INTRODUCTION

This Management Discussion and Analysis ("MD&A") of Solar Alliance Energy Inc. (formerly Finavera Solar Energy Inc.), ("the Company" or "Solar Alliance"), and its consolidated financial results as at and for the three month period ended March 31, 2016 including subsequent activity up to May 30, 2016, is reported in Canadian dollars unless otherwise stated. This MD&A should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015 which contains full disclosure of the Company's accounting policies, in accordance with International Financial Reporting Standards ("IFRS"). References herein to "the Company" or "Solar Alliance", shall, unless the context otherwise requires, mean "Solar Alliance Energy Inc." and any or all of its wholly owned subsidiaries and affiliates.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking – statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

NATURE OF THE BUSINESS

The Company completed its transition from the initiation and development of wind energy projects to the sales and installation of residential rooftop solar energy by acquiring 100% of the equity of San Diego, California based Solar Alliance of America, Inc. ("SAOA") on June 24, 2015. The Company then changed its name from Finavera Wind Energy Inc. to Finavera Solar Energy Inc. on July 2, 2015 and then on January 29, 2016 renamed the company Solar Alliance Energy Inc. Previously, from its inception in 2005, the Company had been developing wind energy projects in Ireland, British Columbia ("BC") and Alberta, Canada. Those projects, which are highly capital intensive, were sold in stages ending in 2015. Throughout its wind development history, Solar Alliance brought over 360 Megawatts ("MW") of wind power projects from greenfield inception to pre-construction phase. Those wind projects, all of which are

in construction or are operational, have capital costs totalling about $1 billion.

SAOA has marketed, sold, and managed the installation of approximately 2100 residential rooftop solar energy systems in Southern California, largely in the San Diego area, since 2009 and offers the Company the opportunity to directly participate in the rapidly growing residential solar energy sector, in a cash flow business with short project installation lifecycles, with opportunities to develop recurring revenue streams. SAOA was listed by Inc. Magazine in 2013 as the fastest growing privately owned company in San Diego. Sales dramatically increased from approximately US $300,000 to over US $20 million in 4 years. It had a net loss in 2014 of US $1.1 million- audited (2013 - net income $4,414- audited) primarily due to its undercapitalization and problems with an installation partner.

SAOA sees a tremendous opportunity to expand growth in southern California through additional office locations and adoption of new sales strategies. They have traditionally used mainstream media including radio, television and newspapers for its target demographics. Since being acquired, SAOA has redefined its objectives, repositioned its branding and enhanced its internal control and communications systems and entered into new agreements with key suppliers. New social media tools and internet-based marketing campaigns are being established to complement its traditional marketing and lead generating strategies. The investment in these strategies is expected to result in significantly higher lead generation results and, ultimately, sales. In July 2015 it began marketing power purchase agreements provided through a third party and also providing sales with financing arranged through PACE (Property Assessed Clean Energy) financing, a State of California sponsored program. PACE will provide up to 100% financing on terms up to 20 years with repayment via the homeowner's property tax billings.

The Company also engages potential and previous customers on a variety of social meeting platforms, including Facebook, Twitter, and Instagram. Internal controls instituted by the Company ensure appropriate disclosure requirements are adhered to when disseminating information via social networks. The Company primarily uses the various social media platforms as vehicles to connect with potential residential solar customers and make them aware of the benefits of residential solar.

ACQUISITION OF SOLAR ALLIANCE OF AMERICA

On June 24, 2015, the Company completed the acquisition of 100% of the common shares of Solar Alliance of America ("SAOA"). Under the terms of the Share Purchase Agreement (the "SPA") signed on May 4, 2015, the Company issued 11,915,238 common shares of the Company on the closing date and will 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 instalments 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 and will be adjusted for certain working capital items and related future cash flows. Pursuant to the acquisition, the Company advanced US $0.8 million to SAOA which was used for working capital and business expansion and US $0.4 million was paid to the Vendors as an advance against future contingent payments.

