solar alliance

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(EXPRESSED IN CANADIAN DOLLARS)

The following is management's 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 nine months ended September 30, 2018 and up to the date of this MD&A, and 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 nine months ended September 30, 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 November 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.

Material agreement

In November 2018, the Company signed a comprehensive agreement with Mr. Tom Anderson to increase his ownership stake in the Company to approximately 50% through the conversion of debt, interest projected to December 31, 2018 and a further loan of $300,000 totaling $2,753,973 into shares. The conversion of debt and the additional funding from Mr. Anderson are a strong indication of support for Solar Alliance's long-term business plan in the U.S. solar industry and aligns the Company with a high net worth individual committed to Solar Alliance's long-term success. Mr. Anderson is a private investor and entrepreneur with extensive experience, inter alia, in the Leisure & Entertainment, Oil and Gas, Bioscience, Industrial Tools Software and Healthcare businesses. The Company is seeking approval from its disinterested shareholders at its annual general and special meeting called for December 21, 2018 to approve this change of control.

The investment by Mr. Anderson will help support the Company's growth plan in commercial solar and the rollout of the SunBox residential program. SunBox is a standard solar system consisting of two sizes that include battery storage or an optional generator for whole home backup. Solar Alliance is selectively partnering with architects, developers and homebuilders that will integrate this cost-effective solar offering into their existing home designs. The SunBox program is in addition to growth in the Company's commercial solar division which has put Solar Alliance on the path to record a ten-fold year over year increase, by kilowatt (kW), of installed commercial solar projects. Combined with recurring revenue from maintenance contracts and sales of the SunBox product, the Company is excited about the progress made in 2018 and looks forward to finishing the year strongly.

(Expressed in Canadian Dollars)

Commercial Solar Installations			
Year	Installed (kW)	Work in Process (kW)	Total (kW)
2017	387	-	387
2018	289	2615	2904* (2.9 MW)

*The 2.9 MW of work in process projects are expected to be complete by year end, 2018.

Mr. Anderson loaned the Company $2,000,000 (the "Loan') in November 2017 pursuant to a convertible note. The Loan bears interest at the rate of 12% per annum with interest and principal payable on the maturity date. Mr. Anderson had the option to convert the principal of the Loan at a conversion price of $0.08 per share and interest at the allowable discounted market price at the time of conversion. Mr. Anderson subsequently made a series of working capital loans from August 31, 2018 to September 28, 2018 and will make a further loan of $300,000 that will aggregate $470,000 evidenced by the issue of individual unsecured demand promissory notes bearing interest at the rate of 15% per annum (the "Notes"). The Company does not have the funds to repay the now due Loan or the Notes and the lender is not desirous of converting the Loan into shares at the conversion price of $0.08 when the current price of the Company's shares is $0.035.

The Company has reached agreement with Mr. Anderson to increase his shareholdings in the Company through the conversion of the Notes and Loan with accrued interest to the date of settlement at a price of $0.03 per share. As additional consideration, the lender will be paid 100% of the net proceeds of funds being held in escrow for the ultimate benefit of the Company (the "Escrow Funds"). The Escrow Funds are from the 2008 sale of the Company's Ghost Pine Wind Project. The Company believes the conditions for release from escrow have been met and the Company has a court date in January 2019 to seek an order to release the funds plus interest less allowable deductible costs. In exchange for agreeing to the conversion of the Notes and Loan the Company has agreed to pay the lender 100% of the Escrow Funds ultimately received by the Company. The conversion at $0.03 would result in Mr. Anderson owning more than 20% of the shares of the Company and the Company is seeking approval from its disinterested shareholders at its annual general and special meeting called for December 21, 2018 to approve this change of control. Mr. Anderson currently owns 6,241,666 shares (6.48%) and 4,666,666 share purchase warrants exercisable at $0.18 until July 6, 2020. By illustration, if the Notes and Loan are converted, with interest projected to December 31, 2018, Mr. Anderson would be owed an aggregate $2,753,479 which if converted at $0.03 would result in the issue of 91,782,648 shares to bring his total shareholding to 52.1% without considering any further share issues.

In addition, the Company has reached agreement with certain related parties to fully settle an aggregate of up to $423,931 of unpaid fees and advances, bearing interest at the rate of 15% per annum from the date the fees became due for payment, and/or the advances were made. Assuming settlement is on the same basis of $0.03 per share to be issued on December 31, 2018, this would result in the issue of an aggregate 14,131,033 shares. In this case Mr. Anderson's holding would be approximately 48.5%.

The terms of the Notes and Loan conversion and the settlement of the related party debt is subject to receipt of regulatory approval. The pricing of the debt conversion is in reliance on the temporary relief measures established by the TSX-V, and requires approval of the TSX-V having regard to the temporary relief criteria set out in the TSX-V's bulletin of April 7, 2014.

Operational Highlights

The following highlights are from the Company's operations during the three months ended September 30, 2018 and the period up to the date of this MD&A.

- **SunBox** – On October 10, 2018, the Company announced it had launched "SunBox", a new product offering that provides a simple, efficient solar system specifically designed for architects, new home builders and their customers. SunBox is a standardized system consisting of two sizes of standard residential systems that include battery storage or an optional generator for whole home backup. Solar Alliance is selectively partnering with architects, developers and homebuilders that will integrate this permit-ready solar offering into their existing home designs for new construction, with the primary customer base consisting of developers building large, multi-home communities. New homeowners will now have the ability to affordably add a solar system as an add on to their new home in the same way they would select individualized countertops and kitchen appliances. This program represents a new sales channel for Solar Alliance and will result in higher margins and lower customer acquisition costs than the traditional retrofit sales model. Standardizing solar modules, inverters and racking systems should provide cost savings for customers and improve supply chain efficiencies for Solar Alliance.

