Condensed consolidated interim financial statements
(Expressed in Canadian dollars)

SOLAR ALLIANCE ENERGY INC.

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

June 30, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated interim financial statements of Solar Alliance Energy Inc. (the "Company") for the six month periods ended June 30, 2016 and 2015 have been prepared by and are the responsibility of the Company's management. The Company's auditors have not reviewed these condensed consolidated interim financial statements. The audit committee of the Company has reviewed these condensed consolidated interim financial statements with management and have reported to the Board of Directors. The Board has approved the condensed consolidated interim financial statements contained herein.

August 30, 2016

Signed:

"Jason Bak", CEO

Signed:

"Eric Knutzen", CFO

SOLAR ALLIANCE ENERGY INC.

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

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

	Note	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Assets			
Current assets:			
Cash		$ 174,916	$ 3,272,962
Receivables		300,793	196,606
Prepaid expenses		2,577	7,577
Advances to related party	9(c)	207,000	201,600
Work-in-process		137,423	98,566
Land and building held-for-sale	5	-	325,240
		822,709	4,102,551
Non-current assets:			
Equipment	5	33,091	40,407
Goodwill	4	5,671,048	6,033,309
Other assets	6	23,175	35,435
		5,727,314	6,109,151
		$ 6,550,023	$ 10,211,702
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities		$ 2,631,086	$ 5,824,685
Loans and borrowings	12	801,227	1,217,927
Customer deposits		101,871	179,768
Contingent consideration	4	2,719,211	1,671,725
Provisions	13	77,500	77,500
		6,330,895	8,971,605
Non-current liabilities:			
Contingent consideration	4	-	1,010,104
Provisions	13	101,762	101,762
		101,762	1,111,866
		6,432,657	10,083,471
Shareholders' equity (deficiency):			
Share capital	7	36,363,487	36,031,974
Contributed surplus		10,941,504	10,923,493
Warrants	7	254,920	24,861
Share subscription		127,000	-
Accumulated other comprehensive loss		(593,845)	(537,770)
Accumulated deficit		(46,975,700)	(46,314,327)
		117,366	128,231
		$ 6,550,023	$ 10,211,702

Going concern (note 2(a))
Contingencies and commitments (note 11)
Subsequent events (note 17)

The accompanying notes are an integral part of these condensed 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.)

Condensed Consolidated Statements of Comprehensive Loss
For the six month periods ended June 30, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

	Note	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Income:					
Revenue	14	$ 1,570,255	$ 9,186	$ 2,814,793	$ 9,186
Cost of goods sold		(1,063,753)	(1,225)	(1,873,767)	(1,225)
Gross Profit		506,502	7,961	941,026	7,961
Expenses:					
Depreciation of property and equipment	5	2,853	1,531	5,825	3,062
Consulting fee		187,761	90,965	321,700	192,391
Insurance and filing fees		38,280	27,592	108,054	57,578
Marketing and advertising		425,365	1,624	723,342	1,624
Office, rent and utilities		117,118	24,298	239,153	36,524
Payroll and benefits		384,028	40,715	793,607	169,467
Professional fees		83,829	402,526	97,983	601,277
Stock-based compensation	11	-	6,223	-	6,223
Travel		80,922	33,797	99,015	45,867
Loss before undernoted items		(1,320,156)	(629,271)	(2,388,679)	(1,114,013)
Net finance income (costs):					
Financing fees and interest expense		(176,475)	(636,541)	(302,221)	(725,341)
Foreign exchange loss		114,282	(87,816)	(6,918)	(222,293)
Gain on forgiveness of accounts payable	15	1,017,187	166,928	1,099,769	166,928
Loss on sale of asset held – for –sale		-		(4,352)	-
Interest income		1	8	2	8
		954,995	(557,421)	786,280	(780,698)
Net Income (loss)		141,341	(1,178,731)	(661,373)	(1,886,750)
Other Comprehensive Income					
Change in accumulated foreign exchange translation adjustment		(116,931)	-	(56,075)	-
Comprehensive income		$ 24,410	$ (1,178,731)	$ (717,448)	$ (1,886,750)
Income (loss) per share – basic and diluted:					
Basic	7(a)	0.00	(0.03)	(0.01)	(0.05)
Diluted		0.00	(0.03)	(0.01)	(0.04)
Weighted average number of common shares outstanding:	7(a)				
Basic		55,895,286	39,793,427	53,893,586	39,760,222
Diluted		56,172,209	42,028,588	53,893,586	41,955,383

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

SOLAR ALLIANCE ENERGY INC.