The final estimated contingent consideration and resulting purchase price allocation were determined as noted below. The purchase price recognizes and includes the fair value of the additional contingent consideration payable pursuant to IFRS 3, as follows:

		US		CAD
Purchase price June 24, 2015:				
Cash payment	$	400,000	$	496,000
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

The allocation of the purchase price over the fair value of the assets and liabilities of SAOA as at the date of acquisition have been calculated as follows:

Net assets acquired:		US		CAD
Cash	$	(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)		(1,257,906)
Customers deposits		(187,102)		(232,287)
Loans and borrowings		(640,978)		(795,774)
Net identifiable liabilities		(1,413,544)		(1,754,914)
Goodwill		4,359,327		5,412,104
Total net assets	$	2,945,783	$	3,657,190

The acquisition and initial purchase price allocation was reported in the Company's Q2 MD&A. As a result of the final purchase price allocation above, the net identifiable liabilities acquired increased by $72,367, the Contingent Consideration and Purchase Price were reduced by $273,130, and Goodwill was reduced by $200,763.

The purchase price of Solar Alliance is substantially allocated to goodwill since at acquisition the net tangible assets were negative and no material intangible assets were identified. Such goodwill represents the "hidden value" of SAOA which can be realized by scaling its operations back to levels in 2012 and 2013, during which it had US $30 million in gross sales, utilising skill sets and strategies from Solar Alliance to drive new sales strategies and enhance the use of internal technology and communications tools, focussing on customer relations management, organizational and overall operational efficiency. Consumers and homeowners are very receptive to rooftop solar installations, based on issues of energy independence, green power, widespread adoption, basic economics and government incentives. This receptiveness is targeted by SAOA advertising and marketing, through traditional and social media, generating sales leads for the Company.

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%.

CORPORATE OUTLOOK

Through the acquisition of SAOA, the Company now provides rooftop solar energy systems to homeowners, with its present operations focussed in the San Diego area. The Company believes that solar energy adoption is still in the early stages and that the penetration of solar energy systems will continue to accelerate for the foreseeable future, due to rising utility electricity rates, greater customer knowledge about the economics and ethics of clean and sustainable energy, the extension of the US federal Investment Tax Credit to 2023, and the continued reduction of PV panels and systems costs. The Company's vision is to build market share in the solar sales and installation space through:

- Acquisition of small to medium sized residential solar companies, such as the SAOA acquisition (focused on attractive markets with the right mix of sun, electricity costs, incentives and net metering);
- Organic growth of SAOA through additional office openings in Southern California;
- The development of sales tools to increase the speed of deployment of solar systems; and
- The creation of internal financing structures that will allow Company ownership of the deployed systems and recurring revenue at attractive rates of return.

In the past 10 years both the cost of PV solar panels and other system costs have declined significantly, creating transformational change in the industry. Costs are expected to continue declining but on an incremental basis. The number of residential solar installations in the USA continues to accelerate year over year. In 2014, 6.2 Gigawatts ("GW") of solar PV panels were installed across the USA; an increase of 30% over the 4.8 GW installed in 2013, exceeding prior estimates of a 26% increase. The 2014 installations represent about 78 times the amount installed in 2005, a decade earlier. Solar energy accounted for 32% of new electric capacity brought online in the USA in 2014 and is now on par with natural gas as the largest sources of new generating capacity.

The size and scale of the rooftop solar market remains significant. Industry estimates that less than 1% of USA residential rooftops have installed solar arrays. California has a rooftop solar installation penetration rate estimated by the solar industry at only 1-2%, in a market comprising about 7 million detached homes. The Company believes the rooftop solar sector is at the leading edge of a massive installation rollout in the USA over the next few years and Solar Alliance in particular, with its industry contacts, marketing techniques and branding, offers an outstanding opportunity to capture this wave of high growth and strong cash flows through scaled expansion.

As Solar Alliance scales up its operations to profitability, working capital and expansion capital will be required in the ensuing quarters. This will be manageable as the Company has increased sales through its subsidiary and envisions profitability in the ensuing year. This, in combination with the Company's ability to access public equity markets and the potential sale of its remaining wind energy assets will provide the necessary capital for growth. On May 17, 2016, the Company announced the closing of the first tranche of its non-brokered private placement financing, which consisted of 8,279,757 units at a price of $0.07 per unit for gross proceeds of $579,583. Each unit is comprised of one common share and one common share purchase warrant, with each warrant being exercisable at $0.10 per common share for a two-year period.

REVIEW OF FINANCIAL RESULTS

Selected Annual Information

The following table provides a brief summary of the Company's consolidated financial operations. For more detailed information, refer to the audited consolidated financial statements for the applicable years.

