Consolidated Financial Statements
(Expressed in Canadian dollars)

SOLAR ALLIANCE ENERGY INC.

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

Years ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Solar Alliance 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, 2016 and 2015, the consolidated statements of comprehensive income (loss), 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, 2016 and 2015, 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

May 2, 2017
Vancouver, Canada

SOLAR ALLIANCE ENERGY INC.

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

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

December 31, 2016 and 2015

	Notes	2016	2015
Assets			
Current assets:			
Cash		$ 130,526	$ 3,272,962
Receivables		84,931	196,606
Prepaid expenses		32,332	7,577
Advances to related party	11(c)	217,800	201,600
Work-in-process		203,365	98,566
Land and building held-for-sale	6	-	325,240
		668,954	4,102,551
Non-current assets:			
Equipment	6	31,266	40,407
Goodwill	4	2,802,518	6,033,309
Other assets	7	48,552	35,435
		2,882,336	6,109,151
		$ 3,551,290	$ 10,211,702
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities		$ 4,572,352	$ 5,824,685
Loans and borrowings	14	863,151	1,217,927
Customer deposits		193,455	179,768
Contingent consideration	4	-	1,671,725
Provisions	15	77,500	77,500
		5,706,458	8,971,605
Non-current liabilities:			
Contingent consideration	4	-	1,010,104
Provisions	15	101,762	101,762
		101,762	1,111,866
		5,808,220	10,083,471
Shareholders' equity (deficiency):			
Share capital	8	36,654,533	36,031,974
Contributed surplus		11,017,571	10,923,493
Warrants	8	311,654	24,861
Accumulated other comprehensive loss		(738,596)	(537,770)
Accumulated deficit		(49,502,092)	(46,314,327)
		(2,256,930)	128,231
		$ 3,551,290	$ 10,211,702

Going concern (note 2(a))
Contingencies and commitments (note 13)
Subsequent events (note 19)

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 Energy Inc.)

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

Years ended December 31, 2016 and 2015

	Notes	2016	2015
Revenue		$ 5,932,233	$ 1,604,534
Cost of goods sold	17	(4,272,840)	(1,174,255)
		1,659,393	430,279
Operating and selling expenses:			
Depreciation	6	11,881	10,335
Bad debt		6,425	-
Consulting fee		516,532	593,610
Insurance and filing fees		175,565	154,112
Marketing and advertising		1,072,580	709,471
Office, rent and utilities		477,936	259,121
Payroll and benefits		1,875,825	914,690
Professional fees		206,910	909,963
Stock-based compensation	9	69,217	176,907
Travel		180,971	99,303
		4,593,842	3,827,512
Loss before undernoted		(2,934,449)	(3,397,233)
Other income (expenses):			
Impairment of goodwill	4	(3,050,750)	-
Reversal of contingent consideration	4	3,000,910	-
Gain on sale of investment in Cloosh Valley Wind Project	5	-	10,761,408
Gain on settlement of accounts payable and other debts		91,813	245,957
Impairment of land and building held-for-sale		(4,352)	(55,360)
Loss on disposal of equipment		-	-
		37,621	10,952,005
Income (loss) from operations		(2,896,828)	7,554,772
Net finance income (expense):			
Interest expense		(510,490)	(2,041,572)
Interest income		16,200	21,625
Foreign exchange gain (loss)		203,353	(16,801)
		(290,937)	(2,036,748)
Net income (loss)		(3,187,765)	5,518,024
Other comprehensive loss:			
Change in accumulated foreign exchange translation adjustment		(200,826)	(537,770)
Comprehensive income (loss)		$ (3,388,591)	$ 4,980,254
Net income (loss) per share - basic and diluted:	8(a)		
Basic		$ (0.05)	$ 0.12
Diluted		(0.05)	0.12
Weighted average number of common shares outstanding:	8(a)		
Basic		58,288,736	46,011,019
Diluted		58,288,736	46,425,650

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

SOLAR ALLIANCE ENERGY INC.

