CARMANAH TECHNOLOGIES CORPORATION

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we put solar to work

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015

August 7, 2015

About this MD&A

This MD&A discusses the consolidated financial condition and operating performance for our Company and should be read together with our condensed consolidated interim financial statements for the three and six months ended June 30, 2015, and our audited consolidated financial statements for the year ended December 31, 2014. These documents, along with additional information about our Company, including the Annual Report, Annual Information Form, and so forth, are available at www.carmanah.com and www.sedar.com. This document contains forward-looking information qualified by reference to the forward-looking statements in the next section.

Unless otherwise indicated, all financial information presented in this MD&A is in our functional and presentation currency, United States of America ("US") dollars, and has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Section 6.2 outlines any relevant recent or pending accounting policy developments that may impact our financials.

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, Carmanah Solar Power Corporation, Carmanah Technologies (US) Corporation (a US incorporated company), and Sol Inc. ("Sol"), a Florida based company which we acquired on July 2, 2014.

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to our senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. Our management determines whether or not information is material based on whether they believe a reasonable investor's decision to buy, sell or hold securities in our Company would likely be influenced or changed if the information were omitted or misstated. The MD&A and the consolidated financial statements were reviewed by our Audit Committee and approved by our Board of Directors. This MD&A is prepared as of August 7, 2015.

Our management reports on certain non-IFRS measures which are used to evaluate financial performance. As non-IFRS measures generally do not have a standardized meaning, securities regulations require non-IFRS measures to be clearly defined, qualified and reconciled with their nearest IFRS measure. Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") used in this document means standardized EBITDA as defined by the Canadian Performance Reporting Board of the Canadian Institute of Chartered Accountants ("CICA"). See Section 8 for the definition, calculation and reconciliation of.

Caution regarding forward-looking statements

Certain statements in this Management Discussion & Analysis ("MD&A") are forward-looking statements that involve risks and uncertainties. Forward statements are often, but not always, identified by words such as "may", "would", "could", "will", "intend", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" and similar expressions. Forward-looking statements in this MD&A include, but are not limited to, statements relating to the expected growth opportunities and commercial acceptance and demand for on-grid and off-grid LED (Light-emitting diode) lighting systems, continued government subsidies for solar grid-tie projects, and the successful development of new products to help penetrate new geographic markets. Specific examples of forward-looking information in this MD&A include, but are not limited to, statements with respect to: the future success of our recent restructuring initiative and our ability to produce positive operating income.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual results or events to differ materially from those anticipated in such forward looking statements. Although the forward-looking statements contained in this MD&A are based upon what we believe to be reasonable assumptions, prospective investors cannot be assured that actual results will be consistent with these forward-looking statements. In evaluating these statements, readers should specifically consider various factors, including the risks discussed under the heading "Risk Factors" in our annual information form dated March 31, 2015. Additionally, factors that could cause or contribute to such differences include, but are not limited to, the following:

- actions of competitors, including competitors with greater name recognition and financial resources;
- our ability to keep pace with rapid changes in lighting technology and evolving industry standards;
- competition with other energy sources;
- slower than anticipated adoption of off-grid LED lighting technology;
- our ability to manage expansion effectively;
- fluctuation in foreign currency exchange rates;
- our reliance on third party manufacturers;
- our reliance on sales agents and third parties with whom we have developed strategic relationships to sell our products, particularly in niche markets and developing and emerging economies;
- our reliance on key employees;
- intellectual property risks;
- environmental and regulatory compliance;
- our reliance on government contracts and subsidies, such as the Ontario, Canada Feed-in Tariff ("FIT") program;
- problems with product quality or reliability;
- downturns in general economic and market conditions;
- our ability to maintain adequate liquidity or raise additional capital when needed; and
- geopolitical or other global or local events.

Readers should not place undue reliance on forward-looking statements. Some of the specific forward looking statements may include estimates surrounding capital plans, future restructuring costs and anticipated amounts to be raised under the offering. The forward-looking statements in this MD&A are made as of the date hereof. We do not assume any obligation to update the forward-looking information contained in this MD&A other than as required by applicable laws (including without limitation Section 5.8(2) of National Instrument 51-102 Continuous Disclosure Obligations).

1. FINANCIAL HIGHLIGHTS

Financial Highlights for the Three and Six Month Periods Ended June 30, 2015 and 2014

	Three months ended June 30			Six months ended June 30		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Consolidated statements of Income/(loss)						
Revenue	15,715	8,994	74.7%	27,029	18,113	49.2%
Gross margin %	34.4%	36.3%	(1.9)%	34.7%	34.5%	0.2%
Operating expenditures	(3,256)	(2,846)	(14.4)%	(6,265)	(5,310)	(18.0)%
Other Operating expenditures/(recovery)	4,188	122	3332.8%	3,804	122	3018.0%
Other income (expenses)	(1,517)	(99)	(1432)%	(2,063)	(544)	(279.2)%
Net income	10,332	438	2258.9%	10,362	515	1912.0%
Consolidated statement of cash flows						
Cash used in operating activities	(3,806)	(344)	(1006)%	(3,822)	(194)	1870.1%
Cash used in investing activities	(52)	(240)	78.3%	(307)	(419)	(26.7)%
Cash provided in financing activities	34,765	3,790	817.3%	34,765	3,790	817.3%
Other measures						
Adjusted EBITDA *	2,499	843	196.4%	3,980	1,616	146.3%

** Adjusted EBITDA are Non-IFRS measures – see section 8 for discussion. Foreign exchange gain/ loss is no longer included in the adjusted EBITDA calculation, as such historical amounts have been updated.*

Q2 2015 vs Q2 2014

Revenues for the second quarter of 2015 were $15.7 million, up from $9.0 million in the same period in 2014. We saw increase across all of our segments, with our Power, Signals, and Illuminations segments up $3.9 million, $1.6 million, and $1.2 million, respectively. The Power segment benefited from the carryover of a large backlog of projects within its Solar EPC vertical and the GoPower! vertical continued to see strong growth driven by its efforts to expand its distribution and the introduction of new products. Revenue increases in our Signals segment were largely driven by new product introductions, expanded distribution, and some larger projects. The increase in the Illumination segment is primarily due to the acquisition of Sol Inc on July 2, 2014.

