CARMANAH TECHNOLOGIES CORPORATION

carmanah®
we put solar to work

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014

November 12, 2014

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 nine months ended September 30, 2014, and our audited consolidated financial statements for the year ended December 31, 2013. 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., a Florida based company which we acquired on July 2, 2014, details of which are described in section 3.

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 November 12, 2014.

Our management reports on certain non-IFRS measures which is 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.

Section		Contents
1	Financial Highlights	A summary of our consolidated results for the quarter and nine months ended September 30, 2014
2	Our Business	An overview of our business and the industries and markets we operate in
3	Operational and Business Highlights	A discussion regarding key business and operating activities during the period
4	Financial Results	A discussion of our financial performance for the period
5	Liquidity, Capital Resources and Other Disclosures	A discussion of our operating cash flows, investments and financing activities, as well as liquidity, credit facilities and other disclosures
6	Critical Accounting Estimates and Accounting Policy Developments	Accounting estimates that are critical to determining financial results, and changes to accounting policies
7	Risks and Risk Management	Updates on certain risks and uncertainties facing us
8	Definitions and Reconciliations	Definitions of operating, liquidity and capital resource measures, including calculation and reconciliation of certain non-IFRS measures used by our management

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, 2014. 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 Nine Month Periods Ended September 30, 2014 and 2013

	Three months ended September 30			Nine months ended September 30		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Consolidated statements of Income/(loss)						
Revenue	12,168	4,863	150.2%	30,281	18,147	66.9%
Gross margin %	35.4%	23.7%	11.7%	34.8%	26.5%	8.4%
Operating expenditures	(3,613)	(2,599)	39.0%	(8,923)	(8,439)	5.7%
Other Operating expenditures	-	-	NA%	-	(965)	NA%
Other income (expenses)	(494)	8	(6275)%	(916)	(23)	(3883)%
Net income (loss)	195	(1,442)	113.5%	710	(4,631)	115.3%
Consolidated statement of cash flows						
Cash provided/(used) in operating activities	(704)	(296)	(138)%	(898)	(750)	(19.7)%
Cash used in investing activities	395	(34)	1,262%	(24)	(204)	88.2%
Cash provided in financing activities	2,781	(126)	2,307%	6,571	(126)	5,315%
Other measures						
EBITDA *	400	(1,297)	130.8%	1,186	(3,901)	130.4%
Adjusted EBITDA *	786	(1,131)	169.5%	2,460	(2,770)	188.8%

**EBITDA and Adjusted EBITDA are Non-IFRS measures – see section 8 for discussion*

Following are the highlights of our operating results for both the third quarter of 2014 and the nine months ending September 30, 2014:

- **Revenue** - Our revenues for the third quarter of 2014 were $12.2 million up 150.2% over the third quarter of 2013 during which we had revenues of $4.9 million. Year to date revenues of $30.3 million represent a 66.9% improvement over the comparable period in 2013. Revenue increases in both the third quarter and year to date have been recorded across all of our business divisions. These increases are attributable to a number of factors, including the release of new products, expansion into new markets, the inclusion of revenues from Sol which was acquired at the beginning of the third quarter, and our ability to secure a number of larger project based sales. Although not reflected in revenue, we also saw strong growth in our contract order back log in the quarter. Backlog at the end of the third quarter was $11.7 million, up from $7.7 million at the end of the second quarter. The growth in order backlog was primarily driven by the booking of a number of larger contracts which we expect to deliver over the next few quarters.
- **Gross margins** - Gross margins percent was 35.4% in the third quarter of 2014 which is an 11.7% improvement over the third quarter of 2013. Gross margin percent for the first nine months of 2014 was 34.8%, up 8.4% from the same period in 2013. While margins are generally up due to improved discipline on sales initiatives and a more efficient operating structure, a large part of the margin improvement in the second and third quarters are due to adjustments or transactions that are viewed as anomalies and not indicative of future gross margins. In the second quarter, we had converted a beta development project into a commercial sale which resulted in extraordinarily high margins. In the third quarter our margins were positively impacted by (1) the reversal of warranty provisions, the majority of which was related to our asset acquisition of Spot Devices in early 2013, and (2) a recovery obtained from a solar panel supplier who had overcharged us on certain products purchased in the past couple of years. If we factored these anomalies out, gross margins would have been approximately 31.6% in the third quarter of 2014, and 31.7% year to date 2014.
- **Operating costs** – Our operating costs in the third quarter of 2014 were $3.6 million, up from $2.6 million in the same period of 2013. For the nine months ended September 30, 2014, operating costs were $8.9 million, up from $8.4 million in the same period in 2013. The large increase in the third quarter is mainly due to the inclusion of $0.8 million of operating costs associated with Sol which is being consolidated for the first time in Q3 2014. Excluding Sol, salaries costs were down as a result of the restructuring efforts which occurred in the fourth quarter of 2013, as well as amortization expense. Offsetting this are higher professional fees due to increased legal spend required to defend a lawsuit described in section 5.5.
- **Other expenses/income** - Other expenses were $0.9 million for the nine months ended September 30, 2014, compared to almost nil in the same period of 2013. The 2014 amount relates to foreign exchange losses of $0.3 million on foreign denominated working capital and $0.6 million in other expenditures which primarily relate to merger and acquisition related costs. A large part of the merger and acquisition costs relate to the acquisition of Sol, although we are incurring costs to pursue other merger and acquisition opportunities.
- **Net income/loss** - Our overall net income for the third quarter of 2014 was $0.2 million, compared to a net loss of $1.4 million in 2013. On a year to date basis, net income was $0.7 million, up from a net loss of $4.6 million in the same

