
SOLAR ALLIANCE ENERGY INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Solar Alliance Energy Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Solar Alliance Energy Inc.

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

	As at June 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,622,652	\$ 1,877
Accounts receivable	535,131	73,576
Due from related party (note 16)	-	309,600
Prepaid expenses and deposits	4,115	4,610
Work in process	259,519	152,315
Total current assets	4,421,417	541,978
Non-current assets		
Deposits (note 3)	34,413	25,048
Equipment (note 5)	31,719	5,386
Right-of-use assets (note 4)	-	8,869
Total non-current assets	66,132	39,303
Total assets	\$ 4,487,549	\$ 581,281
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Trade and other payables (notes 6 and 16)	\$ 3,812,738	\$ 4,854,741
Customer deposits	201,879	174,292
Contingent consideration	58,342	58,342
Current portion of lease liability (note 7)	-	10,247
Loans and borrowing (note 8)	19,644	901,567
Total current liabilities	4,092,603	5,999,189
Non-current liabilities		
Asset retirement obligations (note 9)	101,762	101,762
Government assistance	40,000	230,354
Total non-current liabilities	141,762	332,116
Total liabilities	4,234,365	6,331,305
Shareholders' equity (deficiency)		
Share capital (note 10)	48,896,382	43,759,202
Reserves (notes 11 and 12)	15,680,887	14,060,664
Accumulated other comprehensive income	459,640	293,120
Deficit	(64,783,725)	(63,863,010)
Total shareholders' equity (deficiency)	253,184	(5,750,024)
Total liabilities and shareholders' equity (deficiency)	\$ 4,487,549	\$ 581,281

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Nature of operations and going concern (note 1)

Subsequent events (note 18)

Solar Alliance Energy Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues	\$ 1,420,885	\$ 1,361,937	\$ 2,003,108	\$ 1,987,225
Cost of services	(1,069,521)	(1,271,584)	(1,638,820)	(1,457,875)
	351,364	90,353	364,288	529,350
Operating and selling expenses				
Depreciation (notes 4 and 5)	3,430	21,759	14,892	29,027
Consulting fees (note 16)	-	111,438	-	164,355
Insurance and filing fees	135	14,558	270	46,565
Marketing and advertising	149,696	7,398	169,534	9,967
Office, rent and utilities	86,855	48,855	123,306	112,531
Professional fees	172,981	16,737	322,367	30,475
Salaries and benefits	423,017	222,500	755,725	476,562
Share-based payments (notes 13 and 16)	-	-	-	49,328
Travel and related	12,848	420	29,193	3,075
	848,962	443,665	1,415,287	921,885
Loss before undernoted	(497,598)	(353,312)	(1,050,999)	(392,535)
Other income				
Gain on settlement of trade and other payables	-	-	22,197	33,500
Other income	-	-	187,286	-
Write off of payables	-	-	176,688	-
Other income	-	-	386,171	33,500
Loss from operations for the period	(497,598)	(353,312)	(664,828)	(359,035)
Net finance income (expense)				
Interest expense	(12,414)	(28,533)	(36,349)	(53,927)
Interest income	72,480	6,263	77,880	13,606
Foreign exchange	(190,892)	(196,095)	(297,418)	222,393
	(130,826)	(218,365)	(255,887)	182,072
Net (loss) income for the period	(628,424)	(571,677)	(920,715)	(176,963)
Other comprehensive income (loss)				
Change in accumulated foreign exchange translation adjustment	100,121	251,904	166,520	(175,856)
Comprehensive loss for the period	\$ (528,303)	\$ (319,773)	\$ (754,195)	\$ (352,819)
Basic and diluted (loss) income per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding	281,317,168	224,060,179	267,194,172	218,866,455

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Solar Alliance Energy Inc.

