CARMANAH TECHNOLOGIES CORPORATION

carmanah®

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015

November 12, 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 nine months ended September 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"). The statements also include the result from the Sabik group ("Sabik", "Sabik Group", or the "Group") of company which were acquired on July 2, 2015. The Sabik Group includes Sabik Oy, Sabik GmbH, Sabik Pte Ltd, Sabik Limited and Sabik Offshore Limited.

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, 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 Chartered Professional Accountants of Canada (CPA Canada)'s Canadian Performance Reporting Board- see Section 8 for the definition, calculation and reconciliation of these figures.

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. 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, 2015 and 2014

	Three months ended September 30			Nine months ended September 30		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Consolidated statements of Income/(loss)						
Revenue	19,850	12,168	63.1%	46,879	30,281	54.8%
Gross margin %	33.4%	35.4%	(1.9)%	34.2%	34.8%	(0.6)%
Operating expenditures	(6,009)	(3,613)	66.3%	(12,274)	(8,923)	36.7%
Other Operating income	-	-	NA	3,804	122	3018.0%
Other expenses	(1,008)	(494)	104.0%	(3,071)	(1,038)	195.9%
Net (loss)/income	(283)	195	NA	10,079	710	1319.6%
Consolidated statement of cash flows						
Cash used in operating activities	(3,912)	(704)	(455.7)%	(7,734)	(853)	(805.6)%
Cash (used in) provided by investing activities	(17,117)	395	NA	(17,424)	(24)	(72500)%
Cash (used in)/provided by financing activities	(559)	2,781	NA	34,206	6,571	(420.6)%
Other measures						
Adjusted EBITDA *	2,084	1,121	85.9%	6,064	2,737	121.6%

** 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.*

Q3 2015 vs Q3 2014

Revenues for the third quarter of 2015 were $19.9 million, up from $12.2 million in the same period in 2014. The majority of this increase is attributable to our Signals segment, which saw an increase of $7.9 million in the quarter. Approximately $6.0 million of this increase relates to the acquisition of Sabik, which we acquired on July 2, 2015. See section 3 for details associated with this acquisition. Our Power segment also had higher sales, up $2.2 million to $7.4 million in Q3 2015. This increase was driven by higher revenues in both our On-Grid and Off-Grid verticals. Q3 2015 was a soft quarter for our Illumination segment, which had sales of $1.0 million, down from $3.4 million in 2014. Quarterly fluctuations in this segment are not unusual due to larger sales cycles and lead times tied to large infrastructure projects. Activity we have seen in the first part of the fourth quarter supports a rebound of sales within the segment in the final quarter of the year.

Gross margin % for the third quarter was down by 1.9%, compared to the third quarter of 2014. This decrease is largely due to the revenue mix towards the lower margin Power segment. Operating costs in the third quarter of 2015 were $6.0 million, up from $3.6 million in the same period in 2014. This increase is largely due to the acquisition of Sabik on July 2, 2015, with the Company picking up $2.6 million in associated operating costs in the third quarter. Of the $2.6 million, approximately $1.0 million relates to amortization associated with intangibles recognized on acquisition, with majority of this ($0.85 million) relating to Sabik's sales order backlog at the acquisition date. Under accounting rules, we are required to estimate the profit associated with this backlog, which we have preliminarily estimated as $1.3 million, and then record it as an intangible asset at the acquisition date. This value is then amortized as the orders are shipped. Approximately 60% of the backlog was recognized in the third quarter and we anticipate that most of the remaining value will be shipped (and thus expensed) during fourth quarter of 2015.

The other expenses for 2015 includes M&A costs of $0.4 million which were incurred to complete the Sabik acquisition, which closed on July 2, 2015, and foreign exchange losses of $0.5 million that resulted on the revaluation of our foreign denominated (mainly Canadian) working capital.

The net loss for the third quarter of 2015, at $0.3 million, is down from net income of $0.2 million over the same period in 2014. The overall loss is mainly attributable to the amortization of Sabik's sales order backlog as described above. Not including this amortization, normalized net income for the quarter would have been $0.5 million. Adjusted EBITDA for the third quarter was $2.1 million, up from $1.1 million over the same period in 2014.

YTD 2015 vs YTD 2014

Year to date 2015 revenues were $46.9 million, up from $30.3 million in the same period in 2014. We saw increase across our Power and Signals segments up $7.2 million and $10.2 million, respectively. The reasons for these variances are largely the same as described above for the third quarter. We saw a revenue decrease in our Illumination segment of $0.8 million due to the project nature of this business.

Year to date gross margin % was 34.2%, down slightly from 34.8% from 2014. The decrease is due to a product mix across segments in 2015 as well as some unusually high margins in 2014 due to a beta development project that was converted into a sale which carried minimal cost of sales.

Operating expenses for the first nine months of 2015 were $12.3 million, up from $8.9 million in the same period of 2014. This increase is largely due to the acquisition of Sabik on July 2, 2015, which added $2.6 million during the third quarter. Excluding the effects of Sabik, our 2015 operating costs would have been up approximately $1.2 million over prior year. This increase would have been mainly due to (1) an increase in stock base compensation as a result of additional grants to employees and directors and (2) higher research and development as we continue to renew our product development efforts.