period in 2013. The improvement in our net income in both the third quarter and year to date results directly from higher sales revenues, improved gross margins and lower operating costs.

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.

In 2014, we realigned our reporting segments to better reflect the strategic nature of our underlying businesses and how they will be managed going forward. The reportable segments which we now utilize 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 Inc. as outlined in section 3. The Power segment includes results from our Solar EPC Services and GoPower! verticals. The following provides an overview of these segments and their associated underlying verticals.

Signals

AVIATION	Carmanah's Aviation department 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.
OBSTRUCTION	Carmanah Obstruction department 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.
MARINE	Since initially working with the Canadian and US Coast Guards to create a new generation of aids-to-navigation lanterns, the Carmanah Marine department 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 market include Sealite Pty Ltd, Vega, and Tideland.
TRAFFIC	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 department 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

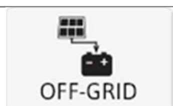
Our outdoor lighting division, including the recent acquisition of Sol Inc. which is described in section 3, has one of the largest solar outdoor lighting installation bases in the world. We have over 70,000 installations in more than 65 countries and 24 years of solar lighting experience and as a result 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 companies.

This business was previously categorized under the Power Division but has been split out for reporting purpose as a result of our renewed investment in the market.

Power

The Solar Engineering Procurement and Construction ("EPC") Services department 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 Canadian market.



Marketed under the Go Power! brand, our Mobile department 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, 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 and Samlex.

The offerings in our Power Division center 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 extend of product customization and services rendered for customers varies substantially in this Division.

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 and small home systems partnerships in emerging markets.
- Lead the "smart" revolution in all Signals businesses through cloud-based communications development.
- Solidify each Signals market area with strategic acquisitions. Divest where market leadership cannot be prudently achieved.
- Become Canada's leader in both on-grid and off-grid solar applications through technical excellence and strategic partnering for storage solutions.
- Lead the world in mobile solar off-grid product development for OEM and after-market.

3. OPERATIONAL AND BUSINESS HIGHLIGHTS

Our 2014 operational and business highlights are discussed below.

Acquisition of SOL, Inc.

On July 2, 2014, we completed the acquisition of SOL Inc. ("Sol"), a competitor in our Illumination division. Sol is a manufacturer of solar powered outdoor lights and is based out of Palm City, Florida. The primary driver behind the acquisition was to gain economies of scale in the solar outdoor lighting market, a market which management believes to have significant growth opportunities in the future. The growth in this market will be driven by technological advances in the underlying components used in outdoor solar lights and economic expansion of emerging markets. The timing of this growth is uncertain, although this acquisition should allow us to participate in this market in a profitable manner and to position ourselves as a market contender while we wait for the growth to be realized.

This acquisition was announced on March 21, 2014 with signing of a binding letter of intent ("LOI"), an Agreement and Plan of Merger (the "Merger Agreement") was signed on May 26, 2014, and the transaction was approved by eligible Carmanah shareholders at our Annual General and Special meeting held on June 23, 2014. The acquisition was a related party transaction as Michael Sonnenfeldt, the Chairman of our Board of Directors (the "Board") and our largest shareholder, was also the majority shareholder of Sol. Prior to the transaction he beneficially held (1) approximately 84.5% of Sol's outstanding shares and (2) was due a note receivable from Sol of approximately $5.3 million. Due to this potential conflict of interest, we convened a special committee of the Board consisting of disinterested directors who were responsible to evaluate and assess the potential acquisition. This committee evaluated the proposed transaction and management's assessments and oversaw a variety of work including the completion of a valuation and fairness opinion by an independent consultant.

We acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Michael Sonnenfeldt. Consideration paid upon close included the issuance of 37,858,606 of our common shares (approximately 3,785,860 post consolidated shares) which were issued from treasury, and a $0.06 million cash payment to certain minority shareholders of Sol. The aggregate value of the shares issued on July 2, 2014 amounted to approximately $7.1 million based on the closing share price of $0.20 CDN and a US/CDN exchange rate of 0.938. The agreement also provides an earn-out of 3% of certain revenues received post acquisition and is available to electing former shareholders of Sol. This earn-out applies to specific identified prospective sales opportunities brought forth by Sol and is subject to various conditions. Most significantly, each of these projects must result in revenues of at least $5.0 million and the sales order must be received and accepted by us prior to December 31, 2015, although cash and delivery can occur after that date. Mr. Sonnenfeldt and certain of his affiliates have elected to waive their right to receive all earn-out payments should they accrue. Accordingly any earn-out payment will be payable to the remaining Sol shareholders on a proportional basis. As of the date of this MD&A, no amount has been allocated to the consideration associated with this earn-out due to substantial uncertainty surrounding our ability to secure the underlying contracts.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations, with the results of operations consolidated with ours effective July 2, 2014 and has contributed incremental revenue of $2.1 million and a net loss of $0.3 million. If the acquisition had occurred on January 1, 2014, Sol would have contributed revenue of $6.4 million and a net loss of $1.3 million. Within Sol's $1.3 million loss is approximately $0.5 million of costs related to the transaction. Total acquisition related costs incurred by Carmanah was approximately $0.7 million

Our efforts to integrate Sol are now well under way. Our plans include the consolidation of manufacturing, which will occur in the next few quarters, an elimination of overhead and back office functions, a consolidation of our combined product offering, and a streamlining of sales and marketing efforts. We anticipate a variety of one-time charges that will be incurred over the integration period, most significantly will be severance and retention bonuses and potential impairments of inventory and manufacturing tools or supplies. The timing and total magnitude of these one-time charges are difficult to assess as the plans depend on a number of external factors, including how quickly alternative manufacturing can be setup and the level of voluntary employee turnover during the period.

Equity

On July 18, 2014, we announced our intention to complete a consolidation of our common shares on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares (the "Consolidation"). The Consolidation received approval from the TSX in early August and the post-consolidation shares began trading on the Toronto Stock Exchanges on August 14, 2014. Prior to the consolidation we had 169,770,617 shares outstanding. Fractional shares that might have been created by the consolidation were rounded down and as a result the total post consolidation shares outstanding on August 14, 2014 was 16,977,000. All share information including outstanding stock options were adjusted to reflect this consolidation for all periods presented.

During the first half of 2014, we also completed two separate non-brokered private placements. These were completed in an effort to bolster our working capital and balance sheet to position ourselves to take advantage of future growth opportunities, which we anticipate will come from both organic sales growth and acquisitions. Significant details of these private placements are outlined below:

- On April 3, 2014, we closed a placement which raised proceeds of approximately $4.2 million CDN from the issuance of 1,930,000 post consolidated shares at a price of $2.20 CDN a share. 1,000,000 of these shares were purchased by insiders of the Company. Insiders who partook in this placement with holdings around or above 10% are noted below:
    - Michael Sonnenfeldt, our largest shareholder and Chairman of the Board, subscribed for 350,000 shares under the private placement through MUUS Lending Inc., an entity that is beneficially owned by Mr. Sonnenfeldt. Subsequent to the private placement, Mr. Sonnenfeldt beneficially held 2,803,777 common shares, representing approximately 23.4% of our issued and outstanding common shares at that time.
    - Jim Meekison, a member of our Board of Directors, subscribed for 300,000 shares under the private placement through JDM Investment Holdings Inc, an entity that is beneficially owned by Mr. Meekison. Subsequent to the private placement, Mr. Meekison beneficially held 1,317,800 common shares, representing approximately 11.0% of our issued and outstanding common shares at that time.

- On July 17, 2014, we closed a placement which raised proceeds of approximately $3.0 million CDN from the issuance of 1,200,000 post consolidated shares at a price of $2.50 CDN a share. This placement was subscribed by insiders as outlined below:
    - Jim Meekison, a member of our Board of Directors, subscribed for 1,000,000 shares under the private placement through JDM Investment Holdings Inc, an entity that is beneficially owned by Mr. Meekison. Subsequent to the private placement, Mr. Meekison held 2,317,800 common shares, representing approximately 13.6% of our issued and outstanding common shares.
    - Terry Holland, a member of our Board of Directors, subscribed for 200,000 shares under the private placement through TMH Capital Corporation, an entity controlled by Terry Holland. Subsequent to the private placement, Mr. Holland held 467,900 common shares, representing approximately 2.75% of our issued and outstanding common shares.

Corporate initiatives

We have continued to work to complete our initial efforts to streamline and simplify our operations. This initiative began in late September 2013 with the goal of reducing our fixed operating costs while still positioning the Company for future growth. One component of this was a staff restructuring whereby a number of positions were eliminated, the realignment of our internal reporting structures, and the creation of several new positions that are focused on developing new business opportunities. Another component of this initiative was to replace our current ERP and CRM systems with a more cost effective solution.