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

Unaudited Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the six month periods ended June 30, 2016 and 2015

	Notes	2016	2015
Cash provided by (used in):			
Operating activities:			
Net income		$ (661,373)	(1,886,750)
Items not affecting operating cash:			
Net finance expense		(302,221)	780,698
Depreciation	5	5,825	3,062
Gain on forgiveness of debt		(1,099,769)	166,928
Stock-based compensation		-	6,223
		(2,057,538)	(929,839)
Change in non-cash operating working capital:			
Receivables		(104,187)	(598,392)
Prepaid expenses		5,000	(14,734)
Work-in-process		(38,857)	(47,126)
Accounts payable and accrued liabilities		(1,391,886)	(543,448)
Customer deposits		(77,897)	12,787
Net cash used in operating activities		(3,665,365)	(2,120,752)
Investing activities:			
Sale of asset held-for-sale		169,588	-
Interest received		-	6
Other deposit		12,260	-
Acquisition of Solar Alliance – advance on contingent consideration		-	(496,000)
Bank indebtedness acquired on acquisition of Solar Alliance		-	(15,738)
Refund of deposits and interest		-	20,704
Net cash provided by investing activities		181,848	(491,028)
Financing activities:			
Proceeds from loans and promissory note		-	5,093,365
Issuance of capital stock		579,583	-
Related Parties loan received		391,500	-
Interest and financing fees paid		(89,790)	(1,890)
Share subscription		127,000	-
Loans repaid	12	(622,822)	(1,621,475)
Net cash provided by (used in) financing activities		385,471	3,470,000
Increase in cash		(3,098,046)	858,220
Cash, beginning of period		3,272,962	155,448
Cash, end of period		$ 174,916	$ 1,013,668

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

SOLAR ALLIANCE ENERGY INC.

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

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

For the six month periods ended June 30, 2016 and 2015

	Note	Share capital	Contributed surplus	Warrants	Share Subscription	Accumulated OCI	Accumulated deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2015		$ 34,984,271	$ 10,761,494	$ -	$ -	$ -	$ (51,832,351)	$ (6,086,586)
Comprehensive loss for the period							(1,886,750)	(1,886,750)
Stock-based compensation expense			6,223					6,223
Issued shares for acquisition		1,012,795						1,012,795
Warrants on the loan				18,011				18,011
Balance, June 30, 2015		$ 35,997,066	$ 10,767,717	$ 18,011	$ -	$ -	$ (53,719,101)	$ (6,936,307)
Comprehensive income for the period						(537,770)	7,404,774	6,867,004
Transactions with owners, recorded directly in equity:								
Exercise of stock options		34,908	(14,908)	-	-	-	-	20,000
Loan warrants			-	6,850	-	-	-	6,850
Stock-based compensation expense			170,684	-	-	-	-	170,684
Balance, December 31, 2015		$ 36,031,974	$ 10,923,493	$ 24,861	$ -	$ (537,770)	$ (46,314,327)	$ 128,231
Comprehensive loss for the period		-	-	-	-	(56,075)	(661,373)	(717,448)
Transactions with owners, recorded directly in equity:								
Issuance of capital stock		579,583	-	-	-	-	-	579,583
Share subscription		-	-	-	127,000	-	-	127,000
Fair value of warrants issued		(248,070)		248,070				-
Warrants expired			18,011	(18,011)				-
Balance, June 30, 2016		$ 36,363,487	$ 10,941,504	$ 254,920	$ 127,000	$ (593,845)	$ (46,975,700)	$ 117,366

The accompanying notes are an integral part of these condensed 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. in 2016.

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

2. Basis of preparation:

(a) Going concern:

These condensed 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 June 30, 2016, the Company had a significant working capital deficiency of $5.5 million (2015 - $4.9 million). 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 condensed 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 condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated financial statements were authorized for issue by the Board of Directors on August 30, 2016.

2. Basis of preparation (continued):

(c) Basis of measurement:

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

(d) Functional and presentation currency:

These condensed 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 condensed 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 13) and the calculation of the fair values of stock-based compensation (note 8) and financial instruments for measurement and disclosure purposes (note 15).

(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.

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 significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual consolidated financial statements for the year ended December 31, 2015. All accounting policies have been applied consistently by the Company and its subsidiaries to all periods presented in these financial statements.

New accounting policies not yet adopted:

The following new accounting standards have been issued but have not been adopted by the Company for the six month period ended June 30, 2016. 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 condensed 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*.