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating activities		
Net (loss) income for the period	\$ (920,715)	\$ (176,963)
Adjustments for non-cash items:		
Depreciation	14,892	29,027
Share-based payments	-	49,328
Write off of payables	(176,688)	-
Gain on settlement of trade and other payables	(22,197)	(33,500)
Interest on lease liability	202	53,927
Net finance expense	-	8,069
Unrealized foreign exchange	(28,684)	(16,420)
Changes in non-cash working capital items:		
Accounts receivable	(461,555)	234,612
Prepaid expenses and deposits	(8,870)	(15,486)
Work in process	(107,204)	298,830
Trade and other payables	(631,603)	25,350
Customer deposits	27,587	(431,308)
Net cash (used in) provided by operating activities	(2,314,835)	25,466
Investing activities		
Acquisition of equipment (note 5)	(34,063)	-
Net cash used in investing activities	(34,063)	-
Financing activities		
Proceeds from private placements	5,752,530	-
Share issue costs	(581,495)	-
Proceeds from exercise of options	611,500	-
Proceeds from exercise of warrants	974,868	-
Lease liability payments	(8,250)	(16,500)
Loans repaid	(779,480)	-
Loan received	-	6,700
Net cash provided by (used in) financing activities	5,969,673	(9,800)
Net change in cash and cash equivalents	3,620,775	15,666
Cash and cash equivalents, beginning of period	1,877	45,634
Cash and cash equivalents, end of period	\$ 3,622,652	\$ 61,300

Supplemental cash flow informaton (note 14)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Solar Alliance Energy Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income (loss)	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2019	217,369,386	\$ 43,230,210	\$ 13,826,269	\$ 15,902	\$(62,358,138)	\$ (5,285,757)
Issuance of shares for trade and other payables	6,690,793	189,604	-	-	-	189,604
Warrants cancelled	-	-	(969,051)	-	969,051	-
Share-based payments	-	-	49,328	-	-	49,328
Comprehensive income for the period	-	-	-	(175,856)	(176,963)	(352,819)
Balance, June 30, 2020	224,060,179	\$ 43,419,814	\$ 12,906,546	\$ (159,954)	\$(61,566,050)	\$ (5,399,644)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' (Deficiency)' Equity
Balance, December 31, 2020	233,114,037	\$ 43,759,202	\$ 14,060,664	\$ 293,120	\$(63,863,010)	\$ (5,750,024)
Private placements	13,696,500	5,752,530	-	-	-	5,752,530
Share issuance costs	-	(581,495)	-	-	-	(581,495)
Warrants granted	-	(2,582,158)	2,582,158	-	-	-
Broker warrants granted	-	(180,751)	180,751	-	-	-
Exercise of options	10,960,714	1,103,382	(491,882)	-	-	611,500
Exercise of warrants	17,213,597	1,625,672	(650,804)	-	-	974,868
Comprehensive loss for the period	-	-	-	166,520	(920,715)	(754,195)
Balance, June 30, 2021	274,984,848	\$ 48,896,382	\$ 15,680,887	\$ 459,640	\$(64,783,725)	\$ 253,184

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

1. Nature of business and going concern

Solar Alliance Energy Inc. ("Solar Alliance" or the "Company") is incorporated under the laws of British Columbia and is an energy solutions provider focused on residential, commercial and industrial solar installations in the United States of America. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "SOLR".

The Company's corporate office is located at 82 Richmond Street East, Toronto, ON, M5C 1P1.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to liquidate its assets and settle its liabilities in other than the normal course of business and at amounts that may differ from those shown in these unaudited condensed interim consolidated financial statements.

As at June 30, 2021, the Company had an accumulated deficit of \$64,783,725 (December 31, 2020 - \$63,863,010). Comprehensive loss for the six months ended June 30, 2021 was \$754,195 (six months ended June 30, 2020 - \$352,819). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the financing necessary to fund its planned revenue growth and working capital requirements.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

2. Significant accounting policies

(a) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(b) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board and interpretations issued by International Financial Reporting Interpretations Committee. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

2. Significant accounting policies (continued)

(b) *Statement of compliance (continued)*

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 24, 2021.