At the end of 2013 we established a provision of $0.6 million associated with these restructuring activities, with $0.2 million to be paid in 2014. In the first half of 2014, we completed the intended eliminations of positions initially envisioned under the plan however in doing so we did not liquidate the entire provision. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. A small amount of the restructuring accrual remains outstanding and is related to a cancelation fee associated with our old ERP system.

We are continuing to work on the implementation of our new ERP and CRM systems. Our original plan was to "go live" with the new systems in the third quarter. However, as a result of complexities in our business processes and our desire to expand the scope of our systems and business processes change, we were required to delay and bifurcate the project into two manageable components. The new ERP will go live in the fourth quarter without a rollout of the new CRM. The new CRM will be delayed and rolled into a larger project that will include changes to our go forward sales strategies. These changes will include the automation of various sales activities and for certain markets the rollout of a web store. The total cost of the project so far amounts to approximately $0.5 million. We expect additional costs of $0.1 million to complete the ERP rollout. The cost to implement the CRM, change our sales processes, and develop a web store has not yet been determined as the project has not been fully scoped.

Other highlights

The following are significant highlights associated with specific business segments.

- In September 2014, we secured a long term U.S. Coast Guard contract under which we will fulfill with our new M800 series marine lantern. The contract has no guaranteed financial value for purchases, but the solicitation provided a target for purchases of $3.4 million over the life of the contract, which may be up to 5 years if all option years are exercised. It is anticipated this award will positively influence other marine authorities around the world to consider the use of Carmanah lanterns for their aid-to-navigation systems.

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 nine months ended September 30, 2014.

4.1. Three and Nine month periods ended September 30, 2014 and 2013

Revenue and gross margin

	Three months ended September 30,			Nine months ended September 30,		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Revenues						
Signals	3,555	2,462	44.4%	11,438	8,656	32.1%
Illumination	3,425	113	2931.0%	6,451	1,021	531.8%
Power	5,188	2,288	126.7%	12,392	8,470	46.3%
Total revenue	**12,168**	**4,863**	**150.2%**	**30,281**	**18,147**	**66.9%**
Gross margin %						
Signals	50.4%	31.2%	19.2%	46.0%	31.3%	14.7%
Illumination	30.2%	(175.2)%	205.5%	28.6%	(3.8)%	32.4%
Power	28.4%	25.5%	2.9%	27.8%	25.1%	2.6%
Total Gross margin %	**35.4%**	**23.7%**	**11.7%**	**34.8%**	**26.5%**	**8.3%**

Consolidated revenues for the nine months ended September 30, 2014 were $12.2 million, up over $7.3 million over the same period in 2013. Overall, our gross margin for the nine months ended 2014 was 34.8%, up from 26.5% in the same period in 2013. The following section summarizes the changes by segment.

- **Signals Division** – Revenues for the third quarter of 2014 were $3.6 million, up from $2.5 million in the same period in 2013. Year to date revenues in 2014 were $11.4 million, up from $8.7 million in the same period in 2013. These increases are primarily due to higher revenues from our Marine and Obstruction departments which have benefited from renewed products and a refreshed sales effort. Offsetting this is lower revenues from our Aviation department which is down mainly due to a lack of larger project based sales closing in the year. Gross margins percentages within Signals in the third quarter of 2014 are up 19.2% over the same period in 2013 and up 14.7% year to date 2014. While overall gross margins are up in our Signals Division due to a more efficient operating structure and improved discipline on sales initiatives, both the second and third quarters were affected by unusual adjustments or transactions which are viewed as anomalies and not indicative of future gross margins. In the second quarter we had conversion of a beta development project into a commercial sale which resulted in extraordinarily high margins. In the third quarter our margins were positively impacted by the release of warranty provisions that were associated with the acquisition of Spot Devices. If we factored out the third quarter warranty provision release, margins would have been approximately 5.3% lower.
- **Illumination Division –** Revenues for the third quarter of 2014 were $3.4 million, up from $0.1 million in the same period in 2013. Year to date revenues in 2014 were $6.5 million, up from $1.0 million in the same period in 2013. Sales of Outdoor Lighting products rebounded substantially in 2014 after a disappointing 2013. We were able to secure and deliver on a number of large projects in the early part of the year. This division also includes the results from Sol acquisition which we are reporting on a consolidated basis for the first time. Third quarter revenues from Sol amounted to $2.2 million. Gross margins percentages within Illumination in the third quarter of 2014 are up 205.5% over the same period in 2013 and up 32.4% year to date 2014. These significant swings in gross margins are largely driven from substantial inventory write offs which occurred in the third quarter of 2013. These write offs were associated with old product lines which were being discontinued.
- **Power Division** – Revenues for the third quarter of 2014 were $5.2 million, up from $2.3 million in the same period in 2013. Year to date revenues in 2014 were $12.4 million, up from $8.5 million in the same period in 2013. These increases are driven by higher sales in both business lines that make up this division - Mobile and Solar EPC. Within the Mobile department sales have continued to grow as a result of the introduction of new products and the development of new markets. Our Solar EPC Services revenues are up in general in 2014 due to our ability to secure and start construction on a large number of contracts. Our backlog at the end of the third quarter within Solar EPC Services remains strong, which we anticipate will be delivered on in the final part of 2014 although some of this work may slip into 2015 depending on weather within Ontario, Canada. Gross margin percentages within Power for the third quarter of 2014 was 28.4%, up from 25.5% from the same period in 2013. Year to date, our gross margins are up a similar amount. These increases are due to (1) higher margins achieved within Solar EPC segment which has benefited from component price changes, and (2) higher margins in Mobile due to improved sales discipline and operational planning, plus the recognition of a recovery in the third quarter 2014 from a solar panel supplier which had been overcharging us on certain products purchased over the

