



**MANAGEMENT DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

The following management discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Solar Alliance Energy Inc. (the “Company” or “Solar Alliance”) for the three months ended March 31, 2018 and up to the date of this MD&A, has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management discussion and analysis for the fiscal year ended December 31, 2017 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended December 31, 2017, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2018 (the “Financial Report”).

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is May 28, 2018.

## **Description of the Business**

Solar Alliance is a reporting issuer in British Columbia and Alberta and its common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol SOLR.

Solar Alliance is an international energy solutions provider focused on residential, commercial and industrial solar installations. The Company is licensed to operate in California, Tennessee, North/South Carolina and Kentucky and has an expanding pipeline of solar projects. Since it was founded in 2003, the Company has developed wind and solar projects that provide enough electricity to power 150,000 homes. Solar Alliance is committed to an exceptional customer experience, effective marketing campaigns and superior lead generation in order to drive sales and generate value for shareholders. Our passion is improving life through ingenuity, simplicity and freedom of choice. We make solar simple and our goal is to install solar on every available rooftop in America.

## **Operational Highlights**

### *Commercial & Industrial*

In November 2017, Solar Alliance completed the acquisition of Aries Solar, LLC (“Aries”), an established commercial and industrial (“C&I”) solar company that is licensed to operate in four Southeast US states. Aries changed its name to Solar Alliance Southeast, LLC (“SASE”) on closing. The team of engineers, project managers and developers has been fully integrated into Solar Alliance and is led by Harvey Abouelata, Vice President, Commercial Solar. The team is moving forward aggressively to convert a strong pipeline of opportunities into revenue. This acquisition is part of the plan to increase Solar Alliance's technical capabilities across the spectrum of residential, commercial and utility scale solar projects.

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The following highlights are from the Company's operations during the three months ended March 31, 2018 and the period up to the date of this MD&A.

- **North Carolina 182 kW** – on April 3, 2018, the Company announced it had completed the installation of a 182 kilowatt (kW) commercial solar project on the rooftop of Precision Part Systems in Winston-Salem, North Carolina. Precision Part Systems is a full-service contract assembly facility that offers assembly, inspection and packaging services. Design and construction of the 182 kW solar array was completed by Solar Alliance's expanding commercial division. Construction of this project was completed on budget and on schedule. It is the largest rooftop solar project in the City of Winston-Salem and in Forsyth County. This is also Solar Alliance's first project in the State of North Carolina.
- **Southeast U.S.A.** – On March 14, 2018, the Company announced it will build a 2.4 MW commercial solar project for a Fortune Global 500 company in the Southeast U.S. The Company will design, engineer and construct the 2.4 MW ground mount solar project. The project is the largest sold to date by Solar Alliance and is equivalent to building 480 average-sized residential solar systems. Solar Alliance delivered the solar panels for the project in late December 2017. Estimated completion for the project is Q3 2018. Further updates on this project will be provided during the construction period. For commercial reasons, the identity of the Fortune Global 500 customer is not being released until the project's completion.

Solar Alliance expects to announce additional C&I projects in the coming months as pipeline opportunities are converted to revenue. At the time of the SASE acquisition, the Solar Alliance C&I team had approximately 45 projects at various stages including prospecting, proposal, and contract negotiations. The Company anticipates the projects in the pipeline will be built over the upcoming year and will be financed through a variety of third party mechanisms that will provide funding for equipment and other costs of goods. Since the acquisition, the Company has continued to add additional prospects to that pipeline.

- **Coachella Brands, Inc.** – In October 2017 the Company signed an agreement with Coachella for the design and construction of a 600 kW commercial-sized solar project in California. The project consists of a ground mounted solar installation at a new legal cannabis growing and processing facility. The Company continues to work on the final feasibility study. The Company believes the signing of this commercial solar project agreement with Coachella provides an entry into an extremely attractive and developing market with an aggressive growth curve.
- **Los Angeles Commercial Project** – Solar Alliance continues to work closely with a large development company on an 800 kW commercial solar project in Los Angeles. The project consists of a rooftop solar installation and a carport solar installation at a Los Angeles mid-rise, multi-tenant office building. The final feasibility study for this project has been completed and the project has been submitted for permitting.
- **Murphysboro, Illinois** – The City of Murphysboro, Illinois, has partnered with Solar Alliance and signed a Memorandum of Understanding ("MOU") for the 1 MW solar project. The purpose of the MOU is to outline the process and responsibilities of the City of Murphysboro and Solar Alliance for the successful completion of financially viable solar project, as a part of the "Renewing the Murphysboro community through Green Energy jobs" initiative. The approximate capital cost of the project is estimated at US\$1,720,000. Final revenue projection and profit margin would be determined after final design. Solar Alliance and Murphysboro are working on securing offtake agreements for the project's output.

