MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Solar Alliance Energy Inc. (the "Company" or "Solar Alliance") for the year ended December 31, 2018 and up to the date of this MD&A, and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2018, together with the notes thereto (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 April 29, 2019.

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 energy solutions provider focused on residential, commercial and industrial solar installations. The Company operates 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 $1 billion of wind and solar projects that provide enough electricity to power 150,000 homes. Solar Alliance's passion is improving life through ingenuity, simplicity and freedom of choice. Solar Alliance reduces or eliminates customers' vulnerability to rising energy costs, offers an environmentally-friendly source of electricity generation, and provides affordable, turnkey clean energy solutions.

Solar Alliance sees long term, sustained growth occurring in the commercial solar market and the new home residential solar market. The Company has focused its resources on three business units: large scale commercial, mid-sized commercial and SunBox.

- *Large scale commercial.* During 2018, the Company signed two large scale commercial projects: a 2.4 MW project for a Fortune Global 500 company in the Southeast U.S and 518 kW project in Los Angeles for the Onni Group, a large property developer. These larger projects can drive significant revenue and the Company is targeting the signing of 2-3 new large-scale projects in 2019. The sales cycle for these projects is long, so it is also important to focus on mid-sized projects that deliver faster revenue.

- *Mid-sized commercial.* During 2018, the Company completed the installation of several commercial solar projects ranging in size from 30 kW to 150 kW. Permitting, financing and construction of these mid-sized projects is simpler than with large-scale projects, allowing for faster cycle times and more consistent cashflow. Solar Alliance's goal is to enhance their sales team in an effort to target a 50% increase in project sales in this business line. The combination of large-scale and mid-sized commercial solar projects has contributed to a record ten-fold year over year increase in Solar Alliance's pipeline of commercial solar projects.

- *SunBox.* The traditional sales model of utilizing door to door canvass teams to generate leads for individual solar system sales is an expensive way to do business and for many solar companies it doesn't make economic sense. The residential solar industry is inundated with outdated sales techniques that drive customers away instead of bringing them on board. That's why Solar Alliance decided to invest the time and resources in developing a new model that the Company believes will drive residential solar in the coming years. Over the last year, Solar Alliance has developed a comprehensive product offering called SunBox that has the potential to revolutionize the residential solar sales model. Solar Alliance is selectively partnering with architects, developers and homebuilders that will integrate this solar offering into their existing home designs for new construction, with the primary customer base consisting of developers building large, multi-home communities. It took time to develop the SunBox business plan, product components and finalize supply chain logistics. In the long run, Solar Alliance believes this investment of time and resources will reap significant benefits.

Leadership

On February 21, 2019, the Company announced the promotion of Myke Clark to the position of President and Chief Executive Officer and also his appointment to the Company's board of directors. Mr. Clark has been the Company's Chief Operating Officer since 2015. Jason Bak continues as non-executive Chair and as a director, along with Anton Shihoff and Ken Stadlin.

Significant shareholder

On February 11, 2019, the Company announced that it had issued a total of 92,601,416 common shares, at a price of $0.03 per share, to a company controlled by Tom Anderson, to settle a total of $2,778,042, of principal and interest to January 31, 2019. 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's disinterested shareholders approved the issue of these shares on December 21, 2018 and the TSX Venture Exchange approved the issue on February 7, 2019.

The conversion of debt from Mr. Anderson is 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. The support of Mr. Anderson will also allow Solar Alliance to continue moving forward with the expansion of its commercial solar sales pipeline and the rollout of its SunBox standard solar system for residential builders.

The issue of these common shares increases the number of common shares under the control of Mr. Anderson from 6,241,666 to 98,843,082 which results in Mr. Anderson being a new control person of the Company as he now owns or controls 50% of the common shares of the Company. Mr. Anderson has acquired the shares for investment shares 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.

In exchange for agreeing to the conversion of the convertible note and loans, the Company has 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.