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Sales revenue	$ 1,604,534	$ -	$ -
Gross Margin on Sales	430,279	-	-
Total gross proceeds from asset sales	10,761,408	27,167,727	-
Operating expenses	(3,827,512)	(1,827,919)	(2,135,946)
Net Income (loss)	5,518,024	13,301,807	(9,937,857)
Basic income (loss) per share	0.12	0.33	(0.25)
Diluted income (loss) per share	0.12	0.33	(0.25)
Total assets	10,211,702	499,297	11,505,847
Total long-term liabilities (excluding provisions)	1,176,184	1,475	5,674,208

Results of Annual Operations

In 2015, the Company had net income of $5.5 million, compared to a net income of $13.3 million in the prior year, a decrease of $7.8 million. The 2015 net income was comprised of operating losses of $3.4 million and net finance expense of $1.8 million offset by a gain on the Cloosh Sale of $10.7 million. Finance fees and interest expenses in 2015 were $2.0 million compared to $1.0 million in 2014, an increase of $1.0 million as the result of significant borrowings in the year to fund the SAOA acquisition and operations while awaiting proceeds from Cloosh Valley Project sale.

In 2015, a total of $1.5 million was incurred for consulting fees, payroll and benefits costs, compared with $1.0 million in 2014, an increase of $0.5 million. This increase reflects the acquisition of SAOA and the staffing costs incurred in this operation.

Operating costs have increased in most areas consistent with the acquisition of SAOA and the resulting operating costs reported in the consolidated results from this subsidiary. Included in the operating costs this year is $0.4 million of professional fees related to the acquisition of SAOA that are non-recurring.

In 2015, the Company recorded a foreign exchange loss of $16,801 (2014- loss of $161,108) as result of the decline in value of Canadian dollar of 16% and 7% relative to the US dollar and Euro, respectively, due to certain liabilities denominated in foreign currencies.

The Company's had significant cash at year-end resulting from the timing of the Cloosh Project proceeds. The Company had $3.3 million of cash at December 31, 2015 compared to $0.2 million at December 31, 2014. The primary cash inflow was the proceeds from the Cloosh Sale ($10.8 million). This increase was

partially offset by $2.8 million in cash used in operating activities, $1.1 million used in the funding of the SAOA acquisition, and $3.8 million in net debt and interest repayments.

SUMMARY OF QUARTERLY RESULTS

The following table represents selected unaudited consolidated financial information for each of the Company's past eight quarters.

	Three Month Period Ended March 31, 2016	Three Month Period Ended December 31, 2015	Three Month Period Ended September 30, 2015	Three Month Period Ended June 30, 2015
	$	$	$	$
Sales revenue	1,244,538	1,007,019	588,329	9,186
Operating expenses	(1,068,523)	(1,375,397)	(1,338,102)	(629,271)
Net Income (loss)	(802,714)	8,791,704	(1,386,930)	(1,178,731)
Basic loss per share	(0.02)	0.17	(0.03)	(0.03)
Diluted loss per share	(0.02)	0.17	(0.03)	(0.03)

	Three Month Period Ended March 31, 2015	Three Month Period Ended December 31, 2014	Three Month Period Ended September 30, 2014	Three Month Period Ended June 30, 2014
	$	$	$	$
Operating expenses	(484,742)	(510,350)	(257,380)	(487,110)
Net Income (loss)	(708,013)	952,712	(18,416,244)	(1,917,670)
Basic loss per share	(0.02)	(0.02)	0.46	(0.05)
Diluted loss per share	(0.02)	(0.02)	0.45	(0.05)

First quarter 2016 compared to First quarter 2015

The Company recorded a net loss for the first quarter of 2016 (the "current quarter") of $802,714 compared with a net loss of $708,013 in the first quarter of 2015 ("Q1 2015"), an increase of $94,701. The variances between quarters are significantly as a result of the acquisition of SAOA at June 24, 2015 and resulting revenues and costs. There are no comparable operations in Q1 2015.

Operating expenses were $1,068,523 (2015 - $484,742). The increase in operating expenses compared to 2015 is attributable to the operations of Solar Alliance. Subsequent to acquiring SAOA, the Company began a restructuring of its management, negotiated with finance and power purchase agreement providers and invested in new Customer Relationship Management technologies and tools.

Cash is higher than for the comparable period last year changing from $48,441 to $376,706 at March 31, 2016. During the Q4 2015, the Company received $10,761,408 on the Cloosh Project pay out and utilized a significant portion to fund operating expenses, working capital and debt repayment. In Q1 2016, a significant amount of the cash on hand at year-end was utilized to repay debts and invest in SAOA while the reminder bolstered the Quarter-end cash balance.