Gross margin % for the second quarter is down by 1.9%, compared to the second quarter of 2014. This decrease is largely due to the revenue mix towards the lower margin Power segment, although the second quarter of 2014 also benefited from a large project base sale which carried a higher than normal margin. Operating costs in the second quarter of 2015 was $3.3 million, up from $2.8 million in the same period in 2014. This increase is largely due to the acquisition of Sol in July of 2014, with some final integration costs incurred during the second quarter. Other operating expenditures/ (recovery) for the second quarter of 2015 was a recovery of $4.2 million, up from a recovery of $0.1 million in the same period in 2014. The 2015 amount includes a $4.3 million recovery associated with the recognition of our Investment Tax Credits which were previously not recorded. The other expenses amount for 2015 includes M&A costs of $0.8 million which were incurred to complete the Sabik acquisition, which closed on July 2, 2015, and foreign exchange losses of $0.8 million that resulted on the revaluation of our foreign denominated (mainly Canadian) working capital, which was higher than normal due to the equity raise completed in the quarter.

The net income for the second quarter of 2015, at $10.3 million, is up substantially from $0.4 million over the same period in 2014. This increase is mostly attributable to our decision to recognize our tax assets which were previously written off at the end of 2011 due to the uncertainty of their usage. We decided to reinstate these assets based on our financial performance over the past 6 quarters and our outlook for future periods which makes it probable these assets will be utilized. These assets included both investment tax credits and deferred income taxes, both of which will allow us to reduce taxes on current and future earnings realized within Canada. Adjusted EBITDA for the second quarter was $2.5 million, up from $0.8 million over the same period in 2014.

YTD 2015 vs YTD 2014

Year to date 2015 revenues were $27.0 million, up from $18.1 million in the same period in 2014. We saw increase across all of our segments, with our Power, Signals, and Illuminations segments up $5.1 million, $2.3 million, and $1.5 million, respectively. The reasons for these variances are largely the same as described above for the second quarter. Year to date gross margin % was 34.7%, up from 34.5% from 2014. This slight increase is attributable to higher margins being achieved within our Illumination segment, which benefited from substantial cost reductions resulting from the Sol integration efforts.

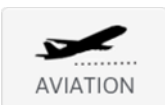
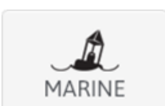
Year to date 2015 operating costs excluding unusual items were $6.3 million, up from $5.3 million in the same period of 2014. This increase is largely due to the acquisition of Sol on July 2, 2014. Operating costs attributable to Sol in the first six months of 2015 were approximately $1.6 million. As noted in the second quarter write up, total operating expenses include a $4.3 million recovery associated with the recognition of our Investment Tax Credits. Other operating costs in 2014 also include $0.4 million related to the final integration and inventory write offs associated with Sol. Other expenditures for the first six months of 2015 were $2.1 million, up from $0.5 million in the same period in 2014. This increase is largely due to the same reasons described for the second quarter, which is foreign exchanges losses recognized on working capital and M&A costs incurred to complete the Sabik acquisition.

2. OUR BUSINESS

From our headquarters in Victoria, British Columbia, Canada, we design, develop and distribute industrial and commercial solar powered outdoor LED lighting systems, solar powered signalling systems for the marine, aviation, traffic and obstruction markets, solar powered energy systems for the mobile markets (primarily RV's and trucks), and we design and install PV rooftop and greenfield power plants. As one of the most trusted names in solar technology, we have earned a reputation for delivering strong and effective products for industrial applications worldwide. Industry-proven to perform reliably in some of the world's harshest environments, our solar LED lights and solar power systems provide a durable, dependable and cost-effective energy alternative.

We manage our business within three reportable segments, which are "Signals", "Illumination", and "Power". The Signals segment includes results from our Traffic, Marine, Aviation and Obstruction verticals. The Illumination segment refers to results from our Outdoor Lighting vertical which includes the results from the recent acquisition of Sol as outlined in section 3. The Power segment includes results from our On-Grid and Off-Grid verticals. The following provides an overview of these segments and their associated underlying verticals.

Signals

	Carmanah's Aviation vertical specializes in solving the airfield lighting challenges encountered by clients in off-grid or weak-grid locations. Our self-contained solar airfield lights support daily flight operations at helipads and airstrips in demanding environments around the globe from South Africa to the Jordanian desert and northern Alaska. Our aviation customers include both military and civilian airports. Our main competitors in our Aviation market include Avlite Systems Pty Ltd and Metalite, a trading division of Aeronautical & General Instruments Limited.
	Carmanah's Obstruction vertical provides practical and cost-effective solutions for ground hazard marking, fence and barricade lighting, way-finding, railway blue flag protection, equipment marking and more. Through rugged and wire-free designs our self-contained, solar powered obstruction lights and hazard markers are ideally suited to withstand the harsh environments typically encountered in oil and gas development projects, mining operations and other industrial development sites across all regions of the globe. Our main competitors in our Obstruction sector include Orga BV and Dialight Plc.
	Since initially working with the Canadian and US Coast Guards to create a new generation of aids-to-navigation lanterns, the Carmanah Marine vertical has become an established supplier to Coast Guards, marine authorities, navies and ports around the globe. In 2010, we partnered with the Sabik Group with a vision to deliver one of the most comprehensive lines of short and long-range marine navigation aids on the market. Our main competitors in our Marine vertical include Sealite Pty Ltd, Vega Industries Limited, and Tideland Signals Corporation.
	Carmanah solar flashing beacons have been in use across North America for well over a decade, working as reliably in the harsh winter climates of Ohio as they do in the hot Florida sun. Departments of transport, traffic agencies, and active transportation groups continue to call on Carmanah beacons when they are looking for reliable, cost-effective products backed by a friendly and knowledgeable team of experts. Products include pedestrian crosswalk signals, school zone flashers and 24-hr roadway beacons. Our main competitors to our Traffic vertical include JS Foster Corporation and TAPCO (Traffic & Parking Control Company Inc).

The product offering across the verticals of the Signals Division are similar in nature and share common technology and components. These products can often be used in a variety of applications with little or no modifications. They are also manufactured in a similar fashion and have common distribution channels and routes to markets.

Illumination

	Our Outdoor Lighting vertical, including the recent acquisition of Sol, has one of the largest solar outdoor lighting installation bases in the world. We have over 70,000 installations in more than 65 countries and 24 years of solar lighting experience and as a result have a significant amount of brand equity under both the Carmanah and Sol names. Products are used in general illumination applications for pathways, parking lots, and pedestrian areas, as well as highway/street lighting and perimeter lighting. Our outdoor lighting department serves local and federal government facilities, government ministries, departments of defense, private utilities (power and lighting), highway concession owners, national and multi-national commercial facilities and public institutions. Our main competitors in the North American market within outdoor lighting are Solar Electric Power Company (SEPCO) and Solar One. Internationally we are up against a variety of competitors operating in different areas of the world.