Operational Highlights

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

- **Tesla Charger Approved Vendor** – On March 25, 2019, the Company announced that it is now an approved Tesla charger vendor and has signed an agreement to install six Tesla charging stations combined with a solar system at a commercial project in Nashville, Tennessee. Becoming a Tesla approved vendor provides Solar Alliance customers with the opportunity to access a high-quality electric vehicle charging station installation. Offering Tesla charging stations is particularly important to Solar Alliance's new home builder and contractor clients that are constructing high performance homes. As electric vehicles begin to saturate the market, electric vehicle chargers are becoming increasingly critical to the relevance of a new home and ultimately to the resale value of a home.

- **Illinois 3.84 MW** – On March 18, 2019, the Company announced that it had signed a letter of intent with NuYen Blockchain Inc. ("NuYen") for the design, engineering and construction management of a 3.84 megawatt ("MW") ground and roof mount solar project in Murphysboro, Illinois. The project would be the Company's largest to date and is equivalent to building 750 average-sized residential solar systems.

- **O&M Contract** – On March 13, 2019, the Company announced it had been awarded an Operations and Maintenance ("O&M") contract with the Knoxville Utilities Board ("KUB") for the utility's solar facilities. The O&M contract is for a term of 3 years plus an option for an additional 2 years and provides an additional stable, recurring revenue stream to the Company. The contract includes the installation of a monitoring system, preventative maintenance and any repair work required.

- **SunBox Partners** – On March 4, 2019, the Company announced that it had signed three new Channel Partner Agreements in Tennessee for the marketing and sale of Solar Alliance's SunBox product. Solar Alliance is pleased to welcome Gervais Electric, based in Nasvhille, Energy Home Basics, based in Loudon County and TerraShares, based in Morristown. The three new channel partners join Mike Stevens Homes on Solar Alliances growing team of partners. There are now a total of four channel partners that have signed on as SunBox Channel Partners and sales are beginning to flow as customers learn about the benefits of the SunBox product.

- **California 519 kW** – On December 3, 2018, the Company announced that it had entered into a definitive agreement with a division of Onni Group for the design, procurement and construction management services for a 519 kilowatt ("kW") combined rooftop and carport solar installation at Manhattan Beach Towers, a mid-rise, multi-tenant office building owned by the Vancouver-based developer. Construction began in early April 2019 and is expected to complete in the summer of 2019.

- **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. For commercial reasons, the identity of the Fortune Global 500 customer is not being released until the project's completion, which is expected in May 2019.

- **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.

- **Accredited Generac Vendor** – 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 Solar Alliance's 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 their customers with resiliency, security, independence and lower cost energy.

- **Kentucky 69.75 kW** – on June 11, 2018, the Company announced it had completed the installation of three solar projects in Kentucky in cooperation with Whayne Supply, a Caterpillar Dealer serving Kentucky, West Virginia, South Eastern Ohio and Southern Indiana.

- **Tennessee 101.2 kW** – on May 29, 2018, the Company announced it had completed the installation of a 101.2 kW solar panel array on the rooftop of the new barn at Wampler's Farm Sausage in Lenoir City, Tennessee. This marks the fourth solar system owned by Wampler's, totaling more than 680 kW of PV solar panels, starting with the first 30 kW roof mount in 2009.

- **North Carolina 182 kW** – on April 3, 2018, the Company announced it had completed the installation of a 182 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.

(Expressed in Canadian Dollars)

Selected Annual Information

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	$	$	$
Statement of Loss:			
Revenues	1,982,890	4,602,684	5,932,233
Net income (loss)	(2,335,673)	(7,476,999)	(3,187,765)
Net income (loss) per share	(0.02)	(0.09)	(0.05)
Financial Position:			
Total assets	927,747	2,296,375	3,551,290
Long-term debt	nil	nil	nil
Dividends	nil	nil	nil

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.

According to the latest Renewable Energy Industry Outlook from Deloitte, the fundamental drivers of solar industry growth are poised to continue in 2019, supported by three trends coming into sharper focus that are likely to shape renewable growth in the coming year. Those trends include emerging policies that support renewable growth, expanding investor interest in the sector, and advancing technologies that boost solar energy's value to the grid, asset owners, and customers. The Deloitte report notes that increasing customer demand for renewable energy across almost all market segments continues to expand opportunities. While the current US administration is not focused on decarbonization, states, cities, communities, and businesses with increasingly ambitious sustainability goals are driving renewable growth.