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

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2016 and 2015

	Notes	2016	2015
Cash provided by (used in):			
Operating activities:			
Net income		$ (3,187,765)	$ 5,518,024
Items not affecting operating cash:			
Impairment of goodwill	4	3,050,750	-
Reversal of contingent consideration	4	(3,000,910)	-
Gain on sale of investment in Cloosh Valley Wind Project	5	-	(10,761,408)
Net finance expense		290,937	2,036,748
Depreciation	6	11,881	10,335
Gain on settlement of debt		(91,813)	(245,957)
Impairment of land and building held-for-sale		4,352	55,360
Stock-based compensation		69,217	176,907
		(2,853,351)	(3,209,991)
Change in non-cash operating working capital:			
Receivables		109,009	56,101
Prepaid expenses		(24,405)	8,405
Work-in-process		(112,082)	(56,865)
Accounts payable and accrued liabilities		(1,046,686)	486,918
Customer deposits		18,798	(75,519)
Net cash used in operating activities		(3,908,717)	(2,790,951)
Investing activities:			
Acquisition of Solar Alliance of America (“Solar Alliance”)	4	-	(496,600)
Bank indebtedness acquired on acquisition of Solar Alliance	4	-	(14,371)
Advances to Solar Alliance prior to acquisition		-	(607,066)
Sale of assets held for sale	6	317,626	-
Proceeds from sale of investment in Cloosh Valley Wind Project	5	-	10,761,408
Purchase of property and equipment	6	(3,553)	-
Interest received		-	25
Release of restricted cash		-	12,364
Decrease (increase) in other assets		(13,117)	16,529
Net cash provided by investing activities		300,956	9,672,289
Financing activities:			
Issuance of share capital		916,713	-
Proceeds from exercise of stock options	8	-	20,000
Proceeds from loans and promissory note	14	429,525	5,694,725
Loans repaid	14	(863,668)	(7,485,670)
Interest and financing fees paid		(17,245)	(1,992,879)
Net cash provided by (used in) financing activities		465,325	(3,763,824)
Increase / (decrease) in cash		(3,142,436)	3,117,514
Cash, beginning of year		3,272,962	155,448
Cash, end of year		$ 130,526	$ 3,272,962

See note 10 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 Energy Inc.)

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

Years ended December 31, 2016 and 2015

	Notes	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss- Cumulative foreign exchange translation adjustment	Accumulated deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2015		$ 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
Comprehensive income (loss)		-	-	-	(200,826)	(3,187,765)	(3,388,591)
Transactions with owners, recorded directly in equity:							
Issued shares	4	916,713	-	-	-	-	916,713
Exercise of stock options		17,500	-	-	-	-	17,500
Private Placement warrants		(311,654)	-	311,654	-	-	-
Warrants expired		-	24,861	(24,861)	-	-	-
Stock-based compensation expense		-	69,217	-	-	-	69,217
Balance, December 31, 2016		$ 36,654,533	$ 11,017,571	$ 311,654	$ (738,596)	$ (49,502,092)	$ (2,256,930)

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 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 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. As of December 31, 2016, the Company had a significant working capital deficiency of $5.0 million (2015 - $4.9 million) and is in default on a loan payable. The remaining cash and the cash inflows from Solar Alliance operations are not currently sufficient to sustain the Company's operations and to pay the remaining obligations when they become due. Management of the Company intends to address the working capital deficiency through a combination of revenue growth, reduced expenses, the potential sale of its remaining wind assets (note 19(a)) and injections of capital through share issuances. Subsequent to year end the Company has completed a private placement for gross proceeds of $1.3 million (note 19(c)). There can be no assurance that management's plans will be successful or that the Company will be able to obtain the financial resources necessary.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise debt or equity funding in the near term to fulfill its obligations and ultimately in self-generating income and cash flows from its operations. The conditions described above give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. 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 May 2, 2017.

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 measurement of goodwill impairment (note 4); and the calculation of the fair values of stock-based compensation (note 9).

(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 include 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 adjusted to at each reporting date for changes in the expected amount payable and subsequent changes 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 (loss) 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, 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 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
Automobiles	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 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 goodwill and then to reduce the carrying amounts of other assets in the unit 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 discount 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 expense:

Finance income comprises interest income on funds invested.