Power

ON-GRID	Our Off-Grid or Solar Engineering Procurement and Construction ("EPC") Services vertical is focused on the development and construction of roof top commercial solar grid-connected systems. It is operated through our Ontario, Canada based subsidiary, Carmanah Solar Power Corporation ("CSPC"). Over the past decade, we have installed utility connected systems with aggregate capacity of more than five megawatts across more than seventy installations, amassing the broadest range of installation type and complexity of any EPC provider in Canada. Currently this business is primarily focused on the Ontario market due to a Feed-in-Tariff ("FIT") program introduced there by the provincial government. As a leading Solar EPC Services provider, we believe we are well-positioned to support the continued rapid development of the systems the Ontario Power Authority FIT Program facilitates. We continue to monitor opportunities in other jurisdictions beyond the Ontario market.
OFF-GRID	Marketed under the Go Power! brand, our Off-Grid or Mobile vertical provides solar kits, solar panels, inverters, chargers, batteries and other power accessories for the RV, utility and fleet vehicles, and marine markets. Our sales are made through an established channel of dealers, distributors and agents throughout the US and Canadian markets, through Amazon.com and Amazon.ca, a large online retailer and on an OEM basis to major new motorhome manufacturers. Operationally we utilize several 3rd party manufacturers and logistics warehouses to stock and distribute associated inventory. Some of our Go Power! competitors are Xantrex Technologies and Samlex America Inc.

The offerings in our Power segment centers in providing power solutions. As we explore new business opportunities in this area we have begun to classify these businesses as either "On-grid" (systems that tie back into the electrical grid) or "Off-grid" (systems that are not generally tied to the electrical grid). The range and extent of product customization and services rendered for customers varies substantially in this segment.

In the future we are seeking to be a leader or top contender in each of the market segments we operate within. We will attain these leadership positions either through organic growth and/or acquisitions which will enable us to obtain appropriate economies of scale. Our medium term aspirations include:

- Extending our reach into emerging markets through solar street lighting.
- Leading the "smart" revolution in all Signals businesses through cloud-based communications development.
- Solidifying our position within the various aspects of our Signals segment through strategic acquisitions.
- Working to become Canada's leader in both on-grid and off-grid solar applications through technical excellence and strategic partnering for storage solutions.
- Leading the world in mobile solar off-grid product development for OEM and after-market.

3. OPERATIONAL AND BUSINESS HIGHLIGHTS

Our 2015 operational and business highlights are discussed below.

Sabik Acquisition

On July 2, 2015, we completed the acquisition of the Sabik Group of Companies ("Sabik" or the "Group"). The acquired Group consists of the following companies: Sabik Oy, based in Finland, Sabik GmbH, based in Germany, Sabik PTE Ltd based in Singapore, and Sabik Ltd and Sabik Offshore Ltd, both of which are based in the United Kingdom. Sabik is a leading manufacturer in the worldwide marine aids to navigation market, with whom we have a collaborative sales, marketing and development partnership with since 2010. Sabik also provides sophisticated lighting and monitoring solutions to the offshore wind industry. The offshore wind industry will be a new business endeavor for us, a market we believe has strong growth potential around the world. The acquisition was announced on June 10, 2015 with the signing of a Share Purchase Agreement (the "Agreement"). Under the Agreement, we have acquired 100% of the shares of each of the companies within the group, with the exception of Sabik Ltd and Sabik Offshore Ltd, which we only acquired 81% and 80% respectively. Of the entities acquired, approximately 90% of the revenues are generated by Sabik Oy and Sabik GmbH. The purchase price consisted of €17.2 million (USD $19.1 million) in cash and the issuance of 1,180,414 shares of our Common share, for a total purchase price of €21.5 million (USD $23.9 million). The aggregate value of the shares issued on July 2, 2015 amounted to approximately $6.4 million based on the closing share price of $6.79 CAD and a US/CAD exchange rate of 0.7958. This acquisition will be considered a business combination for accounting purposes.

The acquisition of Sabik is on strategy and in keeping with our belief that the signals industry is ready for consolidation. Sabik's management team has a deep industry experience, market knowledge and technical competence. Therefore, Sabik management will lead the combined Carmanah and Sabik Marine businesses. Over the next several years we will explore synergy opportunities that may exist in overlapping product lines, commercial efficiencies, R&D projects and potentially manufacturing competencies. Many efficiencies have already been identified and realized because of the long-standing Carmanah / Sabik partnership. Sabik's offshore wind business represents a new market for Carmanah, one in which we intend to invest in and expand as opportunities present themselves.

Share Offering
On April 28, 2015, we completed a "bought deal" financing (the "Financing") which raised gross proceeds of $32 million CAD. The financing was backed by a syndicate of underwriters led by Cormark Securities Inc. and including Canaccord Genuity Corp., GMP Securities LP and Salman Partners Inc. (collectively, the "Underwriters") who agreed to buy and sell to the public 5,650,000 of our common shares ("Common Shares") at a price of $5.00 (CAD) per Common Share. The Underwriters also had an option, exercisable in whole or in part at any time up to 15 days after the closing of the Offering, to purchase up to an additional 750,000 of our Common Shares at the same price. The main part of the Offering closed on April 28, 2015 with 5,650,000 shares issued from treasury. On May 1, 2015, the Underwriters exercised their option to acquire the additional 750,000 shares. The majority of the proceeds from this offering were to be used for future mergers and acquisitions, and a substantial portion of these funds were used for that purpose when we completed the Sabik acquisition on July 2, 2015.

As a part of the Offering, we also issued a total of 332,750 broker warrants (the "Warrants") which allow the holder to acquire one additional Common Share at a price of $5.00 (CAD) per share. These Warrants expire after one year from issuance. 13,310 of these warrants were exercised during the second quarter.

Recognition of Tax Assets
During the second quarter of 2015, we made the decision to recognize our substantial tax assets which were previously written off at the end of 2011. These assets were originally written off due to the uncertainty of their usage at that time. The decision to reinstate these assets based on our financial performance over the past 6 quarters and our outlook for future periods which makes it probable these assets will be utilized. These assets include both investment tax credits totalling $4.3 million and deferred income tax assets totaling $6.4 million, presented on the Statement of Financial Position. On the Statement of Income the investment tax credits of $4.3 million reduce operating expenses and disclosed separately is the net income tax recovery of $5.5 million, both of which will allow us to reduce taxes on current and future earnings realized within Canada.

