Consolidated Financial Statements
(Expressed in Canadian dollars)

SOLAR ALLIANCE ENERGY INC.

(formerly Finavera Wind Energy Inc. and
Finavera Solar Wind Energy Inc.)

Years ended December 31, 2015 and 2014

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Solar Alliance Energy Inc.
(formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.)

We have audited the accompanying consolidated financial statements of Solar Alliance Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Solar Alliance Energy Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(a) to the consolidated financial statements which describes that Solar Alliance Energy Inc. has a significant working capital deficiency and will be required to raise additional capital in order to meet its obligations and continue as a going concern. These conditions, along with other matters as set forth in note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about Solar Alliance Energy Inc.'s ability to continue as a going concern.

KPMG LLP (signed)

Chartered Professional Accountants

April 29, 2016
Vancouver, Canada

SOLAR ALLIANCE ENERGY INC.

(formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.)

Consolidated Statements of Financial Position
(Expressed in Canadian dollars- unaudited)

December 31, 2015 and 2014

	Notes	2015	2014
Assets			
Current assets:			
Cash		$ 3,272,962	$ 155,448
Restricted cash		-	12,364
Receivables		196,606	62,389
Prepaid expenses		7,577	15,982
Advances to related party	12(c)	201,600	180,000
Work-in-process		98,566	-
Land and building held-for-sale	7	325,240	-
		4,102,551	426,183
Non-current assets:			
Equipment	7	40,407	21,150
Goodwill	4	6,033,309	-
Other assets	8	35,435	51,964
		6,109,151	73,114
		$ 10,211,702	$ 499,297
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities		$ 5,824,685	$ 3,130,131
Loans and borrowings	15	1,217,927	2,586,480
Customer deposits		179,768	-
Contingent consideration	4	1,671,725	-
Provisions	16	77,500	766,035
		8,971,605	6,482,646
Non-current liabilities:			
Contingent consideration	4	1,010,104	-
Loans and borrowings	15	-	1,475
Provisions	16	101,762	101,762
		1,111,866	103,237
		10,083,471	6,585,883
Shareholders' equity (deficiency):			
Share capital	9	36,031,974	34,984,271
Contributed surplus		10,923,493	10,761,494
Warrants	9	24,861	-
Accumulated other comprehensive loss		(537,770)	-
Accumulated deficit		(46,314,327)	(51,832,351)
		128,231	(6,086,586)
		$ 10,211,702	$ 499,297

Going concern (note 2(a))
Contingencies and commitments (note 14)
Subsequent events (notes 7, 12, 14(b), 14(c), 15(e),(f) and 20)

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

Approved on behalf of the Board:

Signed "Jason Bak" Director   Signed "David Lamont" Director

SOLAR ALLIANCE ENERGY INC.

(formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.)

Consolidated Statements of Comprehensive Income
(Expressed in Canadian dollars)

Years ended December 31, 2015 and 2014

	Notes	2015	2014
Revenue		$ 1,604,534	$ -
Cost of goods sold	18	(1,174,255)	-
		430,279	-
Operating expenses:			
Depreciation	7	10,335	7,836
Consulting fee		593,610	-
Insurance and filing fees		154,112	114,431
Marketing and advertising		709,471	10,811
Office, rent and utilities		259,121	59,048
Payroll and benefits		914,690	955,117
Professional fees		909,963	430,555
Stock-based compensation	10	176,907	199,608
Travel		99,303	50,513
		3,827,512	1,827,919
Loss before undernoted		(3,397,233)	(1,827,919)
Other income (expenses):			
Gain on sale of BC Projects	5	-	14,275,818
Gain on sale of investment in Cloosh Valley Wind Project	6	10,761,408	2,434,254
Project development costs		-	(77,524)
Accrual of contractual payroll obligations	12(c)	-	(660,000)
Other provisions		-	(70,000)
Impairment of land and building held-for-sale		(55,360)	-
Loss on disposal of equipment		-	(1,959)
		10,706,048	15,900,589
Income from operations		7,308,815	14,072,670
Net finance income (expense):			
Financing fees and interest expense		(2,041,572)	(980,805)
Gain on forgiveness of accounts payable and other debts		245,957	341,092
Interest and other income		21,625	29,958
Foreign exchange loss		(16,801)	(161,108)
		(1,790,791)	(770,863)
Net income		5,518,024	13,301,807
Other comprehensive income (loss):			
Change in accumulated foreign exchange translation adjustment		(537,770)	-
Comprehensive income		$ 4,980,254	$ 13,301,807
Income per share - basic and diluted:	9(a)		
Basic		$ 0.12	$ 0.33
Diluted		0.12	0.33
Weighted average number of common shares outstanding:	9(a)		
Basic		46,011,019	39,726,649
Diluted		46,425,650	40,355,651

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

SOLAR ALLIANCE ENERGY INC.

(formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.)

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2015 and 2014

	Notes	2015	2014
Cash provided by (used in):			
Operating activities:			
Net income		$ 5,518,024	13,301,807
Items not affecting operating cash:			
Gain on sale of investment in Cloosh Valley Wind Project	6	(10,761,408)	(2,434,254)
Gain on sale of BC Projects	5	-	(14,275,818)
Net finance expense		1,790,791	770,863
Project costs expensed	5	-	77,524
Depreciation	7	10,335	7,836
Impairment of land and building held-for-sale		55,360	-
Loss on disposal of equipment		-	1,959
Stock-based compensation		176,907	199,608
Other provisions		-	70,000
		(3,209,991)	(2,280,475)
Change in non-cash operating working capital:			
Receivables		56,101	(54,338)
Prepaid expenses		8,405	18,192
Work-in-process		(56,865)	-
Accounts payable and accrued liabilities		486,918	437,706
Customer deposits		(75,519)	-
Net cash used in operating activities		(2,790,951)	(1,878,915)
Investing activities:			
Acquisition of Solar	4	(496,600)	-
Bank indebtedness acquired on acquisition of Solar Alliance of America	4	(14,371)	-
Advances to Solar Alliance of America prior to acquisition		(607,066)	-
Proceeds from sale of BC Projects	5	-	1,150,000
Proceeds from sale of investment in Cloosh Valley Wind Project	6	10,761,408	510,159
Advanced to related party		-	(180,000)
Project development costs refund received		-	121,606
Project development costs paid		-	(1,721)
Purchase of property and equipment		-	(4,554)
Interest received		25	29,958
Release of restricted cash		12,364	-
Decrease (increase) in deposits		16,529	(17,463)
Net cash provided by investing activities		9,672,289	1,607,985
Financing activities:			
Proceeds from loans and promissory note	15	5,694,725	539,275
Proceeds from exercise of stock option	9	20,000	-
Interest and financing fees paid		(1,992,879)	-
Loans repaid	15	(7,485,670)	(147,301)
Net cash provided by (used in) financing activities		(3,763,824)	391,974
Increase in cash		3,117,514	121,044
Cash, beginning of year		155,448	34,404
Cash, end of year		$ 3,272,962	$ 155,448

See note 11 for supplemental cash flow information.