Finance expense comprise interest expense on loans and borrowings and unwinding of discounts on contingent consideration and provisions. 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 (loss) per share:

The Company presents basic and diluted income (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income (loss) 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 (loss) 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 12.

3. Significant accounting policies (continued):

(p) New accounting standards adopted for the 2016 fiscal year:

There were no new standards that were effective for the Company on January 1, 2016 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 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 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 $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 Company commenced the consolidation of Solar Alliance's financial position and results of operations from June 24, 2015.

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 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	(180,041)
Impairment	(3,050,750)
Balance, December 31, 2016	$ 2,802,518

(Amounts expressed in Canadian dollars, unless otherwise indicated)

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

At December 31, 2016, the Company performed an impairment test of the goodwill associated with the Solar Alliance cash generating unit ("CGU"). The recoverable amount of the CGU was based on its fair value, determined by discounting future estimated cash flows to be generated from the the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of $1.1 million and an impairment loss of $3.1 million was recognized in net loss for the year ended December 31, 2016.

Key assumptions used in the estimation of value included budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2017 based on management's expectations of the number of installations, installation costs and expenses, EBITDA growth of 8% in 2018 and 2019 and 2% in 2020 and 2021, a terminal value growth rate of 2%, and a discount rate of 25%, reflecting a risk premium associated with the specific CGU. The cash flows were projected based on operating results and the Company's budgets, which included estimated sales volume and gross margin growth.

At December 31, 2016, the Company also assessed its estimated projected EBITDA and determined that the thresholds for the additional contingent consideration owing in relation to the Solar Alliance acquisition would not be met. As a result the contingent consideration liability, which had accreted to a balance of $3.0 million at December 31, 2016, was reversed with the reversal recorded in the statement of comprehensive income (loss).

5. Sale of Cloosh Valley Wind Project:

In December 2015, the Cloosh Valley Project ("Cloosh Project"), which the Company had sold on August 25, 2010, reached financial close and the Company received the remaining €7.14 million ($10.8 million) of contingent consideration from the initial sale and recorded such amount as a gain in the statement of comprehensive income. 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	(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 was committed to use a portion of the net cash received to re-pay certain loans and borrowings and other obligations.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

6. Equipment:

	Automobile	Office furniture and equipment	Computer and related equipment	Total
Cost:				
Balance, January 1, 2015	$ -	$ 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
Additions	-	3,553	-	3,553
Effect of foreign exchange	(661)	(236)	-	(897)
Balance, December 31, 2016	$ 21,483	$ 17,128	$ 68,582	$ 107,193
Accumulated depreciation:				
Balance, January 1, 2015	$ -	$ 3,658	$ 49,652	$ 53,310
Depreciation for the year	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
Depreciation for the year	5,366	2,540	3,975	11,881
Effect of foreign exchange	(31)	(53)	-	(84)
Balance, December 31, 2016	$ 8,793	$ 7,828	$ 59,306	$ 75,927
Carrying amounts:				
December 31, 2015	$ 18,686	$ 8,470	$ 13,251	$ 40,407
December 31, 2016	12,690	9,300	9,276	31,266

The land and building acquired in the Solar Alliance acquisition were held-for-sale. Accordingly, these assets were recognized at fair value less cost to sell. The fair value was 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. In 2016, the Company sold the land and building for net proceeds of US$235,000 ($317,626).

(Amounts expressed in Canadian dollars, unless otherwise indicated)

7. Other assets:

This balance is comprised of the following items:

	2016	2015
BC License of Occupation security deposits	$ 19,000	$ 19,000
Office lease deposit	29,552	16,435
	$ 48,552	$ 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.

8. 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: 65,237,787 common shares

	Number of common 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
Shares issued for private placement	13,095,900	916,713
Share issued on exercise of stock options	250,000	17,500
Warrants issued for private placement	-	(311,654)
Issued and outstanding common shares as at December 31, 2016	65,237,787	$ 36,654,533

During the year ended December 31, 2016 the Company issued 13,095,900 units at a price of $0.07 per unit for cash consideration of $916,713. Each unit consists of one common share and one common share purchase warrant, with each common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 per common share. The Company determined the fair value of the warrants using a Black-Scholes pricing model and recorded such amount in warrants within equity (note 8(b)), with the difference between the cash proceeds received and the value of the warrants recorded in share capital.