Results of Operations

In 2018, the Company's gross profit was $157,030 compared to $1,078,932 in 2017 and the loss for the year was $2,335,673 compared to $7,476,999 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 in 2018 represented 92% of revenue compared to 77% 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 $2,688,308 in 2018 compared to $4,680,469 in 2017, a decrease of 43%.

(Expressed in Canadian Dollars)

During the year ended December 31, 2018, the Company paid or accrued interest expense of $352,802 (2017 - $272,289) 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.

Summary of quarterly results

	Three Month Period Ended December 31, 2018	Three Month Period Ended September 30, 2018	Three Month Period Ended June 30, 2018	Three Month Period Ended March 31, 2018
	$	$	$	$
Revenue	8,778*	652,544	511,633	809,935
Net loss	(279,901)	(582,907)	(870,406)	(602,459)
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)

	Three Month Period Ended December 31, 2017	Three Month Period Ended September 30, 2017	Three Month Period Ended June 30, 2017	Three Month Period Ended March 31, 2017
	$	$	$	$
Revenue	2,110,390	574,103	298,737	1,619,454
Net loss	(2,645,444)	(1,218,024)	(3,333,127)	(280,404)
Net loss per share, basic and diluted	(0.03)	(0.01)	(0.05)	(0.00)

* low due to year-end adjustments

Fourth Quarter 2018

The Company began the quarter with $100,814 cash. In the fourth quarter the Company expended $373,768 on operations, net of working capital changes, received $56,580 from the sale of a subsidiary and certain equipment, and received $294,262 from loans, net of amounts repaid, to end the quarter and the year with $77,888 cash.

Liquidity and Capital Resources

Solar Alliance began the year with $1,179,203 cash. During the year ended December 31, 2018, the Company spent $1,746,702 on operating activities, net of working capital changes, received $59,075 from investing activities, and received $586,312 from financing activities, to end at December 31, 2018 with $77,888 cash.

In November 2018, the Company sold its 100% owned subsidiary, Solar Alliance Hosting Inc. for $52,432 (US$40,000) to NuYen.

During the year ended December 31, 2018, a company controlled by a shareholder advanced the Company $470,000 and two companies controlled by officers of the Company advanced the Company $140,507, all pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand.

In February 2019, the Company issued 92,601,416 common shares at a price of $0.03 per share to a company controlled by a shareholder to settle $2,778,042 of principal and interest to January 31, 2019.

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.

In March 2019, the Company issued 500,000 common shares on the exercise of stock options for proceeds of $35,000.

In March and April 2019, the Company completed, in three tranches, a non-brokered private placement through the issuance 14,974,598 units at a price of $0.03 per unit for gross proceeds of $449,238 ($76,000 of which was received in 2018).

As of December 31, the Company had a working capital deficiency of $7,340,721. 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 following transactions and balances occurred during the year ended December 31, 2018 with related parties:

(a) As at December 31, 2018, an amount of $266,400 (2017 - $244,800) is due from a company controlled by an officer of the Company, comprised of principal of $180,000 (2017 - $180,000) and accrued interest of $90,900 (2017 - $64,800). During the year ended December 31, 2018, the Company accrued interest income of $21,600 (2017 - $27,000). 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 December 31, 2018 is $399,600 (2017 - $367,200) due to an officer of the Company, comprised of principal of $270,000 (2017 - $270,000) and accrued interest of $129,600 (2017 - $97,200). 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 year ended December 31, 2018, the Company accrued interest expense of $32,400 (2017 - $68,400). The principal amount accrues interest at 12% per annum.

(c) Included in trade and other payables as at December 31, 2018 is $454,321 (2017 - $403,792) 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 December 31, 2018 is $4,500 (2017 - $Nil) advanced to an officer of the Company for future travel expenses.