Sol Integration
Since acquiring Sol on July 2, 2014, we have been working to complete the integration of Sol into our operations. In the months following the acquisition to December 31, 2014, Sol's core business functions were maintained to provide time to execute on the integration plan. The majority of Sol's back office functions were eliminated at the end of 2014. Progress on the integration during the early part of 2015 was as follows:

- During the first quarter we worked to close down Sol's manufacturing facility and to transition production to contract manufacturers. These efforts were largely completed in the first quarter, with final production winding up on March 31, 2015. The facility was completely closed on May 31, 2015, which coincided with the expiry of the building lease. A sales office in Florida is now fully up and running and all production and inventory has been transferred to the Company's main production and distribution facilities. Current residual headcount from Sol is 9 full time employees all of which are focused on sales or sales support.
- From a systems perspective, Sol's ERP system was successfully converted in Q1 to the same ERP system that Carmanah implemented in 2014 and their CRM system was transitioned during Q2.

With the above, the major integration activities surrounding Sol are now complete. Further activities will focus on building the business.

Joint Development Project for the US Navy
On May 19, 2015, we announced that we were a part of a winning bid for a US Naval Air Warfare Center Aircraft Division award that is worth up to $24.5 million. The underlying contract was awarded to Tactical Lighting Systems Inc. ("TLS") for the design, development, integration, test, and qualification of a Sustainment Lighting System ("SLS") that will support launch and recovery operations at expeditionary airfields and includes both a vertical takeoff and landing module and a runway module. The contract is on a cost-plus-incentive-fee basis. We participated in the bidding process with TLS pursuant to a teaming agreement that included us as a key development sub-contractor. The first phase of the contract, a development phase is being initiated immediately under a notice to proceed issued by TLS. We are working with TLS to sign a comprehensive agreement to cover the future work under this contract. Our work under the development phase is expected to be completed over the forthcoming 3-years and will generate revenue of approximately USD $4.0 million. The project is subject to cancellation by the Naval Air Warfare Center, Aircraft Division at any time during the contract term.

Executive Changes
During the first quarter of 2015, we moved to strengthen our leadership and finance teams and initiated a recruiting effort to fill a newly created Chief Operating Officer role and Chief Financial Officer role. In April 2015, we welcomed Evan Brown as our new Chief Financial Officer and Tammy Neske as our Chief Operating Officer.

4. FINANCIAL RESULTS

As previously noted, the information presented in the sections below have been derived from, and should be read in conjunction with our condensed consolidated interim financial statements for the three and six months ended June 30, 2015.

4.1. Three and Six month periods ended June 30, 2015 and 2014

Revenue and gross margin

	Three months ended June 30,			Six months ended June 30,		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Revenues						
Signals	5,421	3,825	41.7%	10,247	7,883	30.0%
Illumination	2,514	1,253	100.6%	4,603	3,026	52.1%
Power	7,780	3,916	98.7%	12,179	7,204	69.1%
Total revenue	**15,715**	**8,994**	**74.7%**	**27,029**	**18,113**	**49.2%**
Gross margin %						
Signals	43.7%	49.8%	(6.1)%	43.6%	44.0%	(0.4)%
Illumination	44.0%	24.8%	19.2%	37.2%	26.7%	10.5%
Power	24.9%	26.7%	(1.8)%	26.3%	27.3%	(1.0)%
Total Gross margin %	**34.4%**	**36.3%**	**(1.8)%**	**34.7%**	**34.5%**	**0.2%**

Consolidated revenues for the six months ended June 30, 2015 were $27.0 million, up $8.9 million over the same period in 2014. Overall, our gross margin for the six months ended 2015 was 34.7%, up from 34.5% in the same period in 2014. The following section summarizes the changes by segment.

- **Signals Segment**
  Revenues for the second quarter of 2015 were $5.4 million, up from $3.8 million in the same period in 2014. Year to date 2015 revenues were $10.2 million, up from $7.9 million in the same period in 2014. On a year to date basis, this increase is mainly due to a number of larger project based sales within our Aviation vertical which landed in the second quarter of 2015. Our other verticals, including Obstruction, Traffic and Marine have also seen some growth from a year to date perspective. Obstruction has continued to benefit from increased sales, development and marketing efforts that began in early 2014 when this vertical was spun off from the Aviation vertical. Traffic's growth has largely been fueled by additional markets and customers embracing the Rapid Rectangular Flashing Beacon (the "RRFB") system, a product which we have worked to be certified by a number of US state departments of transportation. Marine sales are up slightly year over year, largely due to increased efforts to expand its sale channel through added partners and distributors. On a quarterly basis, Marine sales are down over 2014. This is due to a large project based sale recognized in the second quarter of 2014. The project carried a strong gross margin which is one of the primary reasons for the lower margin % in signals on a quarterly basis. Overall gross margin, year to date 2015, are 43.6%, down 0.4% from 2014. On a quarterly basis margins are down 6.1% over the prior year second quarter. If we ignored the project based sale noted above, year to date margins in signals would be up approximately 5.8% over 2014. This increase is largely due to a shift in product mix towards higher margin product and supply chain and operational efficiencies.

- **Illumination Segment**
  Revenues for the second quarter of 2015 were $2.5 million, up from $1.3 million in the same period in 2014. Year to date 2015 revenues were $4.6 million, up from $3.0 million in the same period in 2014. These increases are largely due to the acquisition of Sol, which occurred in July of 2014. Gross margin % for the six months to June 30, 2015 were 37.2%, up from 26.7% in the same period last year. On a quarterly basis, gross margin % was 44.0% in the second quarter of 2015, compared to 24.8% in the same period in 2014. These increases are due to a variety of factors, including efforts to reduce the cost of the core products through better purchasing and other operational efficiencies, and the fact that in 2014 we had a larger project based sale which carried a lower margin.

- **Power Segment**
  Revenues for the second quarter of 2015 were $7.8 million, up from $3.9 million in the same period in 2014. Year to date 2015 revenues were $12.2 million, up from $7.2 million in the same period in 2014. This increase is due to higher sales in both On-Grid and Off-Grid verticals. On-Grid project sales have benefited from a large backlog of projects that has been built up over the past year. The total backlog of projects within On-Grid now stands are approximately $10.5 million. These projects are expected to be completed over the next 12 to 18 months. Within our Off-Grid vertical, sales have continued to grow as a result of increased sales efforts, the introduction of new products and the development of new markets. Gross

margin % for the second quarter of 2015 was 24.9%, down 1.8% from the same period in 2014. On a year to date basis, gross margin % was 26.3% compared to 27.3% in the same period in 2014. These decreases are largely due to the sales mix between the verticals, with higher sales being generated from the On-Grid vertical that generally carries a lower margin.

Sales by Geographic Region
Approximately 14.7% of our year to date revenues for 2015 were from outside North America. This is down significantly over the same period in 2014 which was 25.8%. The decrease is largely due to a less Signals sales into Europe, lower international Illumination sales, and due to the increase in On-Grid sales which sells only into the Canadian market.