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

SOLAR ALLIANCE ENERGY INC.

(formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

Years ended December 31, 2015 and 2014

	Notes	Share capital	Contributed surplius	Warrants	Accumulated other comprehensive loss- Cumulative Foreign exchange translation adjustment	Accumulated deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2014		$ 34,984,271	$ 10,561,886	$ -	$ -	$ (65,134,158)	$ (19,588,001)
Comprehensive income		-	-	-	-	13,301,807	13,301,807
Transactions with owners, recorded directly in equity:							
Stock-based compensation expense		-	199,608	-	-	-	199,608
Balance, December 31, 2014		34,984,271	10,761,494	-	-	(51,832,351)	(6,086,586)
Comprehensive income (loss)		-	-	-	(537,770)	5,518,024	4,980,254
Transactions with owners, recorded directly in equity:							
Issued shares for acquisition	4	1,012,795	-	-	-	-	1,012,795
Exercise of stock options		34,908	(14,908)	-	-	-	20,000
Loan warrants		-	-	24,861	-	-	24,861
Stock-based compensation expense		-	176,907	-	-	-	176,907
Balance, December 31, 2015		$ 36,031,974	$ 10,923,493	$ 24,861	$ (537,770)	$ (46,314,327)	$ 128,231

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

1. Reporting entity and nature of operations:

Solar Alliance Energy Inc., (formerly Finavera Wind Energy Inc. and Finavera Solar Wind Energy Inc.). (the "Company") has been involved in renewable energy since its inception in 2005. The Company completed its transition from wind energy to solar energy by its sale of all remaining wind project interests in 2014 and acquiring 100% of the common shares of San Diego, California based Solar Alliance of America, Inc. ("Solar Alliance") on June 24, 2015 (note 4). Solar Alliance markets, sells and installs residential rooftop solar systems primarily in the San Diego, California market. The Company changed its name from Finavera Wind Energy Inc. to Finavera Solar Energy Inc. on July 2, 2015 and then changed its name again to Solar Alliance Energy Inc. subsequent to December 31, 2015.

The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "SAN".

2. Basis of preparation:

(a) Going concern:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. At December 31, 2015, the Company had a significant working capital deficiency of $4.9 million (2014 - $6.1 million). Although the Company has $3.3 million of cash at December 31, 2015 resulting from the receipt of proceeds from its previous sale of the Cloosh Valley Wind Project (note 6), the Company, through various agreements, has committed approximately $1.7 million to repay certain loans and borrowings and other indebtedness upon receipt of these proceeds. The remaining cash and the cash inflows from Solar Alliance operations are not currently sufficient to sustain the Company' operations and to pay the remaining obligations when they come due.

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 on generating income and cash flows from Solar Alliance. 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. These consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying value of its assets and liabilities, its reported expenses, and the statement of financial position, and the classifications used, should the Company conclude that the going concern assumption is not appropriate. Such adjustments could be material.

(b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2016.

2. Basis of preparation (continued):

(c) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. The functional currency of Solar Alliance and the Company's Irish subsidiary, Finavera Renewables (Ireland) Limited, is the US Dollar and Euro, respectively.

(e) Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. 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 estimates are revised and in any future periods affected

Significant areas requiring the use of judgement relate to the assessment of the Company's ability to continue as a going concern (note 2(a)), measurement of contingent consideration issued on acquisition of Solar Alliance and goodwill (note 4) and the Company's ability to utilize tax losses and the rates at which those losses will be realized. Information about significant areas requiring the use of management estimates are included in the relevant notes for the following estimates: the estimated fair value of the assets and liabilities acquired on the acquisition of Solar Alliance including the amount of contingent consideration (note 4); the estimated amount of asset retirement obligations and other provisions for contingent liabilities (notes 14 and 16) and the calculation of the fair values of stock-based compensation (note 10) and financial instruments for measurement and disclosure purposes (note 19).

(f) Acquisition of Solar Alliance:

The acquisition of Solar Alliance (note 4) was accounted for using the purchase method. The cost of the business combination was measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of Solar Alliance. Solar Alliance's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition were recognized at their fair values at the acquisition date. These financial statements includes the profit or loss of Solar Alliance from June 24, 2016.

Contingent consideration was measured at fair value at the date of acquisition and classified as a liability. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

3. Significant accounting policies:

The accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently by the Company and its subsidiaries to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Subsidiaries are entities controlled by the Company. The Company's main subsidiaries are Solar Alliance and Finavera Renewables (Ireland) Limited. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency:

(*i*) Foreign currency transactions:

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at the financial statement date. Such exchange gains or losses arising from translation are recognized in profit and loss for the reporting period.

The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

(*ii*) Translation of foreign operations for consolidation:

For purposes of consolidation, the assets and liabilities of foreign operations with functional currencies other than the Canadian dollar are translated to Canadian dollars using the rate of exchange in effect at the financial statement date. Revenue and expenses of the foreign operations are translated to Canadian dollars at exchange rates at the date of the transactions with the average exchange rate for the period being used for practical purposes. Foreign currency differences resulting from translation of the accounts of foreign operations are recognized directly in other comprehensive income and are accumulated in the accumulated foreign exchange translation adjustment as a separate component of shareholders equity.

When a foreign operation is disposed of, the amount of the associated translation reserve is fully transferred to profit or loss.