past couple of years. The impact on our margins from the pricing changes on the underlying components in our Solar EPC segment is difficult to accurately quantify. The impact of the recovery from the solar panel supplier is quantifiable and if factored out of margins in the third quarter of 2014, they would have been 24.6%, or 3.9% lower.

Sales by Geographic Region
Approximately 21.4% of our revenues for the first nine months of 2014 were from outside North America. This is up significantly over the same period in 2013 which was 11.7%. The increase is largely due to a couple of larger project sales made outside North America.

Operating expenses

	Three months ended September 30			Nine months ended September 30		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Sales and marketing	1,589	837	89.8%	3,593	2,752	30.6%
Research, engineering and development	453	404	12.1%	1,064	1,465	(27.4)%
General and administration	1,571	1,358	15.7%	4,266	4,222	1.0%
Total operating expenditures	**3,613**	**2,599**	**39.0%**	**8,923**	**8,439**	**5.7%**
Operating expenses (excluding restructuring) as % of sales*	29.7%	53.4%	23.8%	29.5%	46.5%	17.0%
Non-cash items:						
Amortization	*93*	*217*	(57.1)%	*264*	*692*	(61.8)%
Stock-based payments	*112*	*(75)*	249.3%	*213*	*33*	545.5%

** A Non-IFRS measure*

Our total operating expenses for the nine months ended September 30, 2014 were $8.9 million, up from $8.4 million in the same period in 2013. This increase is due to the inclusion of $0.8 million of operating costs associated with Sol which is being consolidated for the first time in Q3 2014.

Sales and Marketing
Our sales and marketing expenses for the nine months ended September 30, 2014 were $3.6 million, up from $2.8 million in the same period in 2013. These costs were $1.6 million in the third quarter of 2014, up from $0.8 million in the same period of 2013. Costs in Sol represents $0.6 million of the increase in third quarter of 2014. The remaining increases are due to higher tradeshow activity and increased variable compensation due to substantially improved operating results.

Research, Engineering and Development
Our research, engineering and development expenses for the nine months ended September 30, 2014 were $1.1 million, which is down from $1.5 million from the same period in 2013. These costs were $0.5 million in the third quarter of 2014, up slightly from $0.4 million in the same period of 2013. The year to date decline is largely the result of lower salaries after we restructured our development team at the end of 2013 based on a decision to have a smaller internal team which is being supplemented by external development resources as and when project requirements arise. The increase for the third quarter is due to the inclusion of Sol's engineering team and a general increase in the number of active development projects over prior year.

General and Administration
Our general and administration ("G&A") expenses for the nine months ended September 30, 2014 were $4.3 million, which is comparable to the same period in 2013. These costs were $1.6 million in the third quarter of 2014, up from $1.4 million in the same period of 2013. The third quarter of 2014 includes a little under $0.2 million of operating costs from Sol. Other than this, the following are significant changes which have impacted G&A expenses on a year to date basis:

1. Legal expenses are up $0.4 million over prior year and is primarily due to costs incurred to defend the lawsuit described under section 5.5.
2. Stock compensation is up $0.2 million as a result of a new grants to employees and executives.
3. Offsetting the above increases were declines in salaries due to restructuring and bad debts due to lower collections issues.

Amortization expense for the nine months ended September 30, 2014 was $0.3 million, down from $0.7 million over the same period in 2013. This decrease is due to the various asset write offs recognized in the fourth quarter of 2013. Amortization expense is expected to increase in the future as new IT systems go live.

Other operating expenses

During the 2013, we incurred a number of operating expenses that are non-recurring in nature and have been separately disclosed for better clarity and presentation. In the second quarter of 2013, the following was recognized under this caption:

- We recognized an impairment loss of $0.3 million relating to a license asset that covered a portfolio of specialized Aviation mobile precision laser guidance approach systems. It was written off after a review of the potential sales pipeline no longer included products covered under the agreement.
- We recognized an impairment loss of $0.6 million associated with the Spot acquisition previously discussed in our 2013 annual MD&A. This write off was required after we were unable to secure an economically viable license agreement for a service that underpinned a number of products which Spot previously sold.