Operating expenses

	Three months ended June 30			Six months ended June 30		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Sales and marketing	1,223	1,011	21.0%	2,505	2,004	25.0%
Research, engineering and development	475	307	54.7%	925	611	51.4%
General and administration	1,558	1,528	2.0%	2,835	2,695	5.2%
Other operating expenditures/(recovery)	(4,188)	(122)	3332.8%	(3,804)	(122)	3018.0%
Total operating expenditures/(recovery)	**(932)**	**2,724**	**(134.2)%**	**2,461**	**5,188**	**(52.6)%**
Operating expenses as % of sales*	(5.9)%	30.3%	36.2%	9.1%	28.6%	19.5%
Non-cash items:						
Amortization	*153*	*82*	86.6%	*301*	*171*	76.0%
Stock-based payments	*155*	*84*	84.5%	*291*	*101*	188.1%

** A Non-IFRS measure*

Our total operating expenses for the six months ended June 30, 2015 were $2.5 million, down from $5.2 million in the same period in 2014. This decrease is attributable to a $4.3 million recovery recorded in the second quarter of 2015 that is associated with the recognition of our Investment Tax Credits which were previously not recorded. If we ignored this one-time adjustment, our total operating expenditures would have been $6.8 million and this increase would have been mainly due to the inclusion of operating costs associated with Sol Inc., a company we acquired in July 2014. Sol's expenditures also included inventory write offs of approximately $0.4 million associated with the integration of Sol and closure of their manufacturing facility. As with other one time or unusual transactions this amount has been recorded within Other operating expenses/ (recovery). Normally our policy is to classify inventory write downs within cost of sales. In this case a departure from this practice was deemed appropriate due to the unusual nature of the write down which we feel needs to be highlighted as a one off that doesn't reflect normal operations.

Operating expenses have also been positively impacted by the decline in the Canadian dollar relative to the US dollar. Historically, between 70% and 75% of our operating costs have been denominated in the Canadian, although this amount has declined to about 65% over the past year. We estimate the decline in the dollar has reduced operating costs in 2015 by about $0.5 million over what they would have been in 2014.

Sales and Marketing
Our sales and marketing expenses for the six months ended June 30, 2015 were $2.5 million, up $0.5 million from the same period in 2014. These expenses for the second quarter of 2015 were $1.2 million, up $0.2 million from the same period in 2014. These increases are primarily due to (1) the inclusion of Sol's sales staff, which were picked up starting in Q3 2014, and (2) higher marketing costs incurred to support future growth.

Research, Engineering and Development
Our research, engineering and development expenses for the six months ended June 30, 2015 were $0.9 million, which is up from $0.6 million from the same period in 2014. These expenses for the second quarter of 2015 were $0.5 million, up $0.2 million from the same period in 2014. These increases are due to renewed efforts in development activities across multiple product lines. We have several development projects underway that have been delayed which resulted in our second quarter development expenses being lower than plan. These costs will likely be incurred in our third quarter which will mean much higher development expenses in Q3 vs. Q2.

General and Administration
Our general and administration ("G&A") expenses for the six months ended June 30, 2015 were $2.8 million, which is up from $2.7 million in the same period in 2014. These expenses for the second quarter of 2015 were $1.6 million, up $0.1 million from the same period in 2014. The following significant changes have occurred year over year:

- Legal costs decreased by $0.5 million which is related to the lawsuit described in note 5.5.
- Stock compensation increased $0.2 million as a result of a new grants to employees, executives and the board of directors.

- Salaries and related costs increased $0.3 million due to recruiting costs associated with hiring 2 new executives in addition to the remaining Sol administration staff which were terminated in Q1.

Other income (expense)

Other expenses were $2.1 million for the six months ended June 30, 2015, which is up from $0.5 million in the same period of 2014. The 2014 amount primarily relates to merger and due diligence costs associated with the acquisition of Sol. The 2015 amounts relates to foreign exchange losses ($1.3 million) and merger and acquisition related expenditures that are mainly associated with the acquisition of Sabik ($0.8 million).

Income taxes

Income tax recovery for the six months ended June 30, 2015 amounted to $5.5 million, compared to essentially nil in the same period in 2014. As noted in section 3, this recovery relates to the recognition of previously unrecognized tax assets. These assets relate to both investment tax credits and deferred income taxes, both of which will allow us to reduce taxes on current and future earnings realized within Canada. The decision to reinstate these assets was based on our financial performance over the past 6 quarters and our outlook for future periods which makes it probable these assets will be utilized.

4.2. Quarterly trends

(US$ thousands, except EPS amounts)	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	15,715	11,314	13,451	12,168	8,994	9,119	7,755	4,863
Gross margin	5,412	3,969	4,614	4,302	3,261	2,985	2,583	1,152
Gross margin %	34.4%	35.1%	34.3%	35.4%	36.3%	32.7%	33.3%	23.7%
Normal operating costs	(3,256)	(3,009)	(3,869)	(3,613)	(2,846)	(2,464)	(2,364)	(2,599)
Other operating (expenditures)/recovery	4,188	(384)	(312)	-	122	-	(1,062)	-
Other income (expense)	(1,517)	(546)	(183)	(494)	(99)	(445)	(90)	8
Income tax recovery (expense)	5,505	-	34	-	-	1	-	(3)
Net (loss)/income	10,332	30	284	195	438	77	(933)	(1,442)
EPS – Basic	0.48	0.00	0.02	0.01	0.04	0.01	(0.13)	(0.29)
EPS– Diluted	0.47	0.00	0.02	0.01	0.04	0.01	(0.13)	(0.29)
EBITDA[(1)]	5,135	314	535	400	604	182	(676)	(1,297)
Adjusted EBITDA[(1)]	2,499	1,481	1,234	1,121	843	773	63	(1,137)

[(1)] *EBITDA and Adjusted EBTIDA are non-IFRS measures defined in section 8. Foreign exchange gain/ loss is no longer included in the adjusted EBITDA calculation, as such historical amounts have been updated.*

Our quarterly revenues have fluctuated over the past several years, primarily due to product mix and the nature of our sales within our market segments. A large portion of our revenues are derived from infrastructure projects that often have longer tender processes and fluctuating timelines. This is most pronounced within our On-Grid, Aviation and Illumination market segments and to a lesser extent within our Marine and Traffic verticals. Off-Grid revenues are more seasonal in nature with higher sales in the first two quarters of the year as our distributors gear up for the busier spring and summer periods. The reasons for the larger quarterly swings in revenue are explained below:

- Beyond the upswing in revenues experienced over the past year, the only other anomaly to note is the Q3 2013 revenues which at $4.9 million were substantially lower than normal. This was primarily due to lower sales in our Aviation, Illumination and On-Grid verticals. A good portion of this was due to timing of project sales. The quarter also suffered from production problems caused by our transition between contract manufacturing facilities
- Q1 2015 revenue trended downward due to the timing of project deliveries within Aviation and On-Grid verticals which has pushed revenues into the second quarter of 2015.
- Q2 2015 revenues were substantially over trend. This is partly due to the carry-over of projects noted in the previously bullet. It is also due to a general upwards swing in business across most of our business lines as a result of continued investment and expanded sales and marketing efforts.