3. Significant accounting policies (continued):

(c) Financial instruments:

(*i*) Non-derivative financial assets and liabilities:

Non-derivative financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Loans, receivables and deposits are recognized on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets as Financial Assets at Fair Value Through Profit or Loss (“FVTPL”); held-to-maturity financial assets; loans and receivables; or available-for-sale financial assets, and classifies financial liabilities as FVTPL or as other financial liabilities.

Financial instruments at FVTPL:

A financial instrument is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company has no financial instruments classified or designated as FVTPL.

Held-to-maturity financial assets:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company has no financial assets classified as held-to-maturity.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*i*) Non-derivative financial assets and liabilities (continued):

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, restricted cash, receivables, advances to related party and deposits included in other assets.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the previous categories. Subsequent to initial recognition, instruments with a determinable fair value are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income. Where fair value is not determinable for unquoted equity instruments, the financial instrument is recorded at historical cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has no financial assets classified as available-for-sale.

Other liabilities:

The Company classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities comprise accounts payable, customer deposits, contingent consideration and loans and borrowings.

(*ii*) Derivative financial instruments:

Derivatives, including embedded derivatives, for which the economic characteristics and risks are not closely related to those of the host contract, are recognized initially and subsequently at fair value with changes in fair values recognized in profit or loss. The Company has no derivatives or embedded derivatives.

(*iii*) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued):

(d) Equipment:

(*i*) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When major components of equipment have different useful lives, they are accounted for as separate items of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized within other income in profit or loss.

(*ii*) Subsequent costs:

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is recorded over the estimated useful lives of each material component of an item of equipment. Depreciation is based on the cost of an asset less its residual value. No depreciation is recognized for assets classified as held-for-sale, which are recognized at fair value less cost to sell in the statement of financial position.

Depreciation is recognized in profit or loss either on a straight-line basis or on a declining basis, depending on which method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

3. Significant accounting policies (continued):

(d) Property and equipment:

(*iii*) Depreciation (continued):

The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and related equipment	Declining balance	30%
Office furniture and equipment	Declining balance	20-30%
Leasehold improvements	Straight-line	Over the term of the lease
Automotive	Declining balance	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on fair values. Goodwill is allocated, at the date of acquisition, to the Company's cash generating unit that is expected to benefit from the synergies of the business combination. Goodwill is not amortized but tested for impairment annually.

(f) Impairment:

(i) Loans and receivables:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables and deposits at a specific asset level.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(i) Loans and receivables (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and for receivables are reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(*ii*) Non-financial assets:

The carrying amounts of the Company's non-financial assets, which include its property and equipment and goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing purposes, the assets are grouped together into the smallest group of assets, or cash generating units ("CGU's"), that generate cash inflows from continuing operations that are largely independent of the cash inflows of other assets or CGU's.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses in respect of goodwill are not reversed. For other assets, impairment losses are reversed if there has been a change in facts and circumstances that led to the impairment and the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(g) Revenue and work in progress:

Revenue is recognized when earned which is the date that an installed solar system passes the final inspection by the appropriate authorities. Until that time any funds received in advance of revenue recognition are recognized as customer deposits in the statement of financial position and any costs incurred related to the project are deferred as work in progress.

(h) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(i) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(j) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(*i*) Asset retirement obligations:

The Company recognizes a provision for asset retirement obligations in the period in which it incurs a legal or constructive obligation associated with the acquisition, construction, development and/or normal use of its assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related asset which is amortized over the life of the asset.

(*ii*) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract. The Company is not currently subject to any material onerous contract provisions.

3. Significant accounting policies (continued):

(k) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

Lease revenue received for sub-leasing of premises is recognized on a monthly basis when amounts are received or receivable.

(l) Finance income and finance costs:

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on loans and borrowings, commissions on financings, unwinding of discounts on contingent consideration and provisions, and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies (continued):

(m) Income tax (continued):

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or if their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Income per share:

The Company presents basic and diluted income per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for any shares held by the Company. Diluted EPS is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which currently comprise of options granted under the Company’s Stock Option Plan and warrants.

(o) Segment reporting:

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, hence operating segment information is not provided. Geographical segment information is provided by country of operations in note 13.

3. Significant accounting policies (continued):

(p) New accounting standards adopted for the 2015 fiscal year:

There were no standards that were effective for the Company on January 1, 2015 that impacted the consolidated financial statements.

(q) New accounting policies not yet adopted:

The following new accounting standards have been issued but have not been adopted by the Company in 2015. The Company does not expect to adopt these standards until their mandatory effective dates and is currently assessing the impact that these standard will have on its consolidated financial statements.

IFRS 9 - Financial Instruments:

IFRS 9 will replace the multiple classification and measurement models of IAS 39, *Financial Instruments; Recognition and Measurement*, with a single model that has only two classifications: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities and provides a new general hedge account standard. The mandatory effective date of IFRS 9 for the Company is January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 15 - Revenue from Contracts with Customers:

IFRS 15 is effective for the Company on January 1, 2018 and earlier application is permitted. IFRS 15 will replace IAS 18, *Revenue*, and a number of related standards and interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRS 16 – *Leases:*

On January 13, 2016, the IASB issued IFRS 16, *Leases*. The new standard is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

3. Significant accounting policies (continued):

(q) New accounting policies not yet adopted (continued):

IFRS 16 - *Leases (continued):*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease and transitional provisions have been provided.

4. Acquisition of Solar Alliance of America, Inc.:

On June 24, 2015, the Company completed the acquisition of 100% of the common shares of Solar Alliance. Under the terms of the Share Purchase Agreement (the “SPA”), the Company issued 11,915,238 common shares of the Company on the closing date and may be required to make cash payments of up to US$4 million, less certain deductions for advances and other adjustments as defined in the SPA, comprised of up to four installments of US$1 million each, contingent on Solar Alliance achieving certain income targets during any of the fiscal quarters beginning after the closing date of the transaction and ending on or before December 31, 2017. Contingent payments are due 30 days after the end of any fiscal quarter that triggers such payment. In connection with the acquisition, the Company advanced US$0.6 million (US$0.4 million) to Solar Alliance, of which $0.5 million was advanced prior to acquisition, and was used by Solar Alliance for working capital and business expansion, and US$0.4 million was paid on closing to the Vendors as an advance against the future contingent payments.

