



**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021**

**(EXPRESSED IN CANADIAN DOLLARS)**

SOLAR ALLIANCE ENERGY INC.  
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS  
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(Expressed in Canadian Dollars)

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The following interim Management Discussion & Analysis ("Interim MD&A") of Solar Alliance Energy Inc. (the "Company" or "Solar Alliance") for the three and six months ended June 30, 2021 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2020. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, audited annual consolidated financial statements of the Company for the years ended December 31, 2020, and December 31, 2019, together with the notes thereto, and unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 24, 2021, unless otherwise indicated.

### **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 Tennessee, Kentucky, Illinois and North/South Carolina and has an expanding pipeline of solar projects. Solar Alliance's business model includes developing, owning, and operating commercial, industrial and utility solar projects in the U.S.

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.

### **Operational Highlights**

The following highlights are from the Company's operations during the six months ended June 30, 2021 and the period up to the date of this MD&A.

**COVID-19** – Solar Alliance remains open for business to make sure our customers receive the services and products that serve their energy needs. The Company has increased our sales and installation teams in order to meet the growing demand of customers wanting to save money on their energy bills. Solar Alliance has instituted health and safety procedures to ensure the safety of its employees, customers and the communities we operate in.

**American Jobs Plan** – On April 1, 2021 the Company provided an overview of the American Jobs Plan, which is expected to provide significant support to the U.S. solar industry. President Biden is proposing a ten-year extension of the Investment Tax Credit ("ITC") and an expanded "direct pay" ITC for solar projects. These two key proposals have the potential to accelerate Solar Alliance's growth and the Company's ability to own and operate solar projects. Solar Alliance believes the American Jobs Plan announced by President Joe Biden will provide historic support for the U.S. solar industry and contribute to a strong recovery post-COVID-19.

**Lexington Fire Station Solar** – On April 14, 2021 the Company announced it had completed the installation of two solar projects at two Lexington, Kentucky fire stations in the first step of what the company plans to be further inroads into the first responder market. The Lexington solar projects were installed in partnership with Boyd CAT, a

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regional Caterpillar dealer that Solar Alliance has worked with on several projects.

**Agreement for First U.S. Operating Asset** – On May 26, 2021 Solar Alliance announced it had signed a binding Letter of Intent (the “Agreement”) with Abundant Solar Power Inc. (“Abundant”) to build, own and operate a 350 kilowatt (“kW”) solar project in New York State (the “Project”). The construction-ready Project is permitted and is supported by a power purchase agreement. This Project will be the first solar project in the Company’s portfolio of operating solar assets and will generate a recurring revenue stream over its 30 year life.

**1 megawatt Solar Share Project for LG&E/KU in Kentucky** – On June 21, 2021 the Company announced construction had been completed at a one megawatt (“MW”) solar project in Kentucky for Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E and KU”), part of the PPL Corporation family of companies. The solar system, which consists of Phase 3 and 4 of LG&E and KU’s Solar Share facility in Simpsonville, is now fully operational and producing energy for subscribing customers. Solar Alliance worked with Boyd CAT, a regional Caterpillar dealer, on this and other projects as the two companies expand the portfolio of solar projects they are partnering on.

**Agreement for Second U.S. Operating Asset** – On June 23, 2021 Solar Alliance announced it had signed a Letter of Intent (the “Agreement”) with Abundant Solar Power Inc. (“Abundant”) to build, own and operate a 389 kilowatt (“kW”) solar project in New York State (the “Project”). This is the second construction-ready project Solar Alliance will own and operate in New York and will generate a recurring revenue stream over its 30-year life, supported by a power purchase agreement. These two projects represent the initial stages of a longer-term relationship with Abundant to build out a robust portfolio of assets Solar Alliance will own and operate.

### **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, installation and project ownership space. The market for residential, commercial and industrial solar energy systems remains strong and is growing.

### **Results of Operations**

Revenue for the six months ended June 30, 2021 was \$2,003,108 compared to \$1,987,225 in the comparative period.

Operating and selling expenditures, excluding non-cash depreciation and share-based payments, were \$1,400,395 in the six months ended June 30, 2021 compared to \$843,530 in the comparative period, an increase of \$556,865, or 66%.

### **Liquidity and Capital Resources**

Solar Alliance began the 2021 fiscal period with \$1,877 cash. During the six months ended June 30, 2021, the Company used \$2,314,835 in operating activities, net of working capital changes, and received \$5,969,673 from financing activities, to end at June 30, 2021 with \$3,622,652 cash.

During the six months ended June 30, 2021 the Company issued 10,960,714 common shares on the exercise of stock options for proceeds of \$611,500.

During the six months ended June 30, 2021 the Company issued 17,213,597 common shares on the exercise of warrants for proceeds \$974,868.

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-

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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.

As of June 30, 2021, the Company had a working capital of \$328,814. The cash inflows from Solar Alliance operations are currently sufficient to sustain the Company's operations and to pay the Company's obligations as they become due. Management intends to continue to raise capital 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 six months ended June 30, 2021 with related parties:

- a) As at June 30, 2021, an amount of \$nil (December 31, 2020 - \$309,600) is due from a company controlled by an officer of the Company). 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, comprised of principal of \$nil (December 31, 2020 - \$270,000) and accrued interest of \$nil (December 31, 2020 - \$186,300). 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. 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:

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

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.

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

	Common Shares Issued and Outstanding	Common Shares Purchase Warrants	Common Shares Purchase Options
<b>Balance at June 30, 2021</b>	<b>274,984,848</b>	<b>14,655,255</b>	<b>11,889,286</b>
<b>Balance at the date of this MD&amp;A</b>	<b>274,984,848</b>	<b>14,655,255</b>	<b>11,889,286</b>

**Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the Company's Annual MD&A for year ended December 31, 2020, available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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**Subsequent Events**

- a) 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.
- b) 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.
- c) 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.

**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: financing 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.

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**Additional Information**

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