Other income (expense)

Other expenses were $0.9 million for the nine months ended September 30, 2014, compared to almost nil in the same period of 2013. The 2014 amount relates to foreign exchange losses of $0.3 million on foreign denominated working capital and $0.6 million in other expenditures which primarily relate to merger and acquisition related costs. A large part of the merger and acquisition costs relate to the acquisition of Sol, although we are incurring costs to pursue other non-organic growth opportunities.

Income taxes

Our income tax expense for the nine months ended September 30, 2014 relates to US state taxes.

4.2. Quarterly trends

(US$ thousands, except EPS amounts)	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	12,168	8,994	9,119	7,755	4,863	6,319	6,965	8,361
Gross margin	4,265	3,261	2,985	2,583	1,152	1,542	2,107	2,411
Gross margin %	35.4%	36.3%	32.7%	33.3%	23.7%	24.4%	30.3%	28.8%
Operating costs	(3,613)	(2,846)	(2,464)	(2,364)	(2,599)	(3,039)	(2,801)	(2,984)
Other operating expenditures	-	-	-	(1,062)	-	(965)	-	-
Other income (expense)	(494)	23	(445)	(90)	8	(15)	(16)	(146)
Income tax (expense)	-	-	1	-	(3)	-	(2)	(2)
Net (loss)/income	158	438	77	(933)	(1,442)	(2,477)	(712)	(721)
EPS – Basic	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)	(0.15)
EPS– Diluted	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)	(0.15)
EBITDA(1)	400	604	182	(676)	(1,297)	(2,174)	(430)	(428)
Adjusted EBITDA(1)	786	1,071	603	511	(1,131)	(1,209)	(430)	8

(1) *EBITDA and Adjusted EBITDA are non-IFRS measures defined in section 8*

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 typically have longer tender processes and fluctuating timelines. This is most pronounced within our Solar EPC Services, Aviation and Outdoor Lighting market segments and to a lesser extent within our Marine and Traffic markets. GoPower! 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. Explanations for some of the larger quarterly swings in revenue are explained below:

- At $8.4 million, Q4 2012 revenues were higher than trend. This spike was primarily the result of a few larger projects that occurred at the same time and resulted in substantially higher sales from our Solar EPC and Outdoor Lighting segments.
- At $4.9 million, Q3 2013 revenues were substantially below our other quarters. This was due to lower sales in our Aviation, Outdoor Lighting and Solar EPC segments, primarily due to timing of project sales. The quarter also suffered from production problems caused by the transition between contract manufacturing facilities.
- Revenues for the first three quarters of 2014 are up over the historic trend. This is due to increasing sales across most business segments and the inclusion of Sol's operating results in the third quarter of 2014.

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. The margins in the second and third quarters of 2014 are higher than trend due to some anomalous transactions or adjustments. In the second quarter of 2014 we had conversion of a beta development project into a commercial sale which resulted in extraordinarily high margins. In the third quarter of 2014 our margins were positively impacted by the release of warranty provisions that were associated with the acquisition of Spot Devices.

Our operating costs were relatively stable at around $3 million a quarter up until the end of Q2 2013. From Q3 2013 onwards operating expenses have trended lower due to restructuring efforts which began in Q3 2013. These initiatives resulted in lower salaries expense, development expenditures, travel, occupancy and other costs. Q2 2014 saw higher operating costs as a result the ongoing lawsuit described in section 5.5 and Q3 2014 includes the operating expenditures from Sol which was acquired at the beginning of Q3.

As noted under section 4.1, 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. The charge in the second quarter of 2013 relates to asset impairment associated with a license asset and the impairment of assets acquired in the acquisition of Spot Devices Inc.

Our other income (expense) fluctuates over the quarters due to the nature of items in this capture. It includes items such as foreign exchange gains and losses, merger and acquisition costs, and other items.

5. LIQUIDITY, CAPITAL RESOURCES AND OTHER DISCLOSURES

5.1. Summary of consolidated statement of cash flows

Nine months ended September 30 *(US$ thousands, unless noted otherwise)*	2014	2013	Change
Cash provided/(used) in operating activities	(898)	(750)	(19.7)%
Cash used in investing activities	(24)	(204)	88.2%
Cash provided from investing activities	6,571	(126)	5315%
Effects of exchange rate changes on cash	(191)	32	(696.9)%
Total increase in cash	**5,458**	**(1,048)**	**620.8%**

Cash used in operating activities

During the nine months ended September 30, 2014, cash provided in our operating activities, excluding changes in working capital, was $0.9 million which was up from $3.0 million used in the same period in 2013. This change is largely due to increased profitability. Changes in non-cash working capital were negative $2.2 million during the nine months ended September 30, 2014, down from positive $2.3 million in the same period in 2013. The change is primarily due to increased accounts receivable associated with increases sales. 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 nine months ended September 30, 2014, cash used for investing activities was under $0.1 million, up from $0.2 million in the same period in 2013. In 2014, we spent approximately $0.5 million on project to replace our ERP and CRM systems, and a further $0.2 million on equipment and leasehold improvements. We also obtained net cash of approximately $0.7 million associated with the acquisition of Sol. The additions in 2013 mainly related to production equipment.