The purchase consideration, including the fair value of the estimated additional contingent consideration, was as follows:

	US$	CAD$
Cash payment	$ 400,000	$ 496,600
Shares issued (11,915,238 x $0.085)	815,783	1,012,795
Contingent consideration	1,730,000	2,147,795
Total consideration	$ 2,945,783	$ 3,657,190

(Amounts expressed in Canadian dollars, unless otherwise indicated)

4. Acquisition of Solar Alliance of America, Inc. (continued):

The allocation of the purchase consideration to the estimated fair value of the assets and liabilities of Solar Alliance acquired were as follows:

Assets (liabilities) acquired		US$		CAD$
Bank indebtedness	$	(11,576)	$	(14,371)
Accounts receivable		114,503		142,154
Property and equipment		21,731		26,981
Land and building held-for-sale		275,000		341,413
Work-in-process		28,093		34,877
Accounts payable and accrued liabilities		(1,013,215)		(1,257,907)
Customers deposits		(187,102)		(232,287)
Loans and borrowings		(640,978)		(795,774)
Net identifiable liabilities acquired		(1,413,544)		(1,754,914)
Goodwill		4,359,327		5,412,104
Net assets acquired	$	2,945,783	$	3,657,190

The Company finalized the purchase price allocation above during the three months ended December 31, 2015. Certain adjustments were made, including a reduction of the contingent consideration by $273,130, an increase in the fair value of the net liabilities acquired of $72,367 and a reduction of goodwill of $200,763 from those previously reported.

The fair value of the Company's common shares issued for the acquisition of Solar Alliance was determined using the closing market price of the Company's shares at June 24, 2015 of $0.085. The fair value of the contingent consideration was determined using management's best estimates of the amounts expected to be payable pursuant to the SPA and the expected timing of such payments discounted at a rate of 15%.

The valuation of property and equipment acquired considered quoted market prices for similar assets where available, and depreciated replacement costs when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The goodwill is attributable to work force, brand awareness in the California market and established sales processes. None of the goodwill is deductible for tax purposes. A continuity of goodwill is as follows

Balance, January 1, 2015	$	-
Goodwill acquired		5,412,104
Effect of foreign exchange		621,205
Balance, December 31, 2015	$	6,033,309

(Amounts expressed in Canadian dollars, unless otherwise indicated)

4. Acquisition of Solar Alliance of America, Inc. (continued):

The Company commenced the consolidation of Solar Alliance's financial position and results of operations from June 24, 2015. During the year ended December 31, 2015, Solar Alliance contributed revenues of $1,604,534 and net loss of $1,216,759 to the consolidated financial results. If the acquisition had occurred on January 1, 2015, management estimates that consolidated revenues and net income would have been $3,336,935 and $5,227,654, respectively.

The Company incurred transaction costs totaling $355,024, which have been included in professional fees in net income.

5. Sale of BC wind projects:

The Company began developing four wind projects in 2005 in north-central British Columbia known as the Meikle, Tumbler Ridge, Bullmoose and Wildmare Wind Energy Projects. In 2014, pursuant to a Purchase and Sale Agreement ("PSA"), the Company sold its Meikle and Tumbler Ridge Wind Energy Projects (together the "BC Projects") to Pattern Renewable Holdings Canada ULC ("Pattern") for total compensation of $24.1 million ("Pattern Transaction").

On closing of the Pattern Transaction on April 15, 2014: (*i*) an amount of $9.3 million was paid by Pattern and was fully applied against a loan owing to Pattern; (*ii*) the Company, Pattern and BC Hydro executed agreements for the assignment of the 184 MW Meikle Electricity Purchase Agreement ("EPA") from the Company to Pattern; (*iii*) Pattern replaced the Company's BC Hydro performance and interconnection security with their own security in respect of the BC Projects purchased; and (*iv*) the EPA's for the Tumbler Ridge, Wildmare and Bullmoose wind projects were cancelled by BC Hydro.

On July 14, 2014, the Company and Pattern entered into an additional agreement with Pattern ("Pattern Settlement") whereby the parties early closed the final payment that the Company was to receive at the financial close of the Meikle project. The Company settled all of its debts with Pattern, including a Development Loan, Working Capital Facility, interest, other amounts deductible under the PSA and certain legal fees.

Year ended December 31, 2014	Pattern Transaction	Pattern Settlement	Total
Proceeds from sale of BC Projects	$ 9,260,621	$ 14,860,006	$ 24,120,627
Assumption by Pattern of asset retirement obligations	157,066	-	157,066
Transaction cost	(550,000)	(150,000)	(700,000)
Carrying value of BC Projects	(8,867,687)	-	(8,867,687)
Loss on settlement of Development Loan	-	(434,188)	(434,188)
Gain on sale of BC Project	$ -	$ 14,275,818	$ 14,275,818

(Amounts expressed in Canadian dollars, unless otherwise indicated)

5. Sale of BC wind projects (continued):

The net proceeds were used as follows:

Year ended December 31, 2014	Pattern Transaction	Pattern Settlement	Total
Proceeds from the sale of the BC Projects	$ 9,260,621	$ 14,860,006	$ 24,120,627
Transaction costs paid	-	(150,000)	(150,000)
Net proceeds	9,260,621	14,710,006	23,970,627
Payment of GE Payout Loan and interest	(9,260,621)	(1,551,470)	(10,812,091)
Payment of Development Loan	-	(4,967,281)	(4,967,281)
Payment of Working Capital Facility	-	(6,701,255)	(6,701,255)
Payment of accounts payable	-	(250,000)	(250,000)
Payment of project costs	-	(90,000)	(90,000)
Net cash received	$ -	$ 1,150,000	$ 1,150,000

The Company's Wildmare and Bullmoose wind energy projects were not sold to Pattern. However, pursuant to the PSA, Pattern has an option to acquire these projects for two years from the date of closing of the Pattern Transaction for $100,000 per MW. Although the Company has retained its licenses and permits, it has stopped collecting wind site data. These properties were written off in 2012.