(c) *Functional and presentation currency*

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency of the Company's US subsidiaries is the US dollar.

(d) *Basis of measurement*

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(e).

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

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

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

(i) *Critical accounting estimates*

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

Share-based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Right-of-use asset and lease liability

The right of use asset and lease liability is measured by discounting the future lease payments at incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

2. Significant accounting policies (continued)

(e) *Use of accounting assumptions, estimates and judgments (continued)*

(i) Critical accounting estimates (continued)

Warrants

The fair value of warrants granted are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

(ii) Critical accounting judgments

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company is the Canadian dollar. The functional currency of the Company's US subsidiaries is the US dollar.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Determination of CGUs

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

Contingencies

Due to the nature of the Company's operations, various legal, tax, environmental, regulatory, and business acquisition consideration matters are outstanding from time to time. In the event that management's estimates of the future resolution of these matters changes, the Company will recognize the effects of the changes in its unaudited condensed interim consolidated financial statements on the date such changes occur.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

3. Deposits

	As at June 30, 2021	As at December 31, 2020
BC Licence of Occupation security deposits (i)	\$ 18,000	\$ 19,000
Office lease deposit	5,888	6,048
Other prepaid deposit	10,525	-
Total	\$ 34,413	\$ 25,048

(i) The Company has \$18,000 (December 31, 2020 - \$19,000) on deposit with the BC Ministry of Forests, Lands, and Natural Resource Operations in respect of its remaining licenses of occupation. The funds are being held in a non-interest-bearing trust by the Provincial Treasury.

4. Right-of-use assets

	Office space
Balance, December 31, 2020	\$ 8,869
Depreciation	(8,869)
Balance, June 30, 2021	\$ -

Office spaces are depreciated over 36 months.

5. Equipment

COST	Vehicles	Equipment	Total
Balance, December 31, 2020	\$ 104,625	\$ -	\$ 104,625
Additions	18,251	15,812	34,063
Balance, June 30, 2021	\$ 122,876	\$ 15,812	\$ 138,688

ACCUMULATED DEPRECIATION

Balance, December 31, 2020	\$ 99,239	\$ -	\$ 99,239
Depreciation	5,145	878	6,023
Foreign exchange	1,707	-	1,707
Balance, June 30, 2021	\$ 106,091	\$ 878	\$ 106,969

CARRYING AMOUNTS

Balance, December 31, 2020	\$ 5,386	\$ -	\$ 5,386
Balance, June 30, 2021	\$ 16,785	\$ 14,934	\$ 31,719

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

6. Trade and other payables

	June 30, 2021	December 31, 2020
Trade and other payables in Canada (i)	\$ 2,218,347	\$ 2,160,108
Trade and other payables in the U.S.A. (ii)	1,594,391	2,025,913
Trade and other payables to related parties (note 16)	-	668,720
Total trade and other payables	\$ 3,812,738	\$ 4,854,741

(i) Trade and other payables in Canada include \$1,857,338 in historical amounts under dispute since before 2015 and which, in management's opinion, are not expected to ultimately be paid in full. The Company is assessing the appropriate legal avenues to resolve these amounts.

(ii) Trade and other payables in the U.S.A. include \$1,380,080 related to two non-operating subsidiaries of the Company. These trade payables are historic and are not connected to the Company's current operating subsidiary in Tennessee. The Company is assessing the appropriate legal avenues to resolve these amounts.

7. Lease liabilities

Balance, December 31, 2020	\$	10,247
Interest expense		202
Lease payments		(8,250)
Change in foreign exchange		(2,199)
Balance, June 30, 2021	\$	-

On March 16, 2018, the Company entered into a thirty-six month lease agreement for new office space in Knoxville, Tennessee, commencing on January 1, 2019. Under the lease, the Company is required to pay a monthly base rent of US \$2,750. In addition to the base rent, the Company must pay its proportionate share of operating costs for the leased premises. The lease agreement includes an extension option for an additional thirty-six months. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date (including the extension option of thirty-six months). The lease payments are discounted using an interest rate of 13.95%, which are the Company's incremental borrowing rate in Canada. Effective interest rate is 14.88%.