Cash provided from financing activities

During the nine months ended September 30, 2014, cash provided from financing activities was $6.6 million up from negative $0.1 million in the same period 2013. The 2014 amounts related to two separate private placements which are described in section 3. The 2013 amount relates to legal fees incurred in advance of the rights offering that occurred during the fourth quarter of 2013.

5.2. Liquidity and capital resource measures

On September 30, 2014, our overall working capital was $16.1 million, which is up from $8.1 million at December 31, 2013.

We previously disclosed that the proceeds from our fourth quarter of 2013 offering would be used for general corporate purposes including, but not limited to: (1) funding restructuring costs and process improvement expenditures all of which will be directed at reducing operating costs; (2) investments in new product development activities to meet market demands and improve gross margins; (3) funding an increase in inventory to meet customer demands and, if required by a change in manufacturing strategy, to buy back parts inventory from the Company's contract manufacturer; and (4) funding operating losses until the results of (1) and (2) can be achieved. To date, the proceeds have been used for working capital needs and in the execution of our restructuring plan previously described. The following table outlines the use of proceeds to September 30, 2014 for items other than working capital:

(US$ thousands)	As per previous disclosure	Incurred to September 30, 2014
Restructuring activities	Cash amounts not specified	408

Our major capital expenditures in 2014 will relate to our ERP and CRM replacements. As previously noted, this project was kicked off in Q1 2014 and is expected to complete in the fourth quarter of 2014. Total costs associated with this project are expected to be about $0.6 to $0.7 million with some additional costs required for hardware to support the systems. During the third quarter, a decision was made to delay the implementation of the CRM. The CRM rollout will now be tied into another project which will include making changes to our sales processes and strategies, which will include the automation of various sales activities and for certain markets the rollout of a web store.

We are continuing to evaluate our operations in an effort to improve our ability to meet our customers' needs in a profitable manner. Future changes in our inventory management and manufacturing arrangements may occur which could have a significant impact on our liquidity and working capital positions.

We also expect to continue to pursue growth through acquisitions and will consume some cash pursuing opportunities in a number markets. Depending on the size and nature of potential acquisition, we may raise additional funds through a further equity offering or through debt financing.

5.3. Credit facilities

We currently do not have access to a credit facility. Any credit extended to us by our bank, Royal Bank of Canada ("RBC"), for products such as letters of credits, credit cards, and foreign exchange hedges are on a cash secured basis.

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. Our largest contract manufacturer, Flextronics, also requires us to purchase excess raw inventory which arises in situations where our demand forecasts for particular product is less than our actual use or sales in a given period. The value of the Flextronics inventory held at September 30, 2014 was $1.3 million (December 31, 2013 - $0.9 million), and the value of planned purchase orders to support our expected future demand was an additional $1.3 million (December 31, 2013 - $1.8 million).

There have been no substantial changes in contractual obligations since those reported in the 2013 annual MD&A, except for some commitments related to the ERP/CRM project. These commitments mainly relate to implementation services which in total will cost us between $0.6 million and $0.7 million in 2014. Once implemented, we anticipate our new ERP/CRM systems will allow us to realize some meaningful savings compared to our previous systems.

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 patent of a similar nature that 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 outcome of the review was positive, with the examiner agreeing with our position. The matter has been stayed by the courts pending a final review of patent re-examination and appeals. We are not certain of the outcome of this case and we intend to continue to defend ourselves and will file additional appropriate 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 September 30, 2014.

5.6. Contingent liabilities

None, other than as discussed above.

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. At September 30, 2014, our net CDN dollar denominated working capital is higher than normal due the recent closures of two private placements described in section 3. Given the recent changes in the business, we are currently reviewing our situation with respects to foreign exchange and our associated policies.

5.9. Related party transactions

The Sol acquisition outlined in section 3 would be considered a related party transaction given the shareholdings of our Chairman of the board, the private placements, also outlined in section 3, would be considered a related party transaction given the involvement of insiders.

5.10. Proposed transaction

None

Outstanding share data

As noted under our Operational and business highlights section, we completed a 10 for 1 share consolidation which became effective on August 14, 2014. All current and historical references to share price, outstanding shares, stock options and share units have been revised to reflect the new basis.

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at September 30, 2014 we had 16,977,000 fully issued and outstanding common shares. The following table summarizes the outstanding shares, options and other outstanding stock units stated in CDN$.

