solar alliance

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

SEPTEMBER 30, 2022

(CANADIAN DOLLARS)

SOLAR ALLIANCE ENERGY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022
DATED NOVEMBER 21, 2022
(All figures in Canadian Dollars)

The following interim Management Discussion & Analysis ("**Interim MD&A**") of Solar Alliance Energy Inc. (the "**Company**" or "**Solar Alliance**") for the three and nine months ended September 30, 2022 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, 2021. 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 Interim 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 interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited interim condensed consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 21, 2022, 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" and on the OTCQB Venture Market in the United States under the symbol "SAENF".

Solar Alliance is executing on a unique, hybrid strategy that combines solar system sales to businesses and utilities with a growing portfolio of operating assets that generate long-term recurring revenue for the Company. The technical and operational synergies from the combined business model positions the Company for sustained growth across the solar project value chain from design, engineering, installation, ownership and operations/maintenance.

Solar Alliance operates in Tennessee, Kentucky, Illinois and North and South Carolina and has an expanding pipeline of solar projects in several Southeast U.S. states.

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 nine months ended September 30, 2022 and the period up to the date of this Interim MD&A.

New York solar projects near completion – Construction continued on Solar Alliance's two projects in New York State. **VC1**, a 298-kilowatt ("kW") solar energy facility located in the Village of Cazenovia, Madison County, is expected to achieve its Commercial Operation Date ("COD") on November 30, 2022. **US1**, a 389-kW solar energy facility located in the Village of Union Springs, Cayuga County, is expected to achieve its COD in December 2022. Both projects were delayed due to materials supply chain constraints; however, the delayed components have been sourced and the Company is confident COD will be reached on both projects before the end of the year. On October 26, 2022, the Company announced it signed a Memorandum of Understanding with Redball Energy for the provision of tax equity financing of up to US $530,000 for the VC1 and US1.

Contract with U.S. Army Corps of Engineers – On September 20, 2022, the Company announced it signed a contract with the U.S. Army Corps of Engineers Nashville District to install a solar system at the Lake Cumberland Resource Manager's Office and Maintenance Facility located in Somerset, Kentucky. The Project consists of a 52-kW roof mount solar array and a 51-kW carport solar array with a total capital cost of US $340,000.

500-kilowatt solar project for LG&U and KU in Kentucky completed – On July 27, 2022, the Company announced it has completed construction of a 500-kW solar project for Louisville Gas and Electric and Kentucky Utilities Company. The contract for this project includes an option for LG&E and KU to select Solar Alliance to build an additional 500-kW system at the same location.

Construction continues at 1-MW Knoxville Utilities Board project – the Company signed a contract on February 22, 2022 with Knoxville Utilities Board ("KUB"), an independent agency of the City of Knoxville, for the design and installation of a 1 megawatt ("MW") solar project in Knoxville, Tennessee. KUB provides electric, natural gas, water, wastewater, and fiber broadband services to more than 473,000 customers in Knoxville. The project builds on Solar Alliance's expanding utility customer project base, following successful solar initiatives with utilities LG&E/KU, EPB, and AEC. It also builds on the company's support program for utilities which includes grant work, financial modeling, energy modeling, and EV charger deployment.

Construction commences at 526-kW Tennessee project – Construction continues at a 526-kW roof mount solar system at AESSEAL's U.S. headquarters in Rockford, Tennessee. Solar Alliance was contracted to design, engineer and install the project.

Trends

Solar Alliance is executing on a unique, hybrid strategy that combines solar system sales to businesses and utilities with a growing portfolio of operating assets that generate long-term recurring revenue for the Company. The technical and operational synergies from the combined business model positions the Company for sustained growth across the solar project value chain from design, engineering, installation, ownership and operations/maintenance.

Solar Alliance is focused on a the rapidly growing commercial, small utility and community solar sectors in the United States, where the recently adopted Inflation Reduction Act (IRA) will help the U.S. solar market grow 40% over baseline projections through 2027. That is equal to 62 gigawatts (GW) of additional solar capacity, according to new forecasts in the U.S. Solar Market Insight Q3 2022 report by the Solar Energy Industries Association (SEIA) and Wood Mackenzie. According to Wood Mackenzie, the utility-scale sector will lead the solar industry's growth over the next five years with 162 GW of new capacity. Cumulative solar installations across all market segments will nearly triple in size, growing from 129 GW today to 336 GW by 2027.

On August 16th, 2022, President Biden signed the IRA into law. The legislation provides long-term tax credits and incentives for solar energy projects and technologies. For the U.S. solar industry, the legislation gives the industry the most long-term certainty for federal tax credits it has ever had. The industry will have ten years of certainty between the extensions of the current investment tax credit (ITC) and production tax credit (PTC). Also, for the first time, the U.S. solar industry will have access to production tax credits and an investment tax credit for domestic manufacturing across the solar value chain.