Our gross margin on a quarterly basis is variable and reflects the mix of products and any inventory adjustments/write-offs that are tied to changes in component pricing, technology, and product offering/design.

Operating costs were relatively stable between Q3 2013 through to Q2 2014. In Q3 and Q4 2014 operating costs spiked mainly due to the pickup of Sol expenses with their results being consolidated starting July 2, 2014. Operating costs in Q1 of 2015 dropped off with the elimination of a large portion of Sol's overhead and back office functions. Operating costs increased slightly in the second quarter of 2015 partially due to the expansion of our executive and management teams to position ourselves for future growth.

Other operating expenditures are operating costs that are non-recurring in nature and have been separated to better highlight their effects. The charge in the fourth quarter of 2013 relates to (1) restructuring expenses of $0.5 million, primarily related to severance costs associated with a reduction in our staffing levels, and (2) asset impairment charges of $0.5 million. Other operating expenditures in 2014 include restructuring charges of $0.3 million in Q4 2014 and a recovery of restructuring expenses in Q2 of 2014 due to a change in plans for elimination of positions in the company. Other operating expenditures in the first quarter of 2015 primarily relate to a $0.3 million write off of inventory associated with the integration of Sol and closure of their manufacturing facility. A further $0.1 million was incurred in the second quarter of 2015 related to Sol as final integration occurred during the quarter. In the second quarter of 2015 we recognized a $4.3 million recovery associated with the recognition of our Investment Tax Credits which were previously not recorded.

Our other income (expense) has fluctuated significantly over the quarters. Other income (expense) includes various non-operating items such as foreign exchange gains and losses, acquisition costs, and other items. The first two quarters of 2014 included a large amount of costs associated with the acquisition of Sol, although the second quarter of 2014 was partially offset by foreign exchange gains. The fluctuations in the third quarter of 2014 and the first quarter of 2015 was largely driven by foreign exchange losses. Other expenses in the second quarter of 2015 relate to foreign exchange losses on foreign denominated working capital and also merger, acquisition and due diligence costs associated with the acquisition of Sabik which closed on July 2, 2015.

5. LIQUIDITY, CAPITAL RESOURCES AND OTHER DISCLOSURES

5.1. Summary of consolidated statement of cash flows

Six months ended June 30 *(US$ thousands, unless noted otherwise)*	2015	2014	Change
Cash used in operating activities	(3,822)	(194)	1870.1%
Cash used in investing activities	(307)	(419)	(26.7)%
Cash provided from financing activities	34,765	3,790	817.3%
Effects of exchange rate changes on cash	(404)	85	(575.3)%
Total increase in cash	**30,232**	**3,262**	**826.8%**

Cash used in operating activities

During the six months ended June 30, 2015, cash provided by our operating activities, excluding changes in working capital, was $1.4 million which is up from $0.5 million in the same period in 2014, the increase is due to higher net income. Changes in non-cash working capital were negative $5.2 million, up from negative $0.7 million in the same period in 2014. This increase is largely due to higher sales and a greater part of Accounts Receivables relating to EPC projects which have a longer collection cycle due to the bill arrangements within the associated contracts. We actively manage our working capital by monitoring inventory turnover data, collection of accounts receivable, and taking advantage of trade discounts and/or extended payment terms granted by suppliers.

Cash used by investing activities

During the six months ended June 30, 2015, cash used for investing activities was $0.3 million, down from $0.4 million in the same period in 2014. The 2015 additions primarily related to an investment in our new CRM which went live in the quarter and various tangible additions, including leasehold improvements for a new sales office in Florida and an engineering office in Toronto. The amounts in 2014 primarily relate to expenditures made on our ERP system which went live in late 2014.

Cash provided from financing activities

During the six months ended June 30, 2015, cash provided from financing activities was $34.8 million, up from $3.8 million in the same period in 2014. As noted in section 3, the 2015 amount relates to a bought deal equity raise back by a syndicate of underwriters led by Cormark Securities Inc. Gross proceeds were $32 million CAD from the issuance of 6,400,000 shares. A total of 332,750 warrants were also issued to the underwriters as a part of the financing. These warrants entitled the underwriters to purchase one additional share for each warrant at a price of $5.00 CAD a share, which was the offering price of the deal. We also drew $10 million USD from the acquisition line from the recently signed CIBC credit facility. These funds were advanced to us on June 30, 2015 in anticipation of the close of the Sabik acquisition.

5.2. Liquidity and capital resource measures

On June 30, 2015, our overall working capital was $41.6 million, up from $16.1 million from the balance at December 31, 2014. This increase is largely due to the bought deal described in the section above. On July 2, 2015 we used $19.1 million for the purchase of Sabik, otherwise, we have no major capital plans in the near term other than regular purchases of production equipment to support future products or revised iterations of current projects.

In the past, our primary source of liquidity had been from equity issuances. In addition to equity raises, we will also have the ability to draw on the credit facility which is discussed in the section below.

5.3. Credit facilities

In early 2015, we signed a new credit facility (the "Facility") with the Canadian Imperial Bank of Commerce ("CIBC"). The multifaceted Facility provides credit up to $24.5 million through (i) a $10 million 364-Day Revolving Credit, (ii) a $10 million term acquisition credit, (iii) $3.75 million credit of Letters of Credit, and (iv) $0.75 million for trading room and other liabilities. Our ability to draw on the 364-Day revolving credit, the credit for the letters of credit, and credit for trading room contingent liabilities is subject to certain covenants. Access to the term acquisition credit facility required CIBCs review and approval of the specific acquisition transaction.

On June 25, 2015, we obtained approval from CIBC to draw on the term acquisition credit for the Sabik acquisition as outlined in section 3. On June 30, 2015, a total of $10 million was drawn on the facility in anticipation of closure of the acquisition. The associated debt is repayable on a monthly basis over a 5 year term and is broken into two $5 million tranches, both of which are repayable on demand. The first tranche is supported by a 100% guarantee from Export Development Canada and carries an interest rate of US LIBOR plus 1.5%. The EDC fees associated with their guarantee is approximately 4.5% per annum on the outstanding balance. The second tranche carries and interest rate of US LIBOR plus 3.5%.

