CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

(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's Discussion and Analysis.

SOLAR ALLIANCE ENERGY INC.

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

	Note		June 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash		$	41,098	$	77,888
Receivables			227,750		129,915
Due from related party	*7*		277,200		266,400
Prepaid expenses and deposits			2,133		12,425
Work in process			599,087		356,060
			1,147,268		842,688
Non-current assets					
Deposits			25,216		25,480
Equipment			38,811		59,579
			64,027		85,059
		$	1,211,295	$	927,747
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Trade and other payables	*4*	$	4,761,728	$	4,960,633
Customer deposits			377,158		170,469
Contingent consideration			58,342		58,342
Loans and borrowings	*5*		459,945		2,993,965
			5,657,173		8,183,409
Asset retirement obligation			101,762		101,762
			5,758,935		8,285,171
Shareholders' deficiency					
Share capital	*6*		42,982,390		39,481,772
Obligation to issue shares	*6*		-		76,000
Reserve	*6*		13,693,750		12,919,692
Equity component of convertible loan	*5*		-		52,174
Accumulated other comprehensive loss			(41,674)		(293,298)
Deficit			(61,182,106)		(59,593,764)
			(4,547,640)		(7,357,424)
		$	1,211,295	$	927,747

Nature of operations and going concern	*1*
Contingencies	*10*
Subsequent events	*11*

These condensed consolidated interim financial statements are approved for issue by the Board of Directors of the Company on August 28, 2019.

Signed on the Company’s behalf by:

“Jason Bak” Director “Michael Clark” Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

SOLAR ALLIANCE ENERGY INC.

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

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue		$ 686,873	$ 511,633	$ 900,420	$ 1,321,568
Cost of goods sold		(604,533)	(562,604)	(709,477)	(1,043,223)
		82,340	(50,971)	190,943	278,345
Operating and selling expenses					
Depreciation		9,374	9,607	18,690	19,020
Consulting fees	*7*	92,500	264,740	206,694	573,298
Insurance and filing fees		46,024	22,407	68,005	105,125
Marketing and advertising		3,474	15,001	10,620	33,626
Office, rent and utilities		115,462	155,240	177,457	268,786
Professional fees		14,065	97,788	50,101	138,524
Salary and benefits		206,141	192,027	386,848	500,215
Share-based compensation	*6*	666,210	40,011	666,210	115,904
Travel and related		9,264	10,199	18,161	21,961
		(1,162,514)	(807,020)	(1,602,786)	(1,776,459)
Loss before undernoted		(1,080,174)	(857,991)	(1,411,843)	(1,498,114)
Other income (expenses)					
Gain on settlement of trade and other payables		-	-	-	17,805
		-	-	-	17,805
Loss from operations		(1,080,174)	(857,991)	(1,411,843)	(1,480,309)
Net finance income (expense)					
Interest expense	*5 & 7*	(19,391)	(86,750)	(63,650)	(172,799)
Interest income	*7*	5,400	5,400	10,800	10,800
Foreign exchange		(90,923)	68,935	(123,649)	169,443
		(104,914)	(12,415)	(176,499)	7,444
Loss for the period		(1,185,088)	(870,406)	(1,588,342)	(1,472,865)
Other comprehensive income (loss)					
Change in accumulated foreign exchange translation adjustment		128,807	(116,047)	251,624	(247,823)
Comprehensive loss for the period		$ (1,056,281)	$ (986,453)	$ (1,336,718)	$ (1,720,688)
Basic and diluted loss per common share		$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding		210,720,026	96,323,786	180,916,047	96,323,786

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

SOLAR ALLIANCE ENERGY INC.