Solar Alliance is now actively assessing opportunities in Canada, following the release of the Federal government's 2022 Fall Economic Statement, which proposes a refundable tax credit equal to 30 per cent of the capital cost of investments in solar and storage projects. The tax credit, which is similar in nature to the U.S. ITC, is expected to be introduced as part of the 2023 Budget. The Company believes the tax credit proposed in the 2022 Fall Economic Statement, if passed into law, will generate substantial opportunities in the Canadian solar industry.

Results of Operations

Revenue for the three months ended September 30, 2022 was $2,753,628 compared to $252,352 in the comparative period.

The year-over-year increased in Q3 revenue is due primarily to the Company's transition to larger revenue projects, which have a longer sales cycle. Q3 represents a period where the Company invested in new sales channels to improve the long-term sales pipeline of larger solar projects. This focus on larger projects resulted in fewer small projects being completed but also resulted in the signing of several larger projects after the end of Q4. These contracts, subsequent to the end of Q1, will positively impact revenues in Q2 and moving forward.

Operating and selling expenditures, excluding non-cash depreciation, share-based payments and bad debt expense, were $1,003,564 in the three months ended September 30, 2022 compared to $796,416 in the comparative period, an increase of $207,148, or 26%. The increase is mainly attributable to salaries and benefits, consulting fees and share-based payments, which related to more projects being completed during the year and more larger projects being contracted, as well as the vesting of stock options for the period.

Revenue for the nine months ended September 30, 2022 was $4,381,445 compared to $2,255,460 in the comparative period.

The year-over-year increased in Q3 revenue is due primarily to the Company's transition to larger revenue projects, which have a longer sales cycle. Q3 represents a period where the Company invested in new sales channels to improve the long-term sales pipeline of larger solar projects. This focus on larger projects resulted in fewer small projects being completed but also resulted in the signing of several larger projects after the end of Q4. These contracts, subsequent to the end of Q1, will positively impact revenues in Q2 and moving forward.

Operating and selling expenditures, excluding non-cash depreciation, share-based payments and bad debt expense, were $2,538,203 in the nine months ended September 30, 2022 compared to $2,196,811 in the comparative period, an increase of $341,392, or 16%. The decrease is mainly attributable to salaries and benefits, professional fees and share-based payments, which related to more projects being completed during the year and more larger projects being contracted, as well as the vesting of stock options for the period.

Liquidity and Capital Resources

Solar Alliance began the 2022 fiscal period with $2,169,258 cash. During the nine months ended September 30, 2022, the Company used $579,018 in operating activities, net of working capital changes, used $889,177 in investing activities and received $350,000 from financing activities, to end September 30, 2022 with $1,051,063 cash.

During the nine months ended September 30, 2022, the Company issued nil common shares on the exercise of stock options for proceeds of $nil.

During the nine months ended September 30, 2022, the Company issued nil common shares on the exercise of warrants for proceeds $nil.

As at September 30, 2022, the Company had a working capital deficit of $1,407,948 compared to a working capital of $842,956 at December 31, 2021. The cash inflows from Solar Alliance operations are currently not 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.

(All figures in Canadian Dollars)

Related Party Transactions

The following transactions and balances with related parties occurred during the nine months ended September 30, 2022:

1. Included in trade and other payables as at September 30, 2022 is $251,097 (December 31, 2021 - $254,301) due to current and former officers and directors and a significant shareholder of the Company for consulting fees, salaries and benefits and expense reimbursements.
2. Included in short-term loans as at September 30, 2022 is $250,000 (December 31, 2021 - $nil) due to a current director of the Company.

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 nine months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Salaries and benefits	**120,000**	68,123	**371,192**	237,506
Share-based payments	**92,234**	-	**181,606**	-
Total	**$ 212,234**	$ 68,123	**$ 552,798**	$ 237,506

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

	Common Shares Issued and Outstanding	Common Shares Purchase Warrants	Common Shares Purchase Options
Balance at September 30, 2022	**274,984,848**	**14,655,255**	**18,514,286**
Balance at the date of this Interim MD&A	**274,984,848**	**14,655,255**	**18,514,286**

New accounting standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

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.

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 interim condensed 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 interim condensed consolidated financial statements, and (ii) the unaudited interim condensed 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:

1. 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

2. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited interim condensed 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.

Subsequent Events

1. On October 26, 2022, the Company announced that it had signed a Memorandum of Understanding ("**MOU**") with Redball Energy for the provision of tax equity financing of up to US $530,000 for the Company's initial portfolio of solar projects in the state of New York. This efficient investing structure can be utilized to acquire and develop additional solar energy projects in the United States.

Cautionary Note Regarding Forward Looking Information

This Interim 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 Interim 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 Interim 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.