Of the units issued 8,944,186 were to officers of the Company, or individuals related to officers of the Company.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

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

(a) Basic and dilutive income per share:

During the year ended December 31, 2016, 5,834,000 (2015 – 2,158,900) stock options and 13,095,900 warrants (2015 – 750,000) were not included in the determination of fully diluted income per share as they were anti-dilutive.

(b) Warrants:

Warrants are valued at the grant date fair value 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	-	$ -
Warrants issued	750,000	24,861
Balance, December 31, 2015	750,000	24,861
Warrants issued	13,095,900	311,654
Warrants expired	(750,000)	(24,861)
Balance, December 31, 2016	13,095,900	$ 311,654

The following assumptions were used for the valuation of the warrants granted:

	2016	2015
Risk-free interest rate	0.6% – 0.7%	0.6% - 0.7%
Expected life of warrant (in years)	2	1
Volatility	91% - 98%	85%-90%
Dividend yield	nil%	nil%

At December 31, 2016, the following warrants are outstanding and exercisable:

Expiry date	Number of warrants outstanding	Exercise price	Remaining contractual life (in years)
May 17, 2018	8,279,757	$ 0.10	1.4
July 18, 2018	1,814,286	0.10	1.5
December 9, 2018	3,001,857	0.10	1.9
	13,095,900	0.10	1.5

(Amounts expressed in Canadian dollars, unless otherwise indicated)

9. 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.

During the year ended December 31, 2016, the Company granted 2,500,000 stock options to certain directors and consultants exercisable for a period of five years at a price of $0.075 per common share. The fair value of the options was calculated to be $69,217, which has been recognized as stock-based compensation as the options fully vested on the grant date.

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.

Details of the status of the Company’s stock options as at December 31, 2016 and the changes during the recent years are as follows:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2015	3,596,900	$ 0.12
Granted	2,950,000	0.07
Exercised	(250,000)	0.08
Forfeited	(1,438,000)	0.13
Outstanding, December 31, 2015	4,858,900	0.09
Granted	2,500,000	0.08
Forfeited / cancelled	(1,274,900)	0.08
Exercised	(250,000)	0.07
Outstanding, December 31, 2016	5,834,000	$ 0.08

(Amounts expressed in Canadian dollars, unless otherwise indicated)

9. Share-based payments (continued):

During the year ended December 31, 2016, 250,000 options with an exercise price of $0.07 per common were exercised on a cashless basis in exchange for a reduction in accounts payable otherwise owing to the option holder of $17,500.

The following table summarizes the outstanding and exercisable stock options at December 31, 2016:

Expiry date	Number of options vested and exercisable	Number of options outstanding	Weighted average exercise price	Weighted remaining contractual life (in years)
January 31, 2019	1,284,000	1,284,000	0.085	2.09
December 15, 2020	2,050,000	2,050,000	0.070	3.96
September 19, 2021	2,500,000	2,500,000	0.075	4.72
	5,834,000	5,834,000	$ 0.075	3.87

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

	2016	2015
Average risk-free interest rate	0.67%	0.56% - 0.68%
Average expected life of option (in years)	2.5	4.6
Average volatility	87%	92%
Dividend yield	nil%	nil%
Weighted average fair value of options granted	$0.035	$0.06

10. Supplemental cash flow information:

	2016	2015
Non-cash investing and financing transactions:		
Exercise of stock option in exchange for settlement of accounts payable	$ 17,500	$ -
Shares issued on acquisition of Solar Alliance (note 4)	-	1,012,795
Contingent consideration issued on acquisition of Solar Alliance (note 4)	-	2,147,795
Warrants issued as finance fee	-	24,861

(Amounts expressed in Canadian dollars, unless otherwise indicated)

11. Related party transactions:

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the following transactions and balances occurred during the period with related parties:

(a) Amounts owing to related parties as at December 31, 2016 are $334,430 (2015 - $128,575) in respect of fees charged by related parties, including key management personnel 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 certain wind projects in British Columbia in 2014 constituted the material operating assets of the Company which triggered contractual payments of $660,000 to certain officers which were accrued in accounts payable and accrued liabilities at December 31, 2015. At December 31, 2016, an amount of $270,000, plus accrued interest of $28,800, is payable to one officer and remains accrued in accounts payable and accrued liabilities. Interest of $16,200 was accrued on those payments during the year ended December 31, 2016 (2015- $55,440).