The Facility is secured by a General Security Agreement and share pledges of the Company's subsidiaries. The Company is also subject to financial covenants and reporting requirements typical of a facility of this nature.

5.4. Contractual obligations and commitments

We have a number of contract manufacturers who build and supply our manufactured products. Our agreements with these contract manufacturers generally require us to be liable for inventory and outstanding committed purchase orders they have outstanding to support our business. If one of these agreements is terminated, we would be required to purchase the associated underlying inventory or arrange for a new contract manufacturer to acquire and hold it in a similar capacity. At present, we are dealing with two significant contract manufacturers, Flextronics and Creation Technologies Corporation, although our relationship with Flextronics is winding down. Under the terms of the contract manufacturing agreements, we are required to purchase excess raw inventory which arises in situations where our demand forecasts for particular product is less than actual use or sales in a given period. At June 30, 2015, our contract manufacturers held approximately $2.6 million (December 31, 2014 - $1.8 million) in inventory and $0.9 million (December 31, 2014 - $1.2 million) in outstanding committed purchase orders.

Future commitments and contractual obligations that were outlined in our annual MD&A remain largely unchanged.

5.5. Claims and lawsuits

On July 18, 2013, we were named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to our solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent we hold. In early 2014, our application to re-examine a number of aspects of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review the court proceedings have been stayed. The outcome of this case is not certain and we intend to continue to defend ourselves and file additional responses to the Court as required to do so. As the outcome of these matters is not currently determinable, no provision has been made at June 30, 2015. We have also been pursuing its insurance company for coverage of associated defense costs.

In early March 2015, we filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada ("RSA") and Integro (Canada) Ltd. ("Integro") operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of our insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs we have incurred. The lawsuit seeks to recover legal expenses and damages. To date, we have been unsuccessful in negotiating a settlement and we expect the matter to go to trial in early 2017.

5.6. Contingent liability

None

5.7. Off balance sheet arrangements

We have not entered into any off balance sheet arrangements other than standard office/facility lease agreements and vendor managed inventory as noted under section 5.4, Contractual obligations and commitments.

5.8. Financial instruments and other instruments

The fair value of our accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

We are exposed to foreign exchange risks as we transact business and have working capital denominated in multiple currencies. We attempt to minimize our exposure through managing our working capital and entering into foreign exchange products or contracts when are where appropriate.

5.9. Related party transactions

None.

5.10. Proposed transaction

None.

5.11. Subsequent events

On July 2, 2015, we close the acquisition of Sabik as previously described in section 3.

Outstanding share data

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at June 30, 2015 we had 23,390,811 fully issued and outstanding common shares. The following table summarizes the outstanding shares, options and other outstanding stock units stated in CAD.

	As at				
	August 7, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Share price – closing (CAD$)	5.85	6.70	5.90	2.91	2.56
Market capitalization (CAD $ in thousands)	143,785	156,718	100,164	49,403	43,461
Outstanding					
Shares	24,578,600	23,390,811	16,977,000	16,977,000	16,977,000
Options	2,059,552	2,006,608	1,325,948	1,335,697	1,109,600
Warrants	319,440	319,440	-	-	-
Restricted share units	-	-	-	-	-
Performance share units	-	-	-	-	-

6. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

6.1. Critical accounting estimates

Our financial statements are prepared in accordance with IFRS. The application of IFRS requires that we make estimates that affect our reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ significantly from these estimates. Unless otherwise noted the estimates are inclusive all of our reportable market segments described in section 2.

The significant accounting policies and estimates are discussed below:

Accounting policy	Estimates
Warranty provision	A provision for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. We review the provision quarterly and adjust it prospectively. The total provision as at June 30, 2015 was \$0.8 million, down from \$1.1 million at December 31, 2014. The decrease in the warranty provision during the quarter was due to a reduction in general warranty claims as return rates continue to decline.
Valuation of inventory	We evaluate inventory balances at each balance sheet date and record a provision as necessary for slow moving or obsolete inventory. In performing this review we consider such factors as forecasted sales, demand requirements, product lifecycle and product development plans, quality issues, and current inventory levels. If future demand or market conditions for our products are less favorable than forecasted or if unforeseen technological changes occur, we may be required to record write-down which would negatively affect gross margins in the period when the write-downs are recorded and our operating results and financial position could be adversely affected. At June 30, 2015 our inventory provision was approximately \$0.5 million, down from \$1.5 million from December 31, 2014. This decrease is primarily due to the reversal of provisions to offset and write off of inventory parts with the closure of the Sol manufacturing facility and the transition between contract manufacturers. The write off of Sol related inventory resulted in an income statement impact of \$0.4 million due to some non-provisioned items remaining at closure.
Other Provisions	In the acquisition of Sol, it was determined that there could be additional liabilities on historical sales. A provision of \$0.1 million was recorded at December 31, 2014 and has been reduced to approximately \$0.04 million as at June 30, 2015 as we have obtained resolutions for some of these liabilities. We also have \$0.05 million of provision to cover costs associated with monitoring services provided by Cirrus for SIMA enabled products which we sold has been reduced due to likelihood of incurrence. We were never able to secure an economically viable license agreement for SIMA monitoring services which are provided by Cirrus, a related company to Spot. During 2013, we sold approximately 220 SIMA-enabled units with service terms ranging from 1 to 10 years. This provision covers current and future costs associated with this service. It is based upon our understanding of Cirrus's cost structure and preliminary monthly fee ranges discussed during negotiations with Cirrus.
Allowance for doubtful accounts	We record an allowance for doubtful accounts related to trade accounts receivable. This allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts recorded. At June 30, 2015, our allowance for doubtful accounts was \$0.1 million, unchanged from December 31, 2014.
Forfeiture rates associated with share-based payments	In determining share-based payments expense, we make estimates related to forfeiture rates for each specific grant. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the statement of income (loss) and total comprehensive income (loss) in the year that they occur. Current forfeiture rates applied to grants range from 5% to 26% and vary depending upon the employee make-up of the associated grants.
Impairment of assets	Each year we make significant judgments in assessing if goodwill, tangible or intangible assets have suffered an impairment loss. Our impairment analysis involves the use of an income approach that relies on estimating the future net cash flows and applying the appropriate discount rate to those future cash flows. Significant management judgment is necessary to evaluate the impact of operating and economic changes on each CGU or underlying asset. Critical assumptions include projected sales growth and market opportunities, future profitability of system sales, operating and administrative expense, capital expenditures, an appropriate discount rate, and in some situations the cost of disposal. In 2014, there were no impairment losses. Our impairment analysis at December 31, 2014 involved the use of an income approach that relied on estimating the future net cash flows and applying an appropriate discount rate to those