8. Loans and borrowings

	June 30, 2021	December 31, 2020
Loan (a)	\$ -	\$ 171,741
Shareholder loan (b)	-	687,664
Officer and director loans (c)	4,100	24,906
Other	15,544	17,256
Total	\$ 19,644	\$ 901,567

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

8. Loans and borrowings (continued)

a) Loan

	June 30, 2021	December 31, 2020
Principal	\$ -	\$ 82,758
Interest	-	88,983
Total	\$ -	\$ 171,741

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, 2021, the Company accrued interest of \$2,624 (2020 - \$7,345) and recorded a foreign exchange loss on the loan of \$2,107 (2020 - \$8,116). During the six months ended June 30, 2021, this balance was written off.

b) Shareholder loan

	June 30, 2021	December 31, 2020
Principal	\$ -	\$ 569,986
Interest	-	117,678
Total	\$ -	\$ 687,664

During the six months ended June 30, 2021, a company controlled by a shareholder advanced the Company \$25,000 (six months ended June 30, 2020 - \$530,000) pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand. During the six months ended June 30, 2021, the Company recorded interest expense of \$nil (2020 - \$75,823) on the promissory notes. In March 2021, this balance was repaid in full.

During the six months ended June 30, 2021, a company controlled by a shareholder advanced the Company \$nil (December 31, 2020 - \$14,986) pursuant to unsecured promissory notes bearing interest at 15% per annum and due on demand.

In March 2021, the Company repaid \$687,664 of principal and interest in full and final settlement of the loan and all accrued interest.

c) Officer and director loans

	June 30, 2021	December 31, 2020
Principal	\$ 3,000	\$ 22,913
Interest	1,100	1,993
Total	\$ 4,100	\$ 24,906

During the year ended December 31, 2019, the Chief Executive Officer of the Company advanced the Company \$3,000 pursuant to a promissory note bearing interest at 15% per annum and due August 15, 2020. During the six months ended June 30, 2021, the Company recorded interest expense of \$321 (2020 - \$225) on the promissory note.

In March 2021, the Company repaid \$13,213 of the principal amount outstanding.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

8. Loans and Borrowings (continued)

c) Officer and director loans (continued)

During the six months ended June 30, 2021, a director of the Company advanced the Company \$nil (2020 - \$nil) pursuant to a promissory note bearing interest at 15% per annum and due in October 2020. During the six months ended June 30, 2021, the Company recorded interest expense of \$247 (2020 - \$501) on the promissory note.

9. Asset retirement obligations

The Company has recorded asset retirement obligations of \$101,762 (December 31, 2020 - \$101,762) associated with the future decommissioning of weather monitoring equipment situated on the Wildmare Wind Energy Project site.

10. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares without par value and 100 redeemable preferred shares.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019	217,369,386	\$ 43,230,210
Issuance of shares for trade and other payables (i)(ii)	6,690,793	189,604
Balance, June 30, 2020	224,060,179	\$ 43,419,814

	Number of common shares	Amount
Balance, December 31, 2020	233,114,037	\$ 43,759,202
Private placements (iii)	13,696,500	5,752,530
Share issuance costs (iii)	-	(581,495)
Warrants granted (iii)	-	(2,762,909)
Exercise of options (iv)	10,960,714	1,103,382
Exercise of warrants (v)	17,213,597	1,625,672
Balance, June 30, 2021	274,984,848	\$ 48,896,382

At June 30, 2021, the Company had 274,984,848 common shares issued and outstanding (June 30, 2020 – 224,060,179) and no preferred shares issued and outstanding. A summary of changes in share capital and reserves is contained on the unaudited condensed interim consolidated statements of changes in shareholders' equity (deficiency) for the three months ended June 30, 2021 and 2020.