SAOA incurred a net loss during the Q1 2016 but its sales are increasing as expected, and it is forecasting to be profitable in the second half of 2016.

First quarter 2016 compared to Fourth quarter 2015

The Company recorded a net loss of $802,714 in the first quarter of 2016 compared with a net income of $8,791,704 in the previous quarter ("Q4 2015"), a decrease of $9,594,418 significantly resulting from the gains realized in Q4 2015 on the sale of the Cloosh Valley Wind Project. The net loss for this quarter is comprised of gross margin on solar sales $434,524 (Q4 2015 - $nil), operating costs $1,068,523 (Q4 2015 - $1,375,397), and net finance costs of $121,200 (Q4 2015 - $756,163). The largest components of operating costs are consulting fees ($133,939), marketing and advertising ($297,977) and payroll and benefits ($409,579) which in total comprise 79% of the operating costs. Net finance cost were higher in Q4 2015 reflecting the incremental costs of securing and financing loans in the prior year.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, receivables, advances to related party, deposits, accounts payable, contingent consideration payable and loans and borrowings. The carrying values of the Company's cash, restricted cash, receivables, advances to related party, deposits, and accounts payable approximate their fair values because of their short term to maturity and/or the interest rates being charged. The carrying 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 other loans and borrowings are not estimated to differ materially from the carrying value due to the terms to maturity, loan security and the interest rates being charged. The fair value of contingent consideration payable was determined on the date of acquisition using an appropriate discount rate applied to the expected future contingent payments in respect of the acquisition of Solar Alliance.

LIQUIDITY

The Company has endured a significant working capital deficiency for the past few years and has faced an adverse investment climate for companies in the development stage. The sale of the Company's principal wind project interests assisted in reducing the working capital deficiency from $6.1 million at December 31, 2014 to $4.9 million at December 31, 2015. Liquidity has improved as the Company received proceeds on the sale of the Cloosh Valley Wind Project. In the longer term, the Company will require some combination of equity, debt financing and/or operating profits to create positive working capital.

The current working capital deficiency of the Company, as of the date of this report, is approximately $6.2 million with the increase from December 31, 2015 largely related to the full Contingent Consideration liability being classified as current. Since its acquisition in June 2015, SAOA has undergone a restructuring of core strategies, management team, sales tools, service providers and key suppliers, and was not yet operating at a profit at the end of the quarter. Consequently, its operating cash flows will remain negative until the second half of 2016 when it is expected to become profitable.

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. The 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.

CAPITAL MANAGEMENT

The Company's primary capital management objective has been to minimize shareholder dilution through the use of debt financing. While its wind projects were being developed over the past nine years, the Company took on substantial debt, the majority of which has been repaid. Consequently, prior to the sale of its wind project interests, the Company maintained high debt levels for several years and therefore incurred additional interest costs for any and all project development delays. Finding the balance between minimizing dilution through debt and minimizing interest costs by issuing equity requires reliable estimates of key factors such as expected development timelines and future cash flows.

The residential solar energy sector operates on relatively short sales-to-installation project lifecycles of less than two quarters, eliminating risks of significant project delays and therefore the Company doesn't face longer term financing and holding costs as it did in the wind energy sector. Nevertheless, some of the Company's loans have relatively high financing costs and the Company's continued capital needs may motivate the Company to undertake equity financing. Capital management remains an important strategy relating to the often conflicting objectives of financing the Company's growth, minimizing shareholder dilution and maintaining a reasonable debt-to-equity ratio.

On May 17, 2016, the company closed on a private placement financing receiving proceeds of $0.6M.

COMMITMENTS, CONTINGENCIES AND OBLIGATIONS

This section summarizes the Company's financial commitments, contingencies and obligations:

Corporate Leases:

In December 2013, the Company signed a sublease agreement with a third party which covers 97% of its remaining office lease obligations. Subsequent to year-end, the Company signed a lease for its office in San Diego. The Company also has two equipment leases. The following lease commitments remain as at December 31, 2015, most of which relate to the office lease:

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

Legal Claims:

On August 28, 2014, the Company received a claim, filed in the Supreme Court of British Columbia by a lender who provided a $1.0 million loan to the Company in 2012. On May 7, 2015 the parties agreed to reduce the amount payable to $850,000, to increase the interest rate to 10% per annum as of April 10, 2015, and to repay the loan upon receipt of the €7.14 million payment from the sale of the Cloosh Project. The Company subsequently entered into an amended agreement to pay the creditor $100,000 monthly beginning in February 2016.

