Center Real estate Inc. The design work for the solar system is being completed in tandem with the final design work for the data center. The capital cost of the solar project is expected to be approximately \$4.8 million. The project would be Solar Alliance's largest to date and is expected to generate margins in the range of the Company's other large-scale solar projects. The final project size and capital cost will be determined as part of the design process.
- d) On November 15, 2020, the Company granted stock incentive options of a total of 1,800,000 common shares to certain directors and officers, exercisable for up to five years at a price of \$0.05 per share. The options granted will be subject to applicable regulatory hold periods.