	As at				
	November 12, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Share price – closing (CDN $)	2.55	2.56	2.00	2.10	1.50
Market capitalization (CDN $ in thousands)	43,291	43,461	23,982	21,129	15,092
Outstanding					
Shares	16,977,000	16,977,000	11,991,201	10,061,201	10,061,201
Options	1,109,600	1,109,600	1,036,950	377,200	411,400
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.

The significant accounting policies and estimates are discussed below:

Accounting area	Description of policy and 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 September 30, 2014 was $0.8 million, up from $0.6 million from December 31, 2013. During the third quarter we picked up an additional warranty provision of $0.3 million as a result of the acquisition of Sol. This amount was recognized as a part of the acquisition accounting and did not flow through the income statement. During the third quarter we also recognized a $0.1 million reduction in the warranty provision associated with Carmanah's product lines. This reduction was recognized after it was determined that recent declines in warranty costs appears to be a trend rather than an anomaly.
Other provisions	A number of accounting provisions have been recorded or previously recorded that relate to the acquisition of Spot Devices. This acquisition occurred at the beginning of 2013 and was previously disclosed in our annual MD&A. They are described below: $0.1 million has been provided to cover costs associated with monitoring services provided by Cirrus for SIMA enabled products which we sold. As previously disclosed, 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. Cirrus stopped providing monitoring services to all SIMA enabled products in July of 2014. Prior to the third quarter, we had a provision of $0.1 million to cover potential returns or product replacements associated with an offer we extended to customers who purchased SIMA enabled products from us. This amount was originally recognized during the third quarter of 2013 after concerns about the reliability of SIMA enabled products were brought to management's attention. In some situations SIMA enabled products can suddenly or unexpectedly fail which could result in a safety hazard. As a result, we had extended an offer to customers who purchased SIMA enabled product from us the ability to obtain replacement products on a free or a substantially discounted basis. We had estimated the total maximum exposure associated with this offer is approximately $0.2 million, which is the cost of the SIMA-enabled product we sold during the period. We had recorded $0.1 million as a provision which was our best estimate given the wide range of options open to the end customers. These options included everything from modifying the product, upgrading their solution, or retaining the risk or lost functionality. In early 2014, a notice was released by Cirrus (the provider of the monitoring) indicating the service was to be discontinued in July of 2014. We had anticipated that customers may begin to request solutions to overcome the lack of connectivity sometime during the third quarter. This provision was released after it became apparent customers were not taking us up on this offer and were resolving the lack of connectivity through other means – often with third party solutions.
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 September 30, 2014 our inventory provision was approximately $0.8 million, which is comparable to the amount from December 31, 2013.
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 September 30, 2014, our allowance for doubtful accounts was $0.2 million, up from $0.1 million at December 31, 2013.

	Approximately $0.1 million of the above provision is associated with Sol. This amount was recognized upon the acquisition of the company.
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 14% to 25% and vary depending upon the employee make-up of the associated grants.

6.2. Future changes in accounting policies

Unless stated otherwise, the following standards are required to be applied for periods beginning on or after January 1, 2015 and based upon our current facts and circumstances, we are evaluating the impact of the application of the following standards:

- IFRS 9, Financial Instruments, initially to be applied for periods on or after January 1, 2015 but the effective date has been deferred. In February 2014, the IASB tentatively determined that the revised effective date would be January 1, 2018, with earlier adoption still permitted.
- In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's 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 September 30, 2014 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 Condensed Consolidated Interim Financial Statements contained in this report were being prepared.

Internal control over financial reporting
A variety of changes to internal processes and accounting procedures are occurring as a result of the recent restructuring and implementation of our new ERP and CRM systems. We are currently evaluating the impact of these changes and are designing tests to evaluate the design and effectiveness of controls. High level compensating controls remain in place which we feel provides reasonable levels of assurance that the financial statements are not materially incorrect.

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 and Adjusted EBITDA

For the three and nine months ended September 30, 2014 as well as the comparative period in 2013, 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 usual or non-operating items from EBITDA, such as merger and acquisition costs, restructuring charges, and asset write offs. We are presenting the non-IFRS financial measures in our filings because we use it 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 September 30,		Nine months ended September 30,	
(US$ in thousands)	2014	2013	2014	2013
Net income (loss)	195	(1,442)	710	(4,631)
Add/(deduct):				
Income taxes	-	3	(1)	5
Amortization	93	217	264	692
Non-cash stock based compensation	112	(75)	213	33
EBITDA*	**400**	**(1,297)**	**1,186**	**(3,901)**
Merger and acquisition costs	129	-	609	-
Extraordinary legal costs	257	166	665	166
Restructuring and asset write offs	-	-	-	965
Adjusted EBITDA*	**786**	**(1,131)**	**2,460**	**(2,770)**

* A Non-IFRS measure