	future cash flows. This approach employed the following key assumptions: anticipated sales growth in key markets, changes in gross margins due to pricing changes for materials and the cost of manufacturing, changes in operating and administrative expenses, anticipated capital expenditures, and an appropriate discount rate. The forecast period utilized in the analysis covered 2015 through 2019. Key drivers in this assessment include anticipated overall sales growth, estimated to be 10% a year, a terminal growth rate of 5% and a weighted average cost of capital of 20%. The analysis indicated an excess over carrying value of $7.2 million. We consider the future sales growth rate a key factor in this analysis. Using a sensitivity analysis, a 1% decline in sales growth reduces the overall excess value by $0.9 million. There have been no indicators of potential impairment noticed by management during the first two quarter of 2015.
Revenue recognition	Our On-Grid vertical includes revenues from projects which includes both good and services. Revenue is recognized on a percent completed basis at the measurement of hours completed. At the start of each project the hours to complete are estimated and revised periodically as the project progresses. Hours completed at the end of each reporting period determine the amount of revenue to recognize in accordance with the contracts in place. As a result of the above revenue recognition approach, we will at times have unbilled receivables which arise when project revenues are earned prior to our ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the Consolidated Statement of Financial Position.
Recoverability of deferred income tax and investment tax credits	During the second quarter of 2015, we made the decision to recognize our tax assets which were previously written off at the end of 2011. These assets were originally written off due to the uncertainty of their usage at that time. The decision to reinstate these assets was based on our management's judgement given our financial performance over the past 6 quarters and our outlook for future periods which makes it probable these assets will be utilized. These assets included both investment tax credits and deferred income taxes, both of which will allow us to reduce taxes on current and future earnings realized within Canada.

6.2. Future changes in accounting policies

Certain pronouncements have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that will become effective in future accounting periods. The following is a summary of significant standards that may have an impact on our future financial statements.

- IFRS 9, Financial Instruments ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. It is anticipated that these changes would be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.
- IFRS 15, Revenue from Contracts with Customers ("IFRS15"). IFRS 15 clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. It is anticipated this changes will be effective for annual periods beginning on or after January 1, 2017, although this was tentatively pushed back to January 1, 2018 at the IASB's meeting on April 28, 2015.

We are assessing the impact that these standards will have on our consolidated financial statements.

6.3. Disclosure controls and internal controls over financial reporting

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting. Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), collectively referred to as Officers, are responsible for overseeing the establishment and maintenance of disclosure controls and procedures as well as internal controls over financial reporting.

Disclosure controls

Our officers and management have evaluated the effectiveness of our DC&P as at June 30, 2015 as required by Canadian securities laws. The evaluation approach involved looking at the size, nature and state of development of the business and thus used a top down risk-based approach to focus evaluation on areas that were deemed to provide the greatest risk to a material misstatement. Our evaluation also took into account our corporate disclosure procedures and the functioning of our Officers, other executive officers, management, Board of Directors, and Audit Committee. Based on this evaluation, our Officers concluded that the Company's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which the MD&A and the Consolidated financial statements contained in this report were being prepared.

Internal control over financial reporting

Due to recent changes to the organization structure and our IT systems, there have been significant changes to our internal accounting and finance processes relating to reporting. These changes and their impacts to our internal controls over financial reporting indicated that there have been some segregation of duties issues and a lack of documented review in certain areas. Although management relies upon mitigating procedures that included detailed financial analysis that occurs at various stages of reporting, it was and is felt there isn't insufficient evidence to certify that our internal controls over financial reporting are effective. The underlying issues are being addressed in 2015. More specifically, we have engaged an independent contractor to assist and provide oversight with regard to our internal control certification program. As of the date of this MD&A, work is underway which we anticipate will lead to an effective system of internal controls over financial reporting and effective disclosure controls and procedures by the end of 2015.

Limitation on scope of design

Scope of DC&P and ICFR has been limited to exclude controls, policies and procedures of Sol which was acquired not more than 365 days before the last day of the period covered by the annual filing. The Company elected to exclude them from the scope of certification as allowed by NI 52-109. We intend to perform such testing within one year of acquisition.

7. RISKS AND RISK MANAGEMENT

In the course of our operations, we are exposed to various business risks and uncertainties that can affect our financial condition. While some financial exposures are reduced through insurance, hedging and other risk management measures we have in place, there are certain cases where the market and operating risks are driven by external factors beyond our influence and control. A discussion of certain risks that may affect us is included in our annual MD&A and Annual information form.

8. DEFINITIONS AND RECONCILIATIONS

EBITDA

For the three and six months ended June 30, 2015, we are disclosing EBITDA and adjusted EBITDA, both of which are non-IFRS financial measures, as supplementary indicators of operating performance. We define EBITDA as net income or loss before interest, income taxes, amortization, and non-cash stock based compensation. Adjusted EBITDA removes unusual or non-operating items from EBITDA, such as merger and acquisition costs, restructuring charges, asset write offs, and foreign exchange gains and losses. We are presenting the non-IFRS financial measures in our filings because we use them internally to make strategic decisions, forecast future results and to evaluate our performance. We are also presenting these measures because we believe that our current and potential investors and many analysts use it to assess our current and future operating results and to make investment decisions. EBITDA and Adjusted EBITDA are not intended as a substitute for IFRS measures.

EBITDA reconciliations	Three months ended June 30,		Six months ended June 30,	
(US$ in thousands)	2015	2014	2015	2014
Net income	10,332	438	10,362	515
Add/(deduct):				
Income taxes	(5,505)	-	(5,505)	(1)
Amortization	153	82	301	171
Non-cash stock based compensation	155	84	291	101
EBITDA*	**5,135**	**604**	**5,449**	**786**
Merger and acquisition costs	710	327	772	602
Extraordinary legal costs	24	262	25	408
Investment tax credits	(4,320)	-	(4,320)	-
Restructuring and asset write offs	-	(122)	404	(122)
Other inventory write downs	132	-	389	-
Foreign exchange loss/(gain)	818	(228)	1,261	(58)
Adjusted EBITDA*	**2,499**	**843**	**3,980**	**1,616**

* A Non-IFRS measure. *Foreign exchange gain/ loss is no longer included in the adjusted EBITDA calculation, as such historical amounts have been updated.*