(c) At December 31, 2016, an amount of $217,800 was due from a company controlled by an officer of the Company (2015 - $201,600), comprised of a loan of $180,000 plus accrued interest at 12% per annum. During the year ended December 31, 2016 interest income of $16,200 (2015 - $21,600) was accrued on this loan. The balance receivable is to be offset against the contractual payment described above (note 11(b)) upon settlement.

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 9).

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:

	2016	2015
Consulting fee	$ 470,560	$ 500,575
Wages and benefits	263,779	77,612
Stock-based compensation	69,217	99,000
	$ 803,556	$ 677,187

(Amounts expressed in Canadian dollars, unless otherwise indicated)

12. Segmented Information:

	United States	Ireland	Canada	Total
As at and for the year ended December 31, 2016:				
Segment total assets	$ 3,240,338	$ 6,156	$ 304,796	$ 3,551,290
Non-current assets	2,848,464	-	33,872	2,882,336
Total revenue	5,932,233	-	-	5,932,233
Net loss	(2,280,673)	(72,284)	(834,808)	(3,187,765)

	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

At December 31, 2016, non-current assets in the United States includes goodwill of $2,802,518 (2015 - $6,033,309).

13. Contingencies and commitments:

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

2017	$ 97,269
2018	100,187
2019	42,703

(b) 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. As at December 31, 2015, the Company had accrued for this amount including interest of $129,283 in accounts payable and accrued liabilities. This amount was paid in full in 2016.

In 2008, the Company sold its Ghost Pine Wind Project and $1,000,000 of the proceeds was held back, and remains held back, as a result of the legal action described above. The amount of the holdback will be reduced by the cumulative amount of legal fees incurred by the purchaser. 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)

14. 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 18.

The balance including accrued interest is comprised of:

			2016		2015
Loan	(a)	$	132,627	$	125,996
Finance lease obligation			-		1,476
Demand loan	(b)		479,129		924,375
Related party loan	(c)		251,395		-
Secured bank loan	(d)		-		166,080
		$	863,151	$	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) 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 was to be fully settled by paying $850,000 at the time the Company receives the proceeds due 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 and $100,000 of the first day of each month thereafter until fully repaid. The Company paid $500,000 in principal and interest during the year ended December 31, 2016. The Company is in default of the amended payment terms at December 31, 2016 as no payment has been made since May 2016. As a result the interest rate from May 2016 is 15% per annum and the balance is payable on demand.

(c) During the year ended December 31, 2016, the Company received a loan from an officer of the Company. The loan bears interest at 15% per annum, which is repayable two years from the date of advance, or at an earlier date at the Company's option with no penalty, and is secured by certain assets of the Company and its subsidiaries. The loan has been classified as current as the Company expects to repay the balance in 2017. During the year ended December 31, 2016, the Company received $429,525 from the related party, accrued interest of $21,870, and repaid $200,000.

(d) Solar Alliance had a note payable secured by its land and building. The loan accrued interest at 9.5% per annum with interest paid monthly. This loan was repaid in 2016 from proceeds of the sale of land and building (note 6).

(Amounts expressed in Canadian dollars, unless otherwise indicated)

15. Provisions:

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

	2016	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.