6. Sale of Cloosh Valley Wind Project:

On August 25, 2010, the Company, which held a 100% interest in the Cloosh Valley Project ("Cloosh Project"), signed an agreement with SSE Renewables (Ireland) Limited ("SSE") to sell a 90% interest in the Cloosh Project to SSE for €8.4 million of which €1.26 million was received upon execution of the agreements with the remaining €7.14 million receivable at the closing of the Cloosh Project construction financing. The remaining amount to be received was based on the Cloosh Project being 105 MW in size. On July 18, 2014, the Company sold its remaining 10% interest to SSE for €2.1 million.

	Year ended December 31, 2014
Gross proceeds from sale of remaining 10% interest in Cloosh Project	$ 3,047,100
Reimbursement of prior year project contributions	348,810
Forgiveness of accrued project contributions	139,916
Total consideration	3,535,826
Carrying value of Cloosh Project	(643,699)
Transaction costs	(457,873)
Gain on sale of 10% of Cloosh Project	$ 2,434,254

(Amounts expressed in Canadian dollars, unless otherwise indicated)

6. Sale of Cloosh Valley Wind Project (continued):

The net proceeds were used as follows:

		Year ended December 31, 2014
Gross proceeds	$	3,047,100
Reimbursement of prior year project contributions		348,810
Transaction costs paid		(95,123)
Net proceeds		3,300,787
Loan repayment		(2,344,816)
Payment of legal fees previously accrued in provisions		(445,812)
Net cash received	$	510,159

The transaction costs related to the above transaction includes $362,750 (€250,000) payable to SSE for reimbursement of their legal costs associated with the transaction which amount were deducted from the remaining amount received at the closing of the Cloosh Project construction financing (see below).

In December 2015, the Cloosh Project reached financial close and the Company received the remaining €7.14 million from the initial 2010 sale. The proceeds were used as follows:

		Year ended December 31, 2015
Gross proceeds	$	10,761,408
Payment of legal fees previously accrued		(376,800)
Loan repayment, including accrued interest of $943,582 (note 15(a))		(7,236,142)
Transaction costs		(2,278)
Net cash received	$	3,146,188

Pursuant to various agreements entered into by the Company in 2015 and previous years, the Company is committed to use a portion of the proceeds to re-pay the following loans and borrowings and other obligations:

		Year ended December 31, 2015
Demand loan (15(e))	$	924,375
Net, contractual payments to related parties (notes 12(b)) and 12(c))		458,200
Accounts payable and accrued liabilities (note 14(c))		310,000
	$	1,692,575

(Amounts expressed in Canadian dollars, unless otherwise indicated)

7. Equipment:

	Automobile	Office furniture and equipment	Computer and related equipment	Total
Cost:				
Balance, January 1, 2014	$ -	$ 5,878	$ 72,607	$ 78,485
Additions	-	-	4,554	4,554
Disposals	-	-	(8,579)	(8,579)
Balance, December 31, 2014	-	5,878	68,582	74,460
Acquired on acquisition of Solar Alliance	19,864	7,117	-	26,981
Effect of foreign exchange	2,280	816	-	3,096
Balance, December 31, 2015	$ 22,144	$ 13,811	$ 68,582	$ 104,537
Accumulated depreciation:				
Balance, January 1, 2014	$ -	$ 3,103	$ 48,840	$ 51,943
Depreciation for the period	-	555	7,281	7,836
Disposals	-	-	(6,469)	(6,469)
Balance, December 31, 2014	-	3,658	49,652	53,310
Depreciation for the period	3,102	1,554	5,679	10,335
Effect of foreign exchange	356	129	-	485
Balance, December 31, 2015	$ 3,458	$ 5,341	$ 55,331	$ 64,130
Carrying amounts:				
December 31, 2014	$ -	$ 2,220	$ 18,930	$ 21,150
December 31, 2015	18,686	8,470	13,251	40,407

The land and building acquired in the Solar Alliance acquisition are held-for-sale. Accordingly, these assets are recognized at fair value less cost to sell. The fair value is based on market sales prices of similar properties. During the year ended December 31, 2015, the Company recognized a $55,360 reduction in the fair value of these assets in net income. Subsequent to December 31, 2015, the Company sold the land and building for net proceeds of US$235,000 ($325,240).

(Amounts expressed in Canadian dollars, unless otherwise indicated)

8. Other assets:

This balance is comprised of the following items:

	2015	2014
BC License of Occupation security deposits	$ 19,000	$ 19,000
Office lease deposit	16,435	32,964
	$ 35,435	$ 51,964

The Company has $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.

9. Share capital and other components of equity:

Share capital:

Authorized: Unlimited number of common shares with no par value; and
100 Redeemable Preferred shares

Issued: 51,891,887 common shares

	Number of shares	Amount
Issued and outstanding common shares as at December 31, 2013 and 2014	39,726,649	$ 34,984,271
Shares issued for acquisition of Solar Alliance (note 4)	11,915,238	1,012,795
Shares issued on exercise of stock options	250,000	34,908
Issued and outstanding common shares as at December 31, 2015	51,891,887	$ 36,031,974

(a) Basic and dilutive income per share:

For the years ended December 31, 2015, 2,158,900 (2014 - 1,136,900) stock options and 750,000 warrants (2014 - nil) were not included in the determination of fully diluted income per share as they were anti-dilutive.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

9. Share capital and other components of equity (continued):

(b) Warrants:

The value of warrants in the statements of financial position reflects the grant date fair value of outstanding warrants as determined using the Black-Scholes pricing model on the date of grant.

The following schedule shows changes in the warrants during the recent periods:

	Number of warrants	Amount
Balance, January 1, 2015 and 2014	-	$ -
Warrants issued (note 15(a))	750,000	24,861
Balance, December 31, 2015	750,000	$ 24,861

250,000 warrants are exercisable at $0.085 per share for a one year period expiring May 27, 2016.

500,000 warrants are exercisable at $0.10 per share for a one year period expiring December 1, 2016.

10. Share-based payments:

The Company has a common share Stock Option Plan (equity-settled). The Board of Directors of the Company may from time to time, at its discretion, and in accordance with the requirements of the TSX-V, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant. There are no vesting requirements pursuant to the stock option plan. The Board may add such provisions at its discretion on a grant-by-grant basis. However, stock options granted in respect of investor relations activities must vest quarterly over a minimum one year period, pursuant to TSX-V policy.