On September 16, 2014, the Company received a claim from a creditor for $550,000 plus interest of $27,539. These amounts had been previously accrued. On January 16, 2015, the parties executed a settlement agreement whereby the obligation is settled by a payment of $500,000 at the earlier of July 31, 2015 and the receipt of €7.14 million Cloosh proceeds from SSE. The amount was paid in full in January 2016 and all claims were discharged.

Legal Judgement:

In May 2013 the Company received an Alberta court judgement order in the amount of $600,000 plus interest in relation to its lawsuit with Scott Engineering and Associates ("Scott") which arose after the Company acquired the Three Hills wind projects in Alberta in 2007. In November 2013, Scott filed an appeal of the judgement, and the Company has filed its response. On February 9, 2015, the Court of Appeal dismissed the action and in April 2015, the plaintiff filed an application for leave to appeal to the Supreme Court of Canada. The application for leave to appeal was dismissed by the Court on October 29, 2015. The Company made final payment to the plaintiff in January 2016 and all claims were discharged.

In 2008, the Company sold its Ghost Pine Wind Project in Alberta and $1 million of the proceeds was 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, although management considers this to be unlikely. 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

(a) Amounts owing to related parties as at March 31, 2016 is $3,156 (December 31, 2015 - $128,575) in respect of expenses incurred in current and prior years to directors, former directors, and companies controlled by them. These amounts are included in accounts payable and accrued liabilities in the statement of financial position and are non-interest bearing.

(b) At March 31, 2016, a loan of $201,600 (Q4 2015 - $180,000) was due from a company controlled by an officer of the Company, bearing interest at 12% per annum..

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

In addition to their remuneration, the Company also provides non-cash benefits from time to time to directors and executive officers, including share based compensation by the grant of stock options.

Compensation paid to key management personnel including the Chief Executive OfficerChief Financial Officer, Chief Marketing Officer and the Board of Directors are set out below:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Wages and benefits	$ -	$ 101,298
Consulting fees	116,430	72,840
	$ 116,430	$ 173,938

INVESTOR RELATIONS

The Company has not entered into any investor relations contracts in recent years. The CEO manages all relationships with and communications to shareholders and investors.

PROPOSED TRANSACTIONS

There are currently no proposed transactions as defined by National Instrument 51-102F1 (1.11) involving asset dispositions or business acquisitions or dispositions, that either the Company's senior management or Board of Directors have determined is probable of proceeding as at the date of this MD&A.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in accounting policies or adoption of new accounting standards during the three month period ended March 31, 2016 that materially affected the Company's consolidated financial statements.

However, the acquisition of SAOA required the adoption of the following policy:

Revenue and Cost of Goods Sold

Revenue is recognized when earned, which the Company has determined for SAOA to be the delivery of a final inspection of an installed solar system. Until that time, all project costs are charged to "Work in process", and any funds received are charged to "Customer deposits". When revenue is recognized, all WIP related to that job is recorded as Cost of Goods Sold.

Other:

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods

beginning on or after January 1, 2016. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below. The Company does not expect to adopt these standards until their mandatory effective dates and is currently assessing the impact that these standards 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*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis is based on the Company's consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Management bases its estimates on historical experience and on various other assumptions considered reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenue and expenses.

The following accounting policies require us to make judgments and estimates:

Stock-based compensation

The Company grants stock options to directors, employees and consultants of the Company as an element of compensation. The cost of the service received as consideration is measured based on an estimate of fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the related service period with a corresponding increase in contributed surplus. On exercise of stock options, consideration received together with the compensation expense previously recorded to contribute surplus is credited to share capital. The Company uses either the Black-Scholes option pricing model or the fair value of the goods or services received to estimate the fair value of each stock option. Use of the Black-Scholes option pricing model requires the Company to make assumptions, changes of which could materially affect estimates. The most significant assumptions used are the instrument's expected life, discount rate and share price volatility.

Asset retirement obligations

The Company recognizes a provision for asset retirement obligations ("AROs") 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. As at March 31, 2015, the Company has recorded AROs in respect of the weather towers installed on its Wildmare Wind Project.

Other provisions

The Company recognizes other provisions from time to time when it is probable that a future cash outflow may occur. Such estimates are based on management's estimate of the most likely outcome of the contingency and estimated cash outflows.