16. 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:

	2016	2015
Income before tax	$ (3,187,765)	$ 5,518,024
Statutory tax rate	26.00%	26.00%
Income tax expense computed at statutory rates	$ (828,819)	$ 1,434,686
Change in estimate of tax losses	(374,601)	125,351
Non-taxable portion of gain on sale of the Cloosh Project	-	(1,345,176)
Permanent differences arising from other non-deductible (taxable items) and other	212,302	110,311
Foreign tax rate differential and tax rate changes	(158,018)	(1,365,655)
Change in deferred tax assets not recognized	1,149,136	1,040,483
Income tax expense	$ -	$ -

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

	2016	2015
Non-capital losses carried forward	$ 40,058,255	$ 34,611,309
Project development costs and equipment	8,248,461	8,244,130
Provisions and accrued liabilities	101,762	796,318
Other deductible temporary differences	1,388,900	2,372,372
	$ 49,797,378	$ 46,024,129

(Amounts expressed in Canadian dollars, unless otherwise indicated)

16. 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 $40.1 million that may be carried forward to apply against future years' income. These losses expire as follows:

No expiry	$ 5,327,068
2036	2,575,258
2035	4,389,931
2034	146
2033	1,655,833
2032	5,140,225
2031	6,858,491
2030	1,646,129
2029	3,452,520
2028	5,561,269
2027	3,451,385
	$ 40,058,255

17. Cost of goods sold:

Cost of goods sold for the year ended December 31, 2016 and 2015 consists of the following:

	2016	2015 (Since acquisition)
Materials and Installation	$ 3,924,141	$ 1,012,360
Finance fees	133,287	46,617
Site inspection and other costs	215,412	115,278
	$ 4,272,840	$ 1,174,255

18. 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, and currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Financial instrument risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

18. 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, receivables, advance to related party and its deposits. The carrying amount of these assets of $481,809 (2015 - $3,706,603) as at December 31, 2016 representing the Company's exposure to credit risk. 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 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, 2016 and 2015 nor did it incur any material bad debt expenses during the years 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, 2016	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 2 years
Accounts payable and accrued liabilities	$ 4,572,352	$ 4,572,352	$ 4,572,352	$ -	$ -
Loans and borrowings	863,151	900,856	611,756	289,100	-
	$ 5,435,503	$ 5,473,208	$ 5,184,108	$ 289,100	$ -

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

18. 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, 2016 and 2015, 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, totaling approximately US$205,000 and €500,000 at December 31, 2016, 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 $27,000 and $71,000, respectively.

(c) Capital management:

The Company's capital is comprised of shareholders' equity (deficiency) 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 (see also note 2(a)). At December 31, 2016, the Company is not subject to any specific externally imposed capital requirements. The Company's capital management strategy has not changed during 2016.

18. 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, 2016 and 2015, the Company does not have any financial instruments measured at fair value. The fair values disclosed below for loans and borrowings is 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 is estimated to not differ materially from the carrying value due to the terms to maturity, loan security and the interest rates being charged.

19. Subsequent events:

a) In January 2017, the Company announced it has signed a Letter of Intent for the sale of certain British Columbia wind energy assets and other assets for approximately $1,350,000 through a plan of arrangement. The wind asset sale includes the sale of a 15% interest in the Wildmare Wind Energy project, a 100% interest in other assorted development stage wind assets in British Columbia, and certain other assets. The wind asset sale and plan of arrangement does not involve the Company's solar assets.

b) In April 2017, the Company announced it has engage Echelon Wealth Partners Inc. ("Echelon") as sole agent to undertake a brokered private placement financing, on a commercially reasonable and best efforts basis, of up to 31,250,000 units (each a "Unit") at a price of $0.16 per Unit for gross proceeds to the Company of up to $5,000,000. Each Unit will consist of one common share of the Company and one common share purchases warrant, with each warrant exercisable at a price of $0.30 for a period of two years from the closing of the offering.

c) In April 2017, the Company announced the completion of a private placement of 8,064,332 units at a price of $0.16 per Unit for gross proceeds of $1,290,293. Each Unit is comprised of one common share and one share purchase warrant, where each warrant may be exercised at a price of $0.25 for a period of 3 years.

19. Subsequent events (continued):

d) In April 2017, the Company announced it signed a Definitive Agreement for the acquisition of a pipeline of residential solar projects from a US solar Company based in Los Angeles, California. In consideration for the pipeline of residential solar projects, Solar Alliance will pay up to US$2.0 million in contingent payments depending upon the profitability business acquired. There is also a provision for an additional US$2.0 million in contingent payments if the revenue from the acquired business exceeds US$50.0 million in any fiscal year.