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

	Six months ended June 30, 2019	Six months ended June 30, 2018
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	$ (1,588,342)	$ (1,472,865)
Items not affecting cash:		
Depreciation	18,690	19,020
Share-based compensation	666,210	115,904
Gain on settlement of trade and other payables	-	(17,805)
Net finance expense	52,850	161,999
Unrealized foreign exchange	246,482	(246,304)
	(604,110)	(1,440,051)
Changes in non-cash working capital items:		
Receivables	(97,835)	50,745
Prepaid expenses and deposits	10,292	193,034
Work in process	(243,027)	(127,971)
Trade and other payables	97,617	374,793
Customer deposits	206,689	(291,092)
Net cash used in operating activities	(630,374)	(1,240,542)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Acquisition of equipment	-	(30,988)
Deposits	-	5,312
Net cash used in investing activities	-	(25,676)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placement	373,238	-
Share issue costs	(18,710)	-
Exercise of options	35,000	-
Loans received	267,000	128,988
Loans repaid	(62,944)	-
Net cash provided by financing activities	593,584	128,988
Decrease in cash during the period	(36,790)	(1,137,230)
Cash, beginning of period	77,888	1,179,203
Cash, end of period	$ 41,098	$ 41,973
Non-cash investing and financing activities		
Shares issued for loans and borrowings	$ 2,778,042	$ -
Shares issued for trade and other payables	364,896	-
Valuation of warrants issued in private placements	137,848	-
Allocation of reserve on exercise of stock options	30,000	-
Supplementary information		
Interest paid	$ 6,992	$ -
Income taxes paid	-	-

SOLAR ALLIANCE ENERGY INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Unaudited - Expressed in Canadian dollars)

	Number of Shares	Share Capital	Obligation to Issue Shares	Reserve	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
Private placement	14,974,598	308,895	(76,000)	137,848	-	-	-	370,743
Exercise of stock options	500,000	65,000	-	(30,000)	-	-	-	35,000
Share-based compensation	-	-	-	666,210	-	-	-	666,210
Comprehensive loss for the period	-	-	-	-	-	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	Reserve	Equity Component of Convertible Loan	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2017	96,323,786	$ 39,481,772	$ -	$ 12,519,049	$ 52,174	$ 167,300	$ (56,979,091)	$ (4,758,796)
Share-based compensation	-	-	-	115,904	-	-	-	115,904
Comprehensive loss for the period	-	-	-	-	-	(247,823)	(1,472,865)	(1,720,688)
Balance, June 30, 2018	96,323,786	$ 39,481,772	$ -	$ 12,634,953	$ 52,174	$ (80,523)	$ (58,451,956)	$ (6,363,580)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. NATURE OF OPERATIONS 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 Unit 1 - 15782 Marine Drive, White Rock, B.C., Canada, V4B 1E6.

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. Assessing the Company’s ability to continue as a going concern for the foreseeable future is a matter of significant judgment. As of June 30, 2019, the Company has a working capital deficiency of $4,509,905 and a shareholders’ deficiency of $4,547,640. 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 over time. 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.

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.

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 condensed consolidated 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, 2018.

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 the Company’s US subsidiaries is the US dollar.

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

Use of accounting assumptions, estimates and judgments

The preparation of these condensed consolidated interim 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 compensation

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.

2. BASIS OF PRESENTATION (continued)

Use of accounting assumptions, estimates and judgments (continued)

(ii) Critical accounting judgments (continued)

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.

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.

(Unaudited - Expressed in Canadian dollars)

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, 2018.

Adoption of new standards, interpretations and amendments

The Company adopted the requirements of IFRS 16 – Leases (“IFRS 16”) as of January 1, 2019. IFRS 16 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. The Company does not have any applicable leases and therefore the introduction of IFRS 16 did not have any impact on the Company’s financial statements.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2019 and have not been applied in preparing these condensed consolidated interim financial statements. None of these standards are applicable to the Company.