  On October 15, 2018, the Company announced that Mike Stevens Homes, based in Knoxville, Tennessee, is the first residential developer to join the Company's Residential Builder program and will begin marketing the SunBox system.

- **Southeast USA 2.4 MW** – On October 9, 2018, the Company announced it had commenced construction on the 2.4 MW ground mount commercial solar project announced on March 14, 2018. The project, being constructed for a Fortune Global 500 company, is the largest sold to date by Solar Alliance and is equivalent to building 400 residential solar systems. Further updates on this project will be provided throughout the construction phase. For commercial reasons, the identity of the Fortune Global 500 customer is not being released until the project's completion, which is expected by the end of the year.

- **West Virginia 32 kW** – On October 1, 2018, the Company announced it had completed the installation of a 32 kW solar system in Sophia, West Virginia in partnership with Walker Machinery and Whayne Supply, the Caterpillar Dealers serving Kentucky, West Virginia South Eastern Ohio and Southern Indiana. The roof mounted solar system was installed at the new Raleigh County elementary school and represents another successful installation this year for Solar Alliance's Channel Partner Program. The program increases Solar Alliance's reach through a network of partners that utilize the Company's design, permitting and installation expertise.

- **Tennessee 22.6 kW** – on September 10, 2018, the Company announced it had completed the installation of a 22.6 kW solar system at the independently owned AAMCO automotive service center in Lebanon, Tennessee. The project, which was completed in two weeks, was the recipient of a USDA Rural Energy for America Program (REAP) Grant which provides funding for up to 25% of total eligible product cost. The Solar Alliance team has specific expertise in drafting REAP Grant applications and sees this a strong sales channel moving forward.

- **Tennessee** – on July 25, 2018, the Company announced it had become a Select Level Generac Sales Dealership. This new relationship with Generac Power Systems Inc. (NYSE: GNRC) rounds out our line of energy independence options that includes solar photovoltaic systems, battery storage and now whole home backup generators. Through these energy options, Solar Alliance can provide our customers with resiliency, security, independence and lower cost energy.

- **Murphysboro, Illinois** – On July 11, 2018, the Company announced it has signed a Memorandum of Understanding ("MOU") with NuYen Blockchain Inc. ("NuYen"), a private company focused on the mining of cryptocurrency and the development of blockchain IP, to host cryptocurrency mining equipment at Solar Alliance's warehouse facility in Murphysboro, Illinois (the "Murphysboro Facility"). Under the terms of the MOU, Solar Alliance will ultimately allocate up to 10 MW of power to NuYen. The Murphysboro Facility has an initial capacity of 2 MW and the additional power capacity allocated to NuYen will be a combination of additional grid connected power and an onsite solar system to be added over time. NuYen is also a potential tenant for the initial 2 MW allocation.

  On November 12, 2018, the Company completed the sale of the Murphysboro Facility to NuYen in exchange for NuYen reimbursing the Company US$40,000 representing the costs incurred by the Company to date. The Company will retain a 2% net profits interest royalty in any blockchain mining operations conducted at the Murphysboro Facility payable to the Company quarterly. NuYen will upgrade the warehouse at its own cost for tenancy and undertake to contract the Company to fund the cost to construct and install a 1 MW solar project at the Murphysboro Facility at an agreed upon mark-up to cost. The Company will have the right of first offer to bid on an additional 4 MW solar expansion and battery storage when the Murphysboro Facility is expanded.

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 nine months ended September 30, 2018, the Company's gross profit was $386,259 compared to $1,003,579 for the nine months ended September 30, 2017 and the loss from operations for the period was $1,907,024 compared to $2,786,565 in 2017. The decrease in gross profit is primarily related to a change in operations where the current year is primarily commercial operations in the eastern USA while the prior year was primarily residential operations in California. The decrease in overall loss is similarly related to the change in operations as well as administrative cost cutting measures implemented by management made throughout fiscal 2018.

Cost of goods sold for the period represented 80% of revenue compared to 60% in the prior period. The Company expects the gross profit margins to improve upon the levels achieved in 2017. The commercial and installation ("C&I") 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 $2,159,529 for the nine months ended September 30, 2018 compared to $3,531,242 in the prior period, a decrease of 39%.

During the nine months ended September 30, 2018, the Company accrued interest expense of $269,624 related primarily to interest on a $2,000,000 convertible loan entered into in 2017 as well as on trade and other payables and loans outstanding.

(Expressed in Canadian Dollars)

Liquidity and Capital Resources

Solar Alliance began the fiscal period with $1,179,203 cash. During the nine months ended September 30, 2018, the Company spent $1,292,850 on operating activities net of working capital changes, spent $25,570 on investing activities, and received $240,031 from financing activities to end at September 30, 2018 with $100,814 cash.

As of September 30, 2018, the Company had a working capital deficiency of $6,834,693. 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
Balance at September 30, 2018	96,323,786	32,842,977	8,034,000
Balance at the date of this MD&A	96,323,786	32,842,977	8,034,000

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 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: finaning risk, market demand, electricity pricing, regulatory policy, supplier risk, installation risk, competitor risk, safety risk, customer service risk, and fraud and cyber risks. 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 and on the Company's website at www.solaralliance.com.