### *Residential Solar Update*

The Company is transitioning out of the “door-to-door” sales approach used in the past and is instead developing plans for a different, digital approach to customer acquisition that can be deployed nationwide. A digital sales platform would allow for rapid, low cost expansion across multiple states.

### *Corporate Update*

On May 4, 2018, the Company appointed Anton Shihoff to the Company's board of directors. Mr. Shihoff is an energy finance veteran specialising in renewables and energy technology. He manages at a wide range of investments from venture-stage to large project financings through Altostrata Energy a private investment vehicle. He sits on the boards of a number of his portfolio companies and is also a Trustee to the registered UK Charity: Peaceful Change Initiative. Mr. Shihoff replaces Michael Clark on the board of directors. Michael Clark's title was changed from Chief Marketing Officer to Chief Operating Officer of the Company.

On February 1, 2018, the Company appointed Dan O'Brien to the role of Chief Financial Officer and Doris Meyer to the role of Corporate Secretary. Dan O'Brien is a CPA, CA with fifteen years' experience, of which, the last five years have been as the Chief Financial Officer for exploration and development companies listed on the Toronto Stock Exchange and TSX-V. Prior to that, Mr. O'Brien was a senior manager at a leading Canadian accounting firm where he specialized in the audit of public companies in the mining and resource sector. Doris Meyer has over 30 years' experience as both a Chief Financial Officer and Corporate Secretary primarily in the mining industry.

### **Trends**

The Company believes that solar energy adoption is still in the early stages, and that the penetration of solar energy systems will continue to accelerate for the foreseeable future. The Company's vision is to continue to build market share in the solar energy systems sales and installation space. The market for residential, commercial and industrial solar energy systems remains strong and is growing.

### **Results of Operations**

During the three months ended March 31, 2018, the Company's gross profit was \$329,316 compared to \$633,761 for the three months ended March 31, 2017 and the loss from operations for the period was \$622,318 compared to \$184,928 in 2017.

Cost of goods sold for the period represented 59% of revenue compared to 61% in the prior period. The Company expects the gross profit margins to improve upon the levels achieved in 2017. The commercial and installation division acquired in November 2017 will be the near-term focus of the Company's activities and it is expected that the gross margins achievable on the C&I activities are going to be the driving force of this achievement.

Operating and selling expenditures, excluding non-cash depreciation and share-based compensation, were \$884,133 for the three months ended March 31, 2018 compared to \$808,760 in the prior period, an increase of 9%.

During the three months ended March 31, 2018, the Company accrued interest expense of \$86,049 related primarily to interest on a \$2,000,000 convertible loan entered into in 2017 as well as trade and other payables outstanding and a loan.

### Liquidity and Capital Resources

Solar Alliance began the fiscal period with \$1,179,203 cash. During the three months ended March 31, 2018, the Company spent \$524,606 on operating activities net of working capital changes and received \$594 from investing activities to end at March 31, 2018 with \$655,191 cash.

As of March 31, 2018, the Company had a working capital deficiency of \$5,400,769. The cash and cash inflows from Solar Alliance operations are not currently sufficient to sustain the Company's operations and to pay the Company's obligations as they become due. Management intends to address the working capital deficiency through a combination of revenue growth, reduced expenses, and injections of capital through debt and equity issuances. There can be no assurance that management's plans will be successful or that the Company will be able to obtain the financial resources necessary. The Company's ability to continue as a going concern is dependent on the Company's ability to raise debt or equity funding in the near term to fulfill its obligations and ultimately in self-generating income and cash flows from its operations. The conditions described above give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

### Related Party Transactions

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

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

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
<b>Balance at March 31, 2018</b>	96,323,786	32,842,977	8,559,000
<b>Options granted</b>	-	-	500,000
<b>Balance at the date of this MD&amp;A</b>	96,323,786	32,842,977	9,059,000

In April 2018, the Company amended the expiry date of 6,506,900 outstanding common share purchase warrants from May 9, 2018 to May 9, 2020 and amended the exercise price of 8,064,332 outstanding common share purchase warrants from \$0.25 to \$0.18 per share. The exercise price was amended to \$0.18 to bring it in line with the exercise price of the share purchase warrants included in the June 2017 private placement.

### Cautionary Note regarding Forward looking information

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

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Alliance and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

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

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

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

**Additional information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.solaralliance.com](http://www.solaralliance.com).