4. TRADE AND OTHER PAYABLES

		June 30, 2019		**December 31, 2018**
Trade and other payables in Canada *	$	2,000,157	$	2,031,015
Trade and other payables in the U.S.A.		2,164,910		2,075,697
Trade and other payables to related parties (Note 7)		596,661		853,921
Total	$	4,761,728	$	4,960,633

* Trade and other payables in Canada includes $708,000 under dispute since 2006 which in management’s opinion is not expected to ultimately be paid in full

(Unaudited - Expressed in Canadian dollars)

5. LOANS AND BORROWINGS

	June 30, 2019	December 31, 2018
Convertible loan (a)	$ -	$ 2,271,562
Loan (b)	159,450	159,436
Related party loans (c)	-	56,726
Shareholder loans (d)	278,918	480,110
Other	21,577	26,131
Total	$ 459,945	$ 2,993,965

a) Convertible loan

	June 30, 2019	December 31, 2018
Principal	$ -	$ 1,947,826
Interest	-	271,562
Accretion	-	52,174
December 31, 2018	$ -	$ 2,271,562

In November 2017, the Company entered into a convertible loan agreement for $2,000,000 with a company controlled by Tom Anderson, a shareholder of the Company. The loan had a term of one year and bore interest at a rate of 12% per annum. The Company allocated an equity component of this debt hosted derivative instrument of $52,174 with the balance of $1,947,826 allocated as the debt component that was accreted by the charge of interest at the rate of 15% per annum being the interest rate of a comparable debt without a conversion feature.

During the six months ended June 30, 2019, the Company recorded interest expense of $20,383 (2018 - $144,885), being accretion on the debt of $Nil (2018 - $25,872) and interest expense of $20,383 (2018 - $119,013).

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 6).

The issuance of these common shares, along with the common shares issued in settlement of the shareholder loans (Note 5(d)), increased the number of common shares under the control of Mr. Anderson to approximately 47% of the common shares of the Company making him a new control person. 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.

(Unaudited - Expressed in Canadian dollars)

5. LOANS AND BORROWINGS (continued)

b) Loan

		June 30, 2019		December 31, 2018
Principal	$	85,066	$	88,673
Interest		74,384		70,763
Total	$	159,450	$	159,436

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, 2019, the Company accrued interest of $6,500 (2018 - $6,077) and recorded a foreign exchange gain on the loan of $6,486 (2018 – $6,694).

c) Related party loans

		June 30, 2019		December 31, 2018
Principal	$	-	$	52,396
Interest		-		4,330
Total	$	-	$	56,726

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, 2019, the Company recorded interest expense of $2,013 (2018 - $1,323).

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 loans

		June 30, 2019		December 31, 2018
Principal	$	267,000	$	470,000
Interest		11,918		10,110
Total	$	278,918	$	480,110

As at December 31, 2018, a company controlled by Mr. Anderson had advanced the Company $470,000 pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the six months ended June 30, 2019, the Company recorded interest expense of $5,987 on the promissory notes. In February 2019, the Company issued 16,203,242 common shares valued at $486,097 in full and final settlement of the shareholder loans and all accrued interest (Note 6).

5. LOANS AND BORROWINGS (continued)

d) Shareholder loans (continued)

During the six months ended June 30, 2019, a company controlled by Mr. Anderson advanced the Company $267,000 pursuant to promissory notes bearing interest at 15% per annum, due on February 6, 2020, and secured by the shares of the Company's operating subsidiary. During the six months ended June 30, 2019, the Company recorded interest expense of $11,918 on the promissory note.

6. 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 June 30, 2019, the Company had 211,697,720 common shares issued and outstanding (December 31, 2018 – 96,323,786) and no preferred shares issued and outstanding. A summary of changes in share capital and reserves is contained on the condensed consolidated interim statements of changes in deficiency for the six months ended June 30, 2019 and 2018.

During the six months ended June 30, 2019, the Company issued the following shares:

i) In February 2019, the Company issued 92,601,416 common shares at a price of $0.03 per share to a company controlled by Mr. Anderson to settle $2,778,042 of principal and interest to January 31, 2019 (Note 5(a) and 5(d)). 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.