The Board of Directors have resolved that the Stock Option Plan authorize the directors to grant stock options up to a maximum of 10% of the number of common shares issued and outstanding at the time of grant. The “rolling” stock option plan has been in effect since the Company was listed on the TSX-V.

On December 15, 2015, the Company granted 2,700,000 stock options to certain directors and consultants exercisable for a period of five years at a price of $0.07 per common share. The fair value of the options was calculated to be $161,998 which has been recognized as stock-based compensation as the options fully vested on the grant date.

On June 29, 2015, the Company granted 100,000 stock options to a consultant exercisable for a period of one year at a price of $0.08 per common share. The fair value of the options was calculated to be $6,223. On August 13, 2015, the Company granted 150,000 stock options to a consultant exercisable for a period of one year at a price of $0.08 per common share. The fair value of the options was calculated to be $8,686 and has been recognized as stock-based compensation as the options fully vested on the grant date.

On January 31, 2014, the Company granted 2,460,000 stock options to certain directors and officers, exercisable for a period of five years at a price of $0.085 per common share. The fair value of the options was calculated to be $199,608 which was expensed in 2014 as the options were fully vested on the grant date.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

10. Share-based payments (continued):

Details of the status of the Company's stock options as at December 31, 2015 and the changes during the recent years are as follows:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2014	1,621,700	$ 0.205
Cancelled	(484,800)	0.205
Granted	2,460,000	0.085
Outstanding, December 31, 2014	3,596,900	0.123
Granted	2,950,000	0.071
Exercised	(250,000)	0.080
Forfeited	(1,438,000)	0.127
Outstanding, December 31, 2015	4,858,900	$ 0.094

The following table summarizes the outstanding and exercisable stock options at December 31, 2015:

Expiry date	Number of options vested and exercisable	Number of options outstanding	Weighted average exercise price	Weighted remaining contractual life (in years)
January 21, 2018	662,900	662,900	$ 0.205	2.06
March 27, 2018	20,000	20,000	0.205	2.23
January 31, 2019	1,476,000	1,476,000	0.085	3.09
December 15, 2020	2,700,000	2,700,000	0.070	4.96
	4,858,900	4,858,900	$ 0.094	3.98

The following assumptions were used for the valuation of the stock options granted under the Stock Option Plan:

	2015	2014
Average risk-free interest rate	0.56% - 0.68%	1.30%
Average expected life of option (in years)	4.6%	5.00
Average volatility	92%	149%
Dividend yield	nil%	nil%
Weighted average fair value of options granted	$0.06	$0.08

(Amounts expressed in Canadian dollars, unless otherwise indicated)

11. Supplemental cash flow information:

	2015	2014
Non-cash investing and financing transactions:		
Project development costs incurred by Pattern and added to loans and borrowings	$ -	$ 75,803
Proceeds from Pattern Transaction and Pattern Settlement directly offset against outstanding loans and borrowings, accounts payable and provisions (note 5)	-	22,730,627
Proceeds from Cloosh Sale directly offset against outstanding loans and borrowings, provisions and other obligations (note 6)	-	2,790,628
Loans and borrowings settled directly from refund of deposits	-	1,875,000
Loans and borrowings settled though increase in loans and borrowings from Pattern	-	433,195
Shares issued on acquisition of Solar Alliance	1,012,795	-
Contingent consideration issued on acquisition of Solar Alliance	2,147,795	-
Warrants issued as finance fee	24,861	-

12. Related party transactions:

These consolidated financial statements include transactions during the period with related parties as follows:

(a) Amounts owing to related parties as at December 31, 2015 are $128,575 (2014 - $3,156) in respect of fees charged by related parties and expenses incurred by directors. These amounts are included in accounts payable and accrued liabilities in the statement of financial position and are non-interest bearing. $125,419 of the total owing was paid subsequent to December 31, 2015.

(b) The sale of the BC Projects to Pattern in 2014 constituted the material operating assets of the Company which triggered contractual payments of $660,000 to certain officers which have been accrued in accounts payable and accrued liabilities. Interest of $55,440 was accrued on those payments during the year ended December 31, 2015. The amounts were paid in full subsequent to December 31, 2015 from the proceeds received on the sale of the Cloosh Project.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

12. Related party transactions (continued):

(c) At December 31, 2015, an amount of $201,600 was due from a company controlled by an officer of the Company (2014 - $180,000), comprised of a loan of $180,000 plus accrued interest at 12% per annum. During the year ended December 31, 2015 interest income of $21,600 was earned on this loan. The amounts of the loan plus accrued interest was offset against the contractual payment described above (note 12(b)) upon settlement subsequent to December 31, 2015.

All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

In addition to their salaries, from time to time the Company also provides non-cash benefits to directors and executive officers, including share based compensation (note 10).

Compensation charged by key management personnel including the Chief Executive Officer, President, Chief Financial Officer, Chief Marketing Officer and the Board of Directors is set out below:

	2015	2014
Consulting fee	$ 500,575	$ -
Wages and benefits	77,612	681,742
Share-based compensation	99,000	199,608
Contractual payments - Pattern transaction	-	660,000
	$ 677,187	$ 1,541,350

13. Segmented Information:

	United States	Ireland	Canada	Total
As at and for the year ended December 31, 2015:				
Segment total assets	$ 6,678,311	$ 32,257	$ 3,501,134	$ 10,211,702
Non-current assets	6,058,689	-	50,462	6,109,151
Total revenue	1,604,534	-	-	1,604,534
Net income (loss)	(1,554,528)	9,001,501	(1,928,949)	5,518,024

	United States	Ireland	Canada	Total
As at and for the year ended December 31, 2014:				
Segment total assets	$ -	$ 31,460	$ 467,837	$ 499,297
Non-current assets	-	-	73,114	73,114
Net income (loss)	-	(2,381,610)	(10,920,197)	(13,301,807)

Non-current assets in the United States includes goodwill of $6,033,309.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

14. Contingencies and commitments:

(a) The Company is subject to payments under various equipment leases and an office lease agreement with the following commitments remaining:

2016	$	195,974
2017		100,261
2018		103,269
2019		44,017

In December 2013, the Company signed a sublease agreement with a third party which substantially covers the remaining office lease obligations which comprises 97% of the amounts above.