During the six months ended June 30, 2020, the Company issued the following shares:

- i. In January 2020, the Company issued 2,233,333 common shares at a price of \$0.05 per share to two companies controlled by officers of the Company and one controlled by a former officer to settle consulting fees of \$111,667, accrued to January 31, 2020.
- ii. In May 2020, the Company issued 4,457,460 common shares at a price of \$0.025 per share to settle debts of \$111,437, accrued to October 13, 2020.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

10. Share capital (continued)

b) Common shares issued (continued)

During the six months ended June 30, 2021, the Company issued the following shares:

- iii. In February 2021, the Company completed a private placement through the issuance of 13,696,500 units at a price of \$0.42 per unit for gross proceeds of \$5,752,530. 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 \$0.60 per share for a period of 24 months from the closing date. The securities issued pursuant to the offering have a hold period of four months from the date of closing. The Company determined the fair value of the warrants to be \$2,582,158. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.22%; an expected volatility of 191.87%; an expected life of 2 year; a forfeiture rate of zero; and an expected dividend of zero. The Company paid share issue costs of \$581,495 in cash, and issued 958,755 broker warrants with a fair value of \$180,751. The broker warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.22%; an expected volatility of 191.87%; an expected life of 2 year; a forfeiture rate of zero; and an expected dividend of zero.
- iv. During the six months ended June 30, 2021, the Company issued 10,960,714 common shares of the Company on the exercise of stock options for proceeds of \$611,500.
- v. During the six months ended June 30, 2021, the Company issued 17,213,597 common shares of the Company on the exercise of stock warrants for proceeds of \$974,868.

11. Warrants

The following table reflects the warrants issued and outstanding as of June 30, 2021:

Expiry Date	Exercise Price	Balance December 31, 2020	Granted	Exercised	Balance June 30, 2021
February 28, 2022	\$ 0.05	2,533,333	-	(2,533,333)	-
March 14, 2022	\$ 0.05	700,000	-	(700,000)	-
April 8, 2022	\$ 0.05	11,121,265	-	(11,121,265)	-
December 13, 2021	\$ 0.10	2,858,999	-	(2,858,999)	-
February 19, 2023	\$ 0.60	-	14,655,255	-	14,655,255
		17,213,597	14,655,255	(17,213,597)	14,655,255
Weighted Average exercise price	\$ 0.06	\$ 0.60	\$ (0.05)	\$ 0.60	

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

12. Stock options

Details of the stock options outstanding as at June 30, 2021 are as follows:

Expiry Date	Exercise Price	Balance December 31, 2020	Exercised	Balance June 30, 2021
December 22, 2022	\$ 0.08	1,500,000	(500,000)	1,000,000
January 26, 2023	\$ 0.08	300,000	-	300,000
May 4, 2023	\$ 0.08	500,000	-	500,000
May 6, 2024	\$ 0.06	11,750,000	(7,560,714)	4,189,286
July 16, 2024	\$ 0.06	2,000,000	-	2,000,000
March 31, 2025	\$ 0.05	2,900,000	(1,100,000)	1,800,000
July 23, 2025	\$ 0.05	2,000,000	(400,000)	1,600,000
October 27, 2025	\$ 0.05	1,800,000	(1,400,000)	400,000
December 9, 2025	\$ 0.06	100,000	-	100,000
		22,850,000	(10,960,714)	11,889,286
Weighted average exercise price	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06

As of June 30, 2021, all of the stock options were exercisable. The weighted average remaining contractual life of the Company's stock options is 3.31 years (December 31, 2020 - 3.58 years).

13. Share-based payments

During the six months ended June 30, 2021, the Company granted nil stock options to directors, officers, and employees of the Company and recorded \$nil (six months ended June 30, 2020 - 2,900,000) of share-based options to directors, officers and employees of the Company and recorded \$nil (six months ended June 30, 2020 - \$49,328) of share-based payments for options that vested during the period.