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.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

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$0.4 million 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

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

(Amounts expressed in Canadian dollars, unless otherwise indicated)

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

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
Effect of foreign exchange		(362,261)
Balance, June 30, 2016	$	5,671,048

The Company commenced the consolidation of Solar Alliance's financial position and results of operations from June 24, 2015. During the six month periods ended June 30, 2016, Solar Alliance contributed revenues of $2,814,793 and net loss of $959,251 to the consolidated financial results.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

5. Equipment:

	Automobile	Office furniture and equipment	Computer and related equipment	Total
Cost:				
Balance, January 1, 2015	$ -	$ 5,878	$ 68,582	$ 74,460
Additions:				
Acquired on acquisition of Solar Alliance	19,864	7,117	-	26,981
Balance, June 30, 2015	$ 19,864	$ 12,995	$ 68,582	$ 101,441
Effect of foreign exchange	2,280	816	-	3,096
Balance, December 31, 2015	$ 22,144	$ 13,811	$ 68,582	$ 104,537
Effect of foreign exchange	(1,330)	(476)	-	(1,806)
Balance, June 30, 2016	20,814	13,335	68,582	102,731
Accumulated depreciation:				
Balance, January 1, 2015	$ -	$ 3,658	$ 49,652	$ 53,310
Depreciation for the period	-	222	2,840	3,062
Balance, June 30, 2015	-	3,880	52,492	56,372
Depreciation for the period	3,102	1,442	2,839	7,273
Effect of foreign exchange	356	19	-	485
Balance, December 31, 2015	$ 3,458	$ 5,341	$ 55,331	$ 64,130
Depreciation for the period	2,694	1,143	1,988	5,825
Effect of foreign exchange	(267)	(48)	-	(315)
Balance, June 30, 2016	5,885	6,436	57,319	69,640
Carrying amounts:				
June 30, 2015	$ 26,981	$ 1,998	$ 16,090	$ 45,069
December 31, 2015	$ 18,686	$ 8,470	$ 13,251	$ 40,407
June 30, 2016	14,929	6,899	11,263	33,091

The land and building acquired in the Solar Alliance acquisition was 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 six month period ended June 30, 2016, the Company sold the land and building for net proceeds of US$235,000 ($325,240).

(Amounts expressed in Canadian dollars, unless otherwise indicated)

6. Other assets:

This balance is comprised of the following items:

	June 30, 2016	December 31, 2015
BC License of Occupation security deposits	$ 19,000	$ 19,000
Office lease deposit	4,175	16,435
	$ 23,175	$ 35,435

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.

7. 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: 60,171,644 common shares

	Number of shares	Amount
Issued and outstanding common shares as at December 31, 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 June 30, 2015 and December 31, 2015	51,891,887	$ 36,031,974
Shares issued for private placement	8,279,757	579,583
Fair value of issued warrants	-	(248,070)
Issued and outstanding common shares as at June 30, 2016	60,171,644	$ 36,363,487

(a) Basic and dilutive income per share:

For the six month period ended June 30, 2016, 2,158,900 (2015 – 2,158,900) stock options and 9,029,757 warrants (2015 – 750,000) 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)

7. 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, June 30, 2015 and December 31, 2014	-	$	-
Warrants issued	750,000		24,861
Balance, December 31, 2015	750,000	$	24,861
Warrants issued	8,279,757		248,070
Warrants expired	(250,000)		(18,011)
Balance, June 30, 2016	8,779,757	$	254,920

250,000 warrants are exercisable at $0.085 per share for a one year period issued on May 27 2015 was expired in the current period.

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

8,279,757 warrants are excisable at $0.10 per share for a two year period expiring May 17, 2018.

8. 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 authorizes 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 the 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.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

8. Share-based payments (continued):

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.

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, December 31, 2014 and June 30, 2015	3,596,900	$ 0.123
Cancelled	(1,438,000)	0.127
Granted	2,950,000	0.071
Exercised	(250,000)	0.080
Outstanding, December 31, 2015	4,858,900	0.094
Forfeited	(342,000)	0.080
Outstanding, June 30, 2016	4,516,900	$ 0.095

The following table summarizes the outstanding and exercisable stock options at June 30, 2016:

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	1.56
March 27, 2018	20,000	20,000	0.205	1.74
January 31, 2019	1,284,000	1,284,000	0.085	2.59
December 15, 2020	2,550,000	2,550,000	0.070	4.46
	4,516,900	4,516,900	$ 0.095	3.49

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

	Six months ended June 30, 2016	Year ended December 31, 2015
Average risk-free interest rate	N/A	0.56-068%
Average expected life of option (in years)	N/A	4.6
Average volatility	N/A	92%
Dividend yield	N/A	nil%
Weighted average fair value of options granted	N/A	$0.06

(Amounts expressed in Canadian dollars, unless otherwise indicated)

9. Related party transactions:

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

(a) Amounts owing to related parties as at June 30, 2016 are $200,898 (December 31, 2015 - $128,575) 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.