(b) In 2013, the Company was the subject of a judgment of $600,000 from a lawsuit that arose after the Company's acquisition in 2007 of the Three Hills Wind Projects ("Three Hills"), comprised of the Ghost Pine and Lone Pine Wind Projects in Alberta, Canada. In November 2013, the plaintiff appealed the judgment. The Company filed a response to the appeal. On February 9, 2015, the Court of Appeal dismissed the action and in April 2015, the plaintiff filed an application for leave of appeal to the Supreme Court of Canada. The application for leave to appeal was dismissed by the Court on October 29, 2015. As at December 31, 2015, the Company has accrued for this amount including post judgment interest of $129,283 in accounts payable and accrued liabilities. In the prior year, the judgment amount and accrued interest was included in provisions (note 16). This amount was paid subsequent to December 31, 2015.

In 2008, the Company sold its Ghost Pine Wind Project and $1,000,000 of the proceeds was held back, and remains held back, pending resolution of the legal action described above. The amount of the holdback to be released is dependent upon the resolution of the above litigation matters and will be reduced by the cumulative amount of legal fees incurred by the purchaser. The Company is currently in discussions as to the amount of the holdback to be released. The Company may be liable for additional legal costs. The timing and additional cost of settling the dispute cannot be reasonably estimated, and accordingly, the net additional proceeds or any costs associated with its collection have not been recorded.

(c) On September 16, 2014, the Company received a claim from a creditor in the amount of $550,000 for services rendered plus interest of $27,539. These amounts had been previously accrued. In 2015, the parties entered into a settlement agreement whereby $200,000 was paid to the creditor at the time the settlement agreement was signed and $310,000 was due at the earlier of December 31, 2015 and the receipt of the final Cloosh Project proceeds. The remaining balance of the settlement of $310,000 is included in accounts payable and accrued liabilities at December 31, 2015 and was paid in full subsequent to December 31, 2015.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

15. Loans and borrowings:

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, refer to note 19.

The balance including accrued interest is comprised of:

			2015		2014
Loan	(b)	$	125,996	$	97,339
Finance lease obligation	(c)		1,476		10,155
Promissory note	(d)		-		1,455,470
Demand loan	(e)		924,375		1,024,991
Secured bank loan	(f)		166,080		-
			1,217,927		2,587,955
Less current portion			1,217,927		2,586,480
		$	-	$	1,475

(a) On May 27, 2015, a subsidiary of the Company obtained a loan facility from a group of Irish lenders totaling €3,757,000 (approximately $5,080,000). The loan had a one year term and bore interest at 15% per annum. A finder's fees was paid consisting of €175,000 in cash and 250,000 common share purchase warrants exercisable at $0.085 per common share for one year. The warrants were recognized at their fair value of $18,011 calculated using the Black Sholes Option pricing model using a risk free rate of 0.68%, an expected life of one year, a dividend yield of nil and volatility of 85%. The loan was secured by the Company's 100% interest in the share capital of the subsidiary. In November 2015, the Company received a further €418,000 (approximately $592,000) on similar terms from these lenders. A finder's fees was paid consisting of €18,000 in cash and 500,000 common share purchase warrants exercisable at $0.10 per common share for one year. The warrants were recognized at their fair value of $6,850 calculated using the Black-Sholes Option pricing model using a risk free rate of 0.59%, an expected life of one year, a dividend yield of nil and volatility of 98%. These loans and accrued interest were repaid in December 2015, upon receipt of the contingent proceeds on the sale of the Cloosh Project (note 6).

(b) The Company guaranteed a loan from a third party to a former subsidiary in the amount of US$65,000 on October 12, 2007. Interest began accruing on October 12, 2010, at a rate of 8.5% per annum. The loan is unsecured and payable on demand.

(c) The Company is subject to two lease agreements for office equipment. The leases qualify as financing leases and as such a finance lease obligation of $1,476 has been recorded due in 2016.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

15. Loans and borrowings (continued):

(d) In 2011, the Company entered into a settlement agreement and issued a promissory note of US$925,000 (the "Note") to a creditor of a former subsidiary in order to address outstanding issues between the parties. The Note was payable with interest at 10% per annum, on the earlier of March 31, 2014 or the date on which construction financing for the Cloosh Project is secured. Starting March 31, 2014, the Note was amended several times concurrently with the delay of the Cloosh Project. The final amendment on April 30, 2015, increased the interest rate to 15% per annum with a maturity date of June 30, 2015. In May 2015, the loan was repaid from the proceeds of new debt issued on May 27, 2015 (note 15(a)).

(e) During 2012, the Company issued an unsecured promissory note for $1,000,000 bearing interest at 1.0% per annum that was payable on September 30, 2012. On August 28, 2014, the Company received a claim filed in the Supreme Court of British Columbia seeking to enforce payment of this note. On May 7, 2015, the parties entered into an agreement whereby the loan will be fully settled by paying $850,000 at the time the Company receives the proceeds due from SSE, in respect of the 2010 sale of the Cloosh Project, with interest accruing at 5% per annum from January 1, 2015 to March 31, 2015, and 10% per annum thereafter. On February 12, 2016, the payment terms were amended and required the Company to make a payment of $200,000 on February 15, 2016 (paid); $100,000 each on March 1, 2016 and April 1, 2016 (paid); and $100,000 each month thereafter until fully repaid.

(f) Solar Alliance has a note payable secured by its land and building. The loan was obtained prior to the date of acquisition on June 24, 2015 and accrues interest at 9.5% per annum with interest paid monthly. The note matures on December 1, 2017. This loan was repaid subsequent to year end from proceeds of the sale of land and building (note 7).