14. Supplemental cash flow information

For the six months ended June 30,	2021	2020
Non-cash investing and financing activities		
Shares issued for trade and other payables	\$ (581,495)	\$ 189,604
Non-cash investing and financing activities	\$ (581,495)	\$ 189,604

15. Settlement income

During the six months ended June 30, 2021, the Company and a third party negotiated a settlement agreement related to a legal claim against the Company, pursuant to which the third party agreed to make a payment of \$22,197 (US \$17,500) on a set timeline.

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

16. Related party transactions and balances

In addition to related party transactions and balances disclosed elsewhere in these unaudited condensed interim consolidated financial statements, the following transactions and balances occurred during the six months ended June 30, 2021 with related parties:

- a) As at June 30, 2021, an amount of \$nil (December 31, 2020 - \$309,600) was due from a company controlled by an officer of the Company (December 31, 2020 - \$180,000). This balance was repaid in full, April 2021.
- b) Included in trade and other payables as at June 30, 2021 is \$nil (December 31, 2020 - \$456,300) due to an officer of the Company. 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. The principal amount accrued interest at 12% per annum. This balance was repaid in full, April 2021.
- c) Included in trade and other payables as at June 30, 2021 is \$14,435 (December 31, 2020 - \$668,720) due to current and former officers and directors and a significant shareholder of the Company for consulting fees, salaries and benefits and expense reimbursements.

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		June 30,	
	2021	2020	2021	2020
Consulting fees	\$ -	\$ 111,438	\$ -	\$ 164,355
Salaries and benefits	110,217	-	169,383	-
Share-based payments	-	-	-	37,400
Total	\$ 110,217	\$ 111,438	\$ 169,383	\$ 201,755

During the six months ended June 30, 2021, the Company settled consulting fees of \$nil (six months ended June 30, 2020 - \$111,667) through the issuance of common shares of the Company (note 10).

Solar Alliance Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

17. 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:

Operating segment	USA	Canada	Total
As at and for the six months ended June 30, 2021			
Total assets	\$ (10,381,494)	\$ 14,869,043	\$ 4,487,549
Non-current assets	48,132	18,000	66,132
Total revenues	2,003,108	-	2,003,108
Net loss	(335,691)	(585,024)	(920,715)

Operating segment	USA	Canada	Total
As at December 31, 2020			
Total assets	\$ 261,070	\$ 320,211	\$ 581,281
Non-current assets	20,303	19,000	39,303
For the six months ended June 30, 2020			
Total revenue	1,987,225	-	1,987,225
Net income	(257,420)	80,457	(176,963)

18. Subsequent events

- On July 7, 2021 the Company announced it has signed a Joint Development Agreement (the "Agreement") with Boyd Company ("Boyd CAT"), a regional Caterpillar dealer, and will be opening an office in Louisville, Kentucky. Boyd CAT is the authorized dealer of Cat® solar equipment for businesses and contractors across Kentucky, Southern Indiana, West Virginia and Southeastern Ohio. Under the Agreement, Boyd CAT and Solar Alliance will jointly pursue solar opportunities where Boyd CAT provides sales support and solar equipment, and Solar Alliance provides solar design, engineering and installation services.
- On July 27, 2021 the Company announced a full patent application has been filed, jointly with the University of Tennessee Research Foundation, for Powershed, an innovative solar powered charging station for robotic lawnmowers. The Company also announces that Powershed has advanced beyond the prototype stage and the latest design iteration of Powershed has resulted in four system sales in July, driven by an increase of 33% in power generation per unit.
- On August 10, 2021 the Company announced it has signed a Joint Development Agreement (the "Agreement"), dated August 9, 2021, with Abundant Solar Power ("Abundant") to jointly pursue large-scale utility solar projects in the U.S. Southeast. Solar Alliance's regional design, engineering, and construction expertise combined with Abundant's financial expertise and large project development experience create a partnership that is well positioned to provide cost-competitive, turnkey solar solutions to utilities. The projects will range in size from 1 megawatt ("MW") to 10 MW and larger and will typically involve competitive bids to local and regional utilities.