



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

JUNE 30, 2023

(CANADIAN DOLLARS)

SOLAR ALLIANCE ENERGY INC.
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
DATED AUGUST 23, 2023
(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 six months ended June 30, 2023 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, 2022. 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 six months ended June 30, 2023, 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 August 23, 2023, 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 OTC 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.

Leadership

On February 23, 2023, the Company announced the board of directors has approved the appointment of Christina Wu as Chief Financial Officer ("CFO") of the Company, effective March 10, 2023. The current CFO, Rob Roberti, will step down from his role and move to a newly constituted Advisory Board position role, which has been created to support strategic growth initiatives moving forward. Mr. Roberti's move is effective March 10, 2023.

Operational Highlights

The following highlights are from the Company's operations during the six months ended June 30, 2023 and the period up to the date of this Interim MD&A.

The Company continues to target larger customers for third-party solar system sales and installations, specifically for utility and commercial customers. Solar Alliance's strategy is to design, engineer and install commercial solar systems ranging in size up to several megawatts. This shift in focus to larger projects during 2022 has resulted in revenue growth that the Company expects to continue through 2023.

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Letter of Intent to acquire Canadian solar company. On May 18, 2023, the Company announced it entered into an arm's length Letter of Intent dated May 16, 2023 to acquire a growing, profitable Canadian solar company in a predominantly share-based transaction. The transaction is expected to significantly increase the scale of Solar Alliance, be immediately accretive to Solar Alliance, provide access to the rapidly expanding Canadian solar market and create operational synergies while positioning the Company to be cash flow positive post-transaction.

\$1.47 million contract signed for project in Tennessee. On May 31, 2023, the Company announced it has signed a contract for the design, engineering, and construction of a 565-kW commercial solar project for a manufacturing company in Tennessee. The project, with a \$1.47 million capital cost, is scheduled to begin construction in Q3 2023 with completion targeted by the end of 2023.

Sold 67% interest in New York community solar project. On June 21, 2023, the Company announced it has sold a 67% interest in the Company's two operating solar projects in the state of New York for consideration of USD \$973,360.72. Solar Alliance will maintain a 33% interest in the two projects, enabling the Company to continue to benefit from the economics of 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. Cumulative solar installations across all market segments will nearly triple in size, growing from 129 GW today to 336 GW by 2027. Solar accounted for 39% of all new electricity-generating capacity added to the US grid in the first half of 2022.

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, was confirmed as part of the 2023 Budget. The Company believes the tax credit will generate substantial opportunities in the Canadian solar industry.

Results of Operations

Revenue for the three months ended June 30, 2023 was \$1,454,213 compared to \$964,548 in the comparative period.

Operating and selling expenditures, excluding non-cash depreciation and share-based payments, were \$666,407 in the three months ended June 30, 2023 compared to \$832,200 in the comparative period, an decrease of \$165,793. The decrease is mainly attributable to salaries and benefits, consulting fees, 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

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period

Revenue for the six months ended June 30, 2023 was \$2,428,790 compared to \$1,627,817 in the comparative period.

Operating and selling expenditures, excluding non-cash depreciation and share-based payments, were \$1,441,074 in the three months ended June 30, 2023 compared to \$1,534,639 in the comparative period, an decrease of \$93,565. The decrease is mainly attributable to an decrease in salaries and benefits, which related to the projects being completed during the period, and offset by the increase in professional fees and consulting fees.

The year-over-year increase in revenue is due primarily to the Company's transition to larger revenue projects, which have a longer sales cycle. This focus on larger projects resulted in fewer small projects being completed but also resulted in the signing of several larger projects.

Liquidity and Capital Resources

Solar Alliance began the 2023 fiscal period with \$650,061 cash. During the six months ended June 30, 2023, the Company used \$98,408 in operating activities, net of working capital changes, used \$908 in investing activities and received \$265,000 from financing activities, to end June 30, 2023 with \$285,745 cash.

As at June 30, 2023, the Company had a working capital deficit of \$2,487,406 compared to a working capital deficient of \$3,103,859 at June 30, 2022. 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.