16. Provisions:

The Company has recognized the following provisions at December 31, 2015 and 2014:

	2015	2014
Asset retirement obligations	$ 101,762	$ 101,762
Other provisions	77,500	766,035
	179,262	867,797
Less current portion	77,500	766,035
	$ 101,762	$ 101,762

The Company has recorded asset retirement obligations associated with the future decommissioning of weather monitoring equipment situated on the former Wildmare Wind Energy Project site.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

17. Income taxes:

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rates to the Company's loss before taxes. This difference results from the following items:

	2015	2014
Income before tax	$ 5,518,024	$ 13,301,807
Statutory tax rate	26.00%	26.00%
Income tax expense computed at statutory rates	$ 1,434,686	$ 3,458,470
Change in estimate of tax losses	125,351	(131,276)
Non-taxable portion of gain on sale of BC Projects and Cloosh Project	(1,345,176)	(1,833,435)
Permanent differences arising from other non-deductible (taxable items) and other	110,311	24,874
Foreign tax rate differential and tax rate changes	(1,365,655)	(338,614)
Change in deferred tax assets not recognized	1,040,483	(1,180,019)
Income tax expense	$ -	$ -

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2015	2014
Non-capital losses carried forward	$ 34,611,309	$ 30,400,332
Project development costs and equipment	8,244,130	7,882,764
Provisions and accrued liabilities	796,318	790,297
Other deductible temporary differences	2,372,372	2,398,885
	$ 46,024,129	$ 41,472,278

(Amounts expressed in Canadian dollars, unless otherwise indicated)

17. Income taxes (continued):

These tax assets have not been recognized as the Company has no history of earning profits or taxable income. Accordingly, the Company concluded that it was not probable that the benefits associated with these tax assets would be realized.

The Company has non-capital losses of approximately $34,911,309 that may be carried forward to apply against future years' income. These losses expire as follows:

No expiry	$ 5,573,728
2035	2,998,566
2034	146
2033	1,655,833
2032	5,140,225
2031	6,858,491
2030	1,924,946
2029	1,746,720
2028	5,561,269
2027	3,451,385
	$ 34,911,309

18. Cost of goods sold:

Cost of goods sold for the year ended December 31, 2015 consists of the following:

Materials and installation	$ 1,012,360
Sales commissions	95,893
Finance fees	46,617
Site inspection and other costs	19,385
	$ 1,174,255

19. Financial instrument risk management:

Overview:

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, currency risk and commodity price 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.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

19. Financial instrument risk management (continued):

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, restricted cash, receivables, advance to related party and its deposits. The carrying amount of these assets of $3,706,603 as at December 31, 2015 representing the Company's exposure to credit risk. Cash and restricted cash is held with credit-worthy Canadian and United States financial institutions, receivables are primarily related to sales, and the loan to related party is expected to be offset against previously accrued payroll obligations owing to the related party. The Company has assessed the credit risk of these instruments to be negligible. The Company did not have an allowance for doubtful accounts at December 31, 2015 and 2014 nor did it incur any material bad debt expenses during those periods then ended.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company is subject to liquidity risk from its accounts payable and accrued liabilities, contingent consideration and loans and borrowings. The Company currently has a significant working capital deficiency and has no credit facility with a financial institution (see note 2(a)).

The following table represents the contractual cash flows including estimated interest payments, related to the financial liabilities of the Company:

December 31, 2015	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 2 years
Accounts payable and accrued liabilities	$ 5,824,685	$ 5,824,685	$ 5,824,685	$ -	$ -
Contingent consideration	2,681,929	3,138,458	-	1,916,925	1,221,523
Loans and borrowings	1,217,927	1,217,927	1,079,620	138,307	-
	$ 9,724,541	$ 10,181,070	$ 6,904,305	$ 2,055,232	$ 1,221,523

December 31, 2014	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 2 years
Accounts payable and accrued liabilities	$ 3,130,131	$ 3,130,131	$ 3,130,131	$ -	$ -
Loans and borrowings	2,587,955	2,649,948	1,125,039	1,511,492	1,475
	$ 5,718,086	$ 5,780,079	$ 4,255,170	$ 1,523,434	$ 1,475

19. Financial instrument risk management (continued):

Market risk:

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

(a) Interest rate risk:

The Company's interest rate risk on loans and borrowings has been mitigated by fixing interest rates at the inception of the loans. At December 31, 2015 and 2014, the Company had no material debt subject to floating interest rates.

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

(b) Currency risk:

The Company has net monetary liabilities denominated in United States dollars and Euros, totaling approximately US$194,000 and €435,000 as at December 31, 2015, 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 and Euro exchange rates of 10% relative to the Canadian dollar would decrease (increase) net loss by approximately $26,000 and $65,000, respectively.

(c) Capital management:

The Company's capital is comprised of shareholders' equity and loans and borrowings. The Company's overall objective has been to maintain sufficient capital to enable the Company to continue as a going concern and allow it to develop or dispose of certain wind project interests. The corporate objective has been to utilize debt financing to minimize shareholder dilution, and depending on terms, to issue equity securities as a means of raising capital. Market conditions impact the ability of the Company to maintain a balance between debt and equity. At December 31, 2015, the Company is not subject to any specific externally imposed capital requirements. The Company's capital management strategy has not changed during 2015.

19. Financial instrument risk management (continued):

Fair values:

Financial instruments measured at fair value or for which fair value is disclosed are categorized within a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value of financial instruments, as follows:

- Level 1: quoted prices (unadjusted) in active markets or identical assets or liabilities;
- Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2015 and 2014, the Company does not have any financial instruments measured at fair value. The fair values disclosed below for loans and borrowings and contingent consideration are classified as Level 2.

The carrying values of the Company’s cash, receivables, deposits, accounts payable and customer deposits approximate their fair values because of their short term to maturity and/or the interest rates being charged. The fair value of the Company’s loans and borrowings that are payable on demand, or that are past due, approximate their carrying value due to their short-term to maturity. The fair value of the Company’s other loans and borrowings and contingent consideration are estimated to not differ materially from the carrying value due to the terms to maturity, loan security and the interest rates being charged.

20. Subsequent events:

In addition to subsequent events disclosed elsewhere in these consolidated financial statements, on March 15, 2016, the Company announced its intention to carry out a private placement of up to 17,142,857 units at a price of $0.07 per unit to raise between $750,000 and $1,200,000. Each unit is to be comprised of one common share and one common share purchase warrant, with each warrant being exercisable at $0.10 per common shares for a two-year period. The private placement is expected to close in early May 2016.