(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. $270,000 plus accrued interest payable to one officer is still outstanding.

(c) At June 30, 2016, an amount of $207,000 (December 31, 2015- $201,600) was due from a company that shares a common director with Solar Alliance, comprised of a loan of $180,000 plus accrued interest at 12% per annum.

(d) During the six month period ended June 30, 2016, the Company received a $391,500 short term loan from a lender that shares a common director with Solar Alliance, and repaid $200,000 back to the lender. As at June 30, 2016, the balance of the loan, including accrued interest and related fees, was $221,226.

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:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Consulting fee	$ 161,470	$ 157,840	$ 277,900	$ 230,680
Wages and benefits	-	4,204	-	77,612
	$ 161,470	$ 162,044	$ 277,900	$ 308,292

(Amounts expressed in Canadian dollars, unless otherwise indicated)

10. Segmented Information:

	United States	Ireland	Canada	Total
As of and for the three months period ended June 30, 2016:				
Segment total assets	$ 6,172,356	$ 28,982	$ 348,685	$ 6,550,023
Non-current assets	5,691,277	-	36,037	5,727,314
Total revenue	2,814,793	-	-	2,814,793
Net loss for the three months	(506,638)	(34,591)	682,570	141,341
Net loss for the six months	(959,251)	(34,591)	332,469	(661,373)
As of and for the three months period ended June 30, 2015:				
Segment total assets	$ 6,549,768	$ 20,273	$ 1,020,474	$ 7,590,515
Non-current assets	5,981,260	-	49,349	6,030,609
Net loss for the three months	(17,500)	(806,535)	(354,702)	(1,178,737)
Net loss for the six months	(17,500)	(806,869)	(1,062,381)	(1,886,750)

Non-current assets in the United States includes goodwill of $5,671,048.

11. 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	$ 58,496
2017	94,241
2018	97,068
2019	41,374

11. Contingencies and commitments:

(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. This amount was paid in full in January 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.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

12. 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 15.

The balance including accrued interest is comprised of:

			June 30, 2016		December 31, 2015
Loan (*i*)	(a)	$	123,465	$	125,996
Finance lease obligation *(ii)*	(b)		-		1,476
Demand loans (*iv*)	(c)		456,536		924,375
Related Party loan			221,226		-
Secured bank loan	(d)		-		166,080
			801,227		1,217,927
Less: current portion			(801,227)		(1,217,927)
		$	-	$	-

(a) 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.

(b) The Company was subject to a lease agreement for office equipment. The leases qualify as financing lease and the lease term expired in April 2016.

(c) 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, April 1, 2016 and May 1, 2016 (paid); and $100,000 each month thereafter until fully repaid.

(d) 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 during the current period from proceeds of the sale of land and building (note 5).

(Amounts expressed in Canadian dollars, unless otherwise indicated)

13. Provisions:

The Company has recognized the following provisions at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Asset retirement obligations	$ 101,762	$ 101,762
Other provisions	77,500	77,500
	179,262	179,262
Less: current portion	(77,500)	(77,500)
	$ 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.

14. Cost of goods sold:

Cost of goods sold for the six month period ended June 30, 2016 consists of the following:

Materials and installation	$ 1,718,155
Sales commissions	69,929
Finance fees	39,818
Site inspection and other costs	45,865
	$ 1,873,767

15. Reversal of liabilities:

The Company conducted a reevaluation of certain liabilities and determined that no legal liability previously existed or currently exists and reversed them effective on June 30th, 2016.

16. 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.

16. 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 $704,964 as at June 30, 2016 ($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 June 30, 2016 and December 31, 2015 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)).

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 June 30, 2016 and December 31, 201, 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$1,407,000 and € Nil (December 31, 2015 - US$194,000 and €435,000, respectively) 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 $183,000 and $Nil, respectively.

16. Financial instrument risk management (continued):

(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 June 30, 2016 and 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.

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 June 30, 2016 and December 31, 2015, 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.

17. Subsequent events:

On July 18, 2016, the Company announced the closing of the second tranche of its non-brokered private placement financing, which consisted of 1,814,285 units at a price of $0.07 per unit for gross proceeds of $127,000. Each unit is 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.