During the year ended December 31, 2018, two companies controlled by officers of the Company advanced the Company $140,507 pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the year ended December 31, 2018, the Company repaid $90,143 of principal and interest and recorded interest expense of $6,362. In March and April 2019, the Company repaid $58,758 of principal and interest in full and final settlement of the debt.

(Expressed in Canadian Dollars)

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 years ended December 31, 2018 and 2017 were as follows:

	Year ended December 31, 2018	2017
Consulting fees	$ 630,960	$ 491,360
Salaries and benefits	37,500	393,699
Share-based compensation	65,050	41,889
	$ 733,510	$ 926,948

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.

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 December 31, 2018	96,323,786	32,842,977	8,034,000
Issuance of shares to settle debt	92,601,416	-	-
Issuance of shares to settle trade and other	7,297,920	-	-
payables	500,000	50,000	-
Private placement	14,974,598	14,974,598	-
Exercise of options	500,000	-	(500,000)
Expiry of options	-	-	(1,534,000)
Balance at the date of this MD&A	211,697,720	47,817,575	6,000,000

Legal Claims

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. Subsequent to year-end, the Company agreed to pay a shareholder 100% of the net proceeds ultimately recovered.

Critical accounting estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Share-based 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.

Fair value of embedded derivatives

The terms and conditions of financial liabilities may contain embedded derivatives that may or may not require embedded derivatives to be split apart and accounted for as a stand-alone derivative. These determinations require judgment. The Company considered the terms and conditions of the convertible loan and determined the value of the embedded derivative was $52,174.

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

(Expressed in Canadian Dollars)

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.

New accounting standards

Refer to the discussion of "New standards, interpretations and amendments not yet effective" in note 3 to the Financial Report. The Company has not applied any of the new and revised IFRS detailed therein, all of which have been issued but are not yet effective at December 31, 2018. The Company is currently evaluating the impact these new standards may have on its financial results.

Financial Instruments and risk management

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2018	December 31, 2017
Cash	FVTPL	$ 77,888	$ 1,179,203
Receivables	Amortized cost	129,915	344,090
Due from related party	Amortized cost	266,400	244,800
Deposits	Amortized cost	25,480	30,567
Trade and other payables	Amortized cost	4,960,633	4,338,624
Customer deposits	Amortized cost	170,469	307,905
Loans and borrowings	Amortized cost	2,993,965	2,121,038

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 is exposed to a number of risks arising from its use of financial instruments. The Company is or may be subject to certain risks including credit risk, liquidity risk, interest rate risk, and currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Financial instrument risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength.

Individual risks and the Company's approach to managing such risks are discussed as below.

Credit risk

Credit risk is the risk that a counterparty to a financial asset will default, resulting in non-collectability and arises mainly from its cash, receivables, and deposits. Cash is held with credit-worthy Canadian and United States financial institutions and receivables are primarily related to sales. The Company has assessed the credit risk of these instruments to be negligible. The Company did not have an allowance for doubtful accounts at December 31, 2018 nor did it incur any material bad debt expenses during the year then ended.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company is subject to liquidity risk from its trade and other payables and loans and borrowings as all of these liabilities are due within the next 12 months. The Company currently has a significant working capital deficiency as described in Note 1.

Market risk

Market risk is the risk to the Company of adverse financial impacts due to changes in the fair value or future cash flows of financial instruments primarily as a result of fluctuations in interest rates and foreign exchange rates.

(a) Interest rate risk

The Company's interest rate risk on loans and borrowings has been mitigated by fixing interest rates at the inception of the loans. At December 31, 2018, the Company had no material debt subject to floating interest rates.

The Company's interest income from cash is also subject to interest rate risk, but such risk is not considered material based on the balances on hand and the Company's expectation of interest rates in the foreseeable future.

(b) Currency risk

The Company has net monetary liabilities denominated in United States dollars, totaling approximately US$1,600,000 at December 31, 2018, and is therefore subject to currency risk. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. An increase (decrease) in the US dollar exchange rate of 10% relative to the Canadian dollar would decrease (increase) net loss by approximately $224,000.

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.

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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.