(Unaudited - Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

b) Issued share capital (continued)

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.

v) In March 2019, the Company issued 500,000 common shares 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.

c) Warrants

The continuity of warrants for the six months ended June 30, 2019 is as follows:

Expiry date	Exercise price	Balance, December 31, 2018	Granted	Exercised	Expired	Balance, June 30, 2019
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
December 13, 2020	$0.10	2,858,999	-	-	-	2,858,999
February 28, 2020	$0.05	-	2,783,333	-	-	2,783,333
March 14, 2020	$0.05	-	1,070,000	-	-	1,070,000
April 8, 2020	$0.05	-	11,121,265	-	-	11,121,265
		32,842,977	14,974,598	-	-	47,817,575
Weighted average exercise price		$ 0.16	$ 0.05	$ -	$ -	$ 0.12

(Unaudited - Expressed in Canadian dollars)

6. 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 six months ended June 30, 2019 is as follows:

Expiry date	Exercise price	Balance, December 31, 2018	Granted	Exercised	Expired/ Cancelled	Balance, June 30, 2019
January 23, 2019	$0.10	250,000	-	-	(250,000)	-
January 31, 2019	$0.085	1,284,000	-	-	(1,284,000)	-
December 15, 2020	$0.07	1,500,000	-	(500,000)	-	1,000,000
November 30, 2021	$0.075	500,000	-	-	-	500,000
April 5, 2022	$0.195	750,000	-	-	(750,000)	-
July 5, 2022	$0.105	500,000	-	-	(500,000)	-
December 22, 2022	$0.08	1,500,000	-	-	-	1,500,000
January 26, 2023	$0.08	750,000	-	-	(150,000)	600,000
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	-	-	12,250,000
June 17, 2021	$0.06	-	500,000	-	-	500,000
		8,034,000	12,750,000	(500,000)	(2,934,000)	17,350,000
Weighted average exercise price		$ 0.09	$ 0.06	$ 0.07	$ 0.12	$ 0.06

As at June 30, 2019, all of the stock options were exercisable.

e) Share-based compensation

During the six months ended June 30, 2019, the Company recorded $666,210 (2018 - $115,904) of share-based compensation for options that were granted and immediately vested during the period.

In May 2019, the Company granted 12,250,000 stock options to directors, officers and consultants of the Company with a fair value of $652,822 or $0.05 per option, all of which was recorded as share-based compensation for the six months ended June 30, 2019. The fair value was estimated on the grant date using the Black-Scholes Option Pricing Model with the following assumptions: 115.7% expected stock price volatility, a 1.65% risk free interest rate, a five year expected life and zero expected dividend yield.

6. SHARE CAPITAL (continued)

e) Share-based compensation (continued)

In June 30, 2019, the Company granted 500,000 stock options to a consultant of the Company with a fair value of $13,388 or $0.03 per option, all of which was recorded as share-based compensation for the six months ended June 30, 2019. The fair value was estimated on the grant date using the Black-Scholes Option Pricing Model with the following assumptions: 111.4% expected stock price volatility, a 1.44% risk free interest rate, a two year expected life and zero expected dividend yield.

7. RELATED PARTY TRANSACTIONS AND BALANCES

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 six months ended June 30, 2019 with related parties:

(a) As at June 30, 2019, an amount of $277,200 (December 31, 2018 - $266,400) is due from a company controlled by an officer of the Company, comprised of principal of $180,000 (December 31, 2018 - $180,000) and accrued interest of $97,200 (December 31, 2018 - $86,400). During the six months ended June 30, 2019, the Company accrued interest income of $10,800 (2018 - $10,800). The principal amount accrues interest at 12% per annum. The balance receivable is to be offset against the contractual payment described below upon settlement.

(b) Included in trade and other payables as at June 30, 2019 is $415,800 (December 31, 2018 - $399,600) due to an officer of the Company, comprised of principal of $270,000 (December 31, 2018 - $270,000) and accrued interest of $145,800 (December 31, 2018 - $129,600). 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, 2019, the Company accrued interest expense of $16,200 (2018 - $16,200). The principal amount accrues interest at 12% per annum.