Deferred Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of the assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the substantive enactment date. 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. The evaluation of the recoverability of tax assets requires use of forecasted taxable income and the amount recognized, if any, is affected by assumptions of tax rates expected to apply at the time the benefits of these assets are expected to be realized.

Contingent consideration

The fair valuation of expected future earn-out payments related to the acquisition of SAOA is recorded as part of the purchase price as required under IFRS and the Company must model appropriate discount rates, estimate future cash flows and apportion earnings probabilities in order to estimate the fair value. The contingent consideration is revalued at each reporting period, with any difference applied to earnings.

Goodwill

Goodwill related to the acquisition of SAOA is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets acquired. Estimates regarding the fair value of the net identifiable assets acquired and the estimate of the contingent consideration included in the purchase price therefore affect the initial measurement of goodwill.

RISK FACTORS

The sales of residential solar systems and development of wind energy projects is subject to numerous risks, both known and unknown, any of which could significantly or adversely impact the Company's financial position, the development and sale of such projects, and results of operations.

Financing risks

The Company has obligations and liabilities. Loans obtained by the Company increase the level of financial risk to the Company. If the Company does not or is not able to comply with any debt covenants, lenders may demand repayment and enforce their security against the Company's assets which may adversely affect the Company's operations. In addition, the Company's ability to raise capital depends in part upon conditions in the capital markets at the time. The Company cannot be certain that it will be able to raise additional capital if and when it needs to.

The Company has incurred operating losses since inception. At March 31, 2016, the Company had a significant working capital deficiency of $6.2 million (December 31, 2015 - $4.9 million) and had an accumulated deficit of $47.1 million (December 31, 2015 - $46.3 million).

Solar Alliance's ability to continue as a going concern is largely dependent on the growth and expansion of SAOA, and the Company's ability to raise additional debt or equity financing as required to fulfill its obligations. 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.

Market demand for solar energy

Key factors that may affect the demand for solar energy systems include:

- existence of government incentives to support the solar industry;
- regulatory and utility policies regarding the interconnection of solar energy systems to the utility grid;
- natural market changes in the price of gas, oil and electricity;
- performance characteristics of solar energy systems compared with conventional and other renewable energy alternatives;
- availability of financing with acceptable terms;
- general market interest rates and availability of credit; and
- deregulation of the electric power industry and the broader energy industry.

Electricity pricing

A drop in the retail price of conventional electricity or non-solar renewable energy sources may impair sales revenues given that the demand for solar energy systems depends in part on the price of conventional electricity, which affects the return on investment resulting from the purchase of the solar energy systems. Variations in economic, environmental and market conditions that impact the prices of conventional and non-solar renewable energy sources could cause the demand for solar energy systems to decline, which would have a negative impact on the Company.

Regulatory Policy

Existing rules, regulations and policies in respect of electricity pricing and interconnection of private-public electricity systems, and potential changes to these regulations and policies, may reduce the acceptance and desire to adopt or invest in solar energy systems, which would negatively impact the development of the solar energy industry.

The market for solar energy systems is significantly affected by governmental regulations concerning the electric utility industry, as well as the industry's own regulations. All these regulations and policies affect electricity pricing and system interconnection issues, and specify standards, technical requirements and compliance. While such policies can be adverse for the Company, it is recognized that significant government policy in the solar industry is generally intended to bring about its growth and development. Consequently, the reduction, termination or expiry of governmental economic incentives for solar energy systems could reduce the demand for them.

The installation of solar energy systems is subject to compliance and regulation under local by-laws, construction, zoning and fire codes, environmental protection regulation, utility interconnection requirements for net-metering; and other rules and regulations. New government regulations or utility policies especially in the fast growing solar energy sector are unpredictable and may cause delays or a reduction of demand for solar energy systems.

Supplier Risk

A substantial portion of the solar photovoltaic modules used in the United States are sourced from foreign suppliers and rules and conditions affecting international trade can have an adverse effect on the supply of solar photovoltaic modules and their cost. Tariffs on imported supplies affect pricing. Work slowdowns, strikes, weather and shipping may all affect the availability of modules and system components. Fortunately, as the industry grows, more suppliers emerge and competition increases, which gives the Company more supplier alternatives, serving to reduce these risks.