Related Party Transactions

The following transactions and balances with related parties occurred during the six months ended June 30, 2023:

1. Included in trade and other payables as at June 30, 2023 is \$279,000 (December 31, 2022 - \$265,703) 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 June 30, 2023 is \$100,000 (December 31, 2022 - \$250,000) due to a current director of the Company.
3. Included in interest expense as at June 30, 2023 is \$37,151 (December 31, 2022 - \$25,989) due to a current director of the Company.
4. Included in professional fees as at June 30, 2023 is \$20,510 (December 31, 2022 - \$nil) to Marrelli Support Services Inc., a company which the CFO is related to. As of June 30, 2023, the company owed \$18,131 which is included in trade and other payables.

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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, 2023 and 2022 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Salaries and benefits	62,500	121,859	121,472	251,192
Share-based payments	41,552	57,927	101,980	172,919
Total	\$ 104,052	\$ 179,786	\$ 223,452	\$ 424,111

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 June 30, 2023	274,984,848	300,000	18,914,286
Balance at the date of this Interim MD&A	274,984,848	300,000	18,914,286

Financial Instruments and risk management

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

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.

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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 had \$73,715 (2022 - \$73,715) as an expected credit loss allowance at June 30, 2023 and incurred \$nil (2022 - \$nil) 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 short term loans as all of these liabilities are due within the next 12 months.

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.

1. 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 June 30, 2023, 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.

2. Currency risk

The Company has net monetary liabilities denominated in United States dollars, totaling approximately US\$924,099 at June 30, 2023, 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 \$92,410.

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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, 2022, available on SEDAR+ at www.sedarplus.ca.

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

- a) On July 10, 2023, the Company announced it has signed contracts for the design, engineering and construction of two commercial solar projects for a client in Tennessee.

The first project is a ground mount system with a capacity of 250-kilowatts ("kW") and a capital cost of \$720,000. The second project is a ground mount system with a capacity of 299-kW and a capital cost of \$860,000. The two projects, which are being constructed at different facilities, are scheduled to begin construction in Q3 2023 and are currently targeted for completion in Q1 2024.

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- b) On July 17, 2023, the Company announced it has signed contracts for the design, engineering and construction of two commercial solar projects for a client in Tennessee, with a total capital cost of \$530,000.

The two projects contribute to a backlog of contracted projects that now total \$6.6 million.

The first project is a rooftop system with a capacity of 131-kW and a capital cost of \$380,000. The second project is a rooftop system with a capacity of 43-kW and a capital cost of \$150,000. The two projects are scheduled to begin construction in Q3 2023 and are currently targeted for completion by the end of 2023.

- c) On July 20, 2023, the Company announced that it has entered into an agreement with Research Capital Corporation, as lead agent (the "Agent") and sole bookrunner in connection with a "best efforts" private placement offering (the "Offering") of up to 25,000,000 units of the Company (each, a "Unit") at a price of \$0.08 per Unit, for aggregate gross proceeds of up to \$2,000,000.

Each Unit will be comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one Common Share (a "Warrant Share") at an exercise price of \$0.12 per Warrant Share for a period of 36 months from the Closing Date.

The Company will grant the Agent an option (the "Agent's Option"), exercisable in full or in part, up to 48 hours prior to the closing of the Offering, to sell up to an additional 3,750,000 Units at the Issue Price for additional gross proceeds of up to \$300,000.

- d) On July 31, 2023, the Company announced it has signed contracts for three additional solar projects in the Southeast US, ranging in size up to 120-kW. The contracts include the design and installation of solar projects for a range of industries in Tennessee and Kentucky and have a combined capital cost of \$580,000. The projects are scheduled to commence construction in Q3 2023 and are currently targeted for completion by Q1 2024.

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

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different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

Forward-looking statements are based on the beliefs, estimates and opinions of Solar Alliance's management on the date the statements are made. Unless otherwise required by law, Solar Alliance expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Solar Alliance does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

Additional Information

Additional information relating to the Company is available for viewing on SEDAR+ at www.sedarplus.ca and on the Company's website at www.solaralliance.com.