(c) Included in trade and other payables as at June 30, 2019 is $180,861 (December 31, 2018 - $454,321) due to current and former officers and directors of the Company for consulting fees, salaries and benefits and expense reimbursements.

(d) Included in prepaid expenses as at June 30, 2019 is $Nil (December 31, 2018 - $4,500) advanced to an officer of the Company for future travel expenses.

(Unaudited - Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management includes members of the Board of Directors, the Chief Executive 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, 2019 and 2018 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Consulting fees	$ 92,500	$ 157,740	$ 206,694	$ 315,480
Salaries and benefits	-	-	-	37,500
Share-based compensation	532,916	34,423	532,916	61,238
	$ 625,416	$ 192,163	$ 739,610	$ 414,218

8. 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:

	U.S.A.	Canada	Total
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)

	U.S.A.	Canada	Total
As at and for the six months ended June 30, 2018			
Total assets	$ 723,052	$ 341,235	$ 1,064,287
Non-current assets	84,773	19,000	103,773
Total revenue	1,321,568	-	1,321,568
Net loss	(478,300)	(994,565)	(1,472,865)

During the six months ended June 30, 2019, the Company recorded revenue of $254,442 from one major project, representing 28% of total revenue (2018 – 57% from two major projects).

(Unaudited - Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (loss) (“FVTOCI”); or at amortized cost. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	June 30, 2019	December 31, 2018
Cash	FVTPL	$ 41,098	$ 77,888
Receivables	Amortized cost	227,750	129,915
Due from related party	Amortized cost	277,200	266,400
Deposits	Amortized cost	25,216	25,480
Trade and other payables	Amortized cost	4,761,728	4,960,633
Customer deposits	Amortized cost	377,158	170,469
Loans and borrowings	Amortized cost	459,945	2,993,965

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values of the Company’s cash, receivables, due from related party, 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. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying values of the Company’s loans and borrowings that are payable on demand approximate their fair values due to their short-term to maturity.

Risk management

The Company’s risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2018.

10. CONTINGENCIES

Due to the nature of the Company's operations, various legal, tax, environmental, and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcomes of future events. While the outcomes of these matters are uncertain, based upon the information currently available, the Company does not believe that these matters in aggregate will have a material adverse effect on its consolidated financial statements. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in its consolidated financial statements in the appropriate period relative to when such changes occur.

The Company was the subject of a judgment of $600,000 plus accrued interest from a lawsuit that arose after the Company's acquisition in 2007 of the Three Hills Wind Projects, comprised of the Ghost Pine and Lone Pine Wind Projects in Alberta, Canada. In 2016, the Company paid $729,232 to comply with this judgement. In 2008, the Company sold its Ghost Pine Wind Project and $1,000,000 of the proceeds was held back, and remains held back, as a result of the legal action described above. The amount of the holdback may be reduced by the amount of legal fees incurred by the purchaser in the aforementioned lawsuit. As the legal action is now settled, in 2017 the Company asked for release of the $1,000,000 held back, however the purchaser has refused. The Company is currently evaluating its options about how best to proceed to recover the amount held back. The timing and additional costs of settling this matter cannot be reasonably estimated, and accordingly, neither the amount held back or any costs associated with its collection have been recorded in the financial statements.

In February 2019, the Company settled certain debt with a company controlled by Mr. Anderson through the issuance of common shares of the Company (Note 6). In exchange for agreeing to the conversion of the convertible loan and shareholder loans, the Company agreed to pay the shareholder 100% of the net proceeds currently being held in escrow for the ultimate benefit of the Company related to the 2008 sale of the Company's Ghost Pine Wind Project.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the Company completed the following transactions:

- In July 2019, the Company granted a new director of the Company 2,000,000 stock options exercisable at a price of $0.06 per share and expiring July 16, 2024.

- In August 2019, the Company closed the first tranche of 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 common 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.

- In August 2019, the Company issued 3,266,666 common shares to two companies controlled by officers of the Company to settle consulting fees of $163,333 accrued to July 31, 2019.