Installation

The solar installation process involves a number of key risks, as follows:

- Shortages of materials or skilled labor;
- Scheduling, engineering, environmental or structural problems;
- Natural disasters, weather, fires, and other casualty losses or delays;
- Permitting and licensing delays;
- changes to installation plans;

- Subcontractor performance issues; and
- Costs in excess of plans and budgets due to changes in labor, materials or other factors, often due to changes in project specifications.

Competitor Risk

The solar energy system installation business is highly competitive with low barriers to entry. The Company competes in the California market with significantly larger companies as well as a large number of relatively small solar installers and system developers. Those larger companies have greater resources than the Company. The Company's brand may not be known as well as our competitors' brands. Competition in the solar energy system installation market may increase in the future as a result of low barriers to entry. Increased industry competition could result in reductions in price, margins, market share and greater competition for qualified personnel. The Company's operations would be adversely affected if it is unable to compete.

However, it is noted that smaller companies such as the Company can benefit from certain operating efficiencies and having lower overhead, which could enable them to compete more effectively on price.

Safety Risk

The installation and ongoing operation of solar energy systems involves significant safety risks. Solar energy systems generate electricity, which is inherently dangerous. Installation of these systems adds risks of falling from rooftops, personal injuries on the job, and other risks typical of construction projects. The Company takes steps to ensure safety remains a top priority, and maintains appropriate insurance coverage for the business. It may nevertheless be exposed to significant losses arising from personal injuries or property damage relating to the Company's installations.

Customer Service Risk

The Company is exposed to the risk of claims from customers in relation to their expectations, our performance, and general risks and liabilities associated with placing our employees and technicians in or on the customers' property including possible claims of errors and omissions, harassment, theft of customer property, criminal activity and other claims. Such claims could damage the Company's reputation and adversely affect sales. The Company is also exposed to the risk of negative social media comments being posted on-line.

Wind Energy risks:

Although the Company has sold all of its material wind energy projects, it is still expecting funds from SSE which is dependent on the Cloosh Project reaching financial close and it holds 100% of the Wildmare and Bullmoose Wind Energy Projects. The Company therefore is subject to certain wind energy risks.

Factors affecting wind project economics:

-availability of construction financing and associated terms
-consistency of wind energy sources
-proximity to infrastructure

-ongoing or expected maintenance costs
-governmental regulations
-stakeholder support
-availability of tax or other incentives such as renewable energy credits
-land tenure, use and development issues
-environmental regulations
-insurance
-wind turbine pricing
-construction costs, and
-electricity prices to be paid by purchasers of wind energy

Project development and construction assumptions, including financing assumptions, involve significant risks which careful evaluation, experience, knowledge and risk management may not, in some cases, eliminate.

Fraud and Cyber Risks

The Company regularly reassesses its risks of fraud. Frauds may be perpetrated by suppliers, customers, employees, competitors, foreign entities, other third parties and includes evolving cyber security frauds such as false billings, impersonations, phishing attacks and other internet based threats which may be economically and socially motivated. The purpose may be purely for monetary gain but an increasing number of global corporate threats are coming from social media and hacktivists. Mitigation actions and procedures include the use of Codes of Conduct and non-disclosure agreements, segregation of duties, authorizations policies, communications policies, reconciliations, IT security policies and password and other data access controls, and embracing of social media in its engagement with customers and it has set high standards of customer service, knowing that a happy customer is positive for social media.

Solar Alliance and its subsidiaries have mitigated cybersecurity risks through appropriate systems backup and access protection policies. The small size of the organization allows for additional human interaction for approvals, verifications and authorizations. While no entity can be fully secured against cybersecurity threats, the Company and its IT providers have taken prudent, responsible and appropriate measures to both mitigate such risks and facilitate an effective response.

CONTROLS, PROCEDURES AND CERTIFICATIONS

Management is committed to delivering timely and accurate disclosure of all material information. Disclosure controls and procedures ensure that reporting requirements are satisfied and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting. However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the annual consolidated financial statements for the period ended March 31, 2016 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the period ended March 31, 2016 and all material subsequent activity up to May 30, 2016.

OUTSTANDING SHARE DATA

As of the date of this report, the Company had the following outstanding securities:

Common shares- issued and outstanding	60,177,644
Warrants	9,029,757
Stock options	4,516,900
Total fully diluted shares outstanding	73,724,301

Subsequent to March 31, 2016, the Company issued 8,279,757 common shares and 8,279,757 warrants, exercisable at $0.10 per common shares for two years.