Other operating expenses for the first nine months of 2015 were $3.8 million, up from $0.1 million in the same period of 2014. The 2015 amount includes a $4.3 million recovery associated with the recognition of our Investment Tax Credits as described in section 3, and $0.5 million of expenses related to the final integration and inventory write offs associated with Sol.

Other expenditures for the first nine months of 2015 were $3.1 million, up from $1.0 million in the same period in 2014. This increase is largely due to the M&A costs incurred to complete the Sabik acquisition and foreign exchange losses recognized on working capital.

2. OUR BUSINESS

Headquartered in Victoria, British Columbia, Carmanah produces a portfolio of products focused on energy optimized LED and solar technologies. We design, develop and distribute energy efficient LED solutions for infrastructure including: signaling systems for the marine aids to navigation, airfield ground lighting, offshore wind marking, obstruction and traffic markets. Carmanah's product portfolio also includes industrial and commercial solar powered outdoor LED lighting systems, and solar on and off-grid power generation systems. Since 1996, we have earned a global reputation for delivering strong and effective products for industrial applications that perform reliably in some of the world's harshest environments. Our LED and solar power systems provide durable, dependable, efficient and cost-effective solutions which have been deployed in over 400,000 installations in 110 countries. The Carmanah brand portfolio includes Go Power! and recently acquired companies, Sol and Sabik. Future intent is to move Offshore Wind under the direction Sabik GmbH. All marine business, including the Carmanah marine division, will be consolidated under the direction of Sabik Oy.

We manage our business within three reportable segments, which are "Signals", "Illumination", and "Power. The Signals segment includes results from our Traffic, Marine, Aviation, Obstruction and Offshore Wind 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

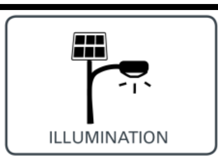
	Our Aviation, or Airfield ground lighting vertical specializes in solving the airfield lighting challenges encountered by clients in off-grid or weak-grid locations. Our self-contained solar airfield lights support daily flight operations at helipads and airstrips in demanding environments around the 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 Aviation Lighting, a trading division of Aeronautical & General Instruments Limited.
	Our 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.
	Our Offshore Wind vertical, operating through our 100% owned Germany subsidiary, Sabik GmbH, specializes in providing marine aids to navigation solutions for offshore wind farms, providing both temporary (construction phase) and permanent marking. We provide high-quality systems and services that meet demanding safety and efficiency requirements which can stand up to the rigor of harsh environments, having been tested extensively in the Baltic and North Seas since 2008. Our NAi (Navigational Aids Interface) offers a unique and innovative marking and monitoring solution for all wind project types. Our main offshore wind competitors include Pintsch Aben, Sealite Pty Ltd, MSM Spain, Mobilis France and Vega Industries.

Since initially working with the Canadian and US Coast Guards to create a new generation of aids-to navigation lanterns, the Carmanah Marine division has become an established supplier to Coast Guards, marine authorities, navies and ports around the globe. The purchase of the Sabik Group in 2015 cemented our vision to deliver one of the most comprehensive lines of short and long-range marine navigation aids on the market. Carmanah's main competitors in the Marine market include Sealite Pty Ltd, Vega Industries, and Tideland.

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.

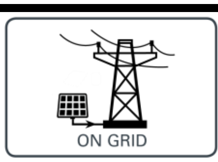
Illumination



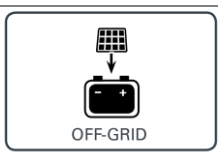
Our Outdoor Lighting vertical, including the recent acquisition of Sol, has one of the largest solar outdoor lighting installation bases in the world. We have over 70,000 installations in more than 65 countries and 24 years of solar lighting experience and as a result have a significant amount of brand 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 have variety of competitors operating in different areas of the world.

Power



Our Off-Grid or Solar Engineering Procurement and Construction ("EPC") Services vertical is focused on the development and construction of 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.



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. No non-controlling interest has been recognized for Sabik Ltd or Sabik Offshore Ltd, as the amounts have been determined to be immaterial. It is expected that these non-controlling interests will be bought out during the fourth quarter of 2015.

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. The actual value of the consideration issued amounted to $23.5 million, $19.0 million attributable to the cash outlay of €17.2 million (utilizing a Euro to US dollar exchange rate of 1.1072) and $4.5 million to the shares issued. The actual value of the shares on issuance on July 2, 2015 would have been $6.4 million based on the closing share price of $6.79 CAD and a US/CAD exchange rate of 0.7958. However, all of the shares issued were subject to an escrow or hold period, with approximately 147,550 shares being released from the hold period every 3 months over a 2 year period. As a result, the fair value of these shares have been discounted utilizing a Black Scholes option pricing model calculation.

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, 2015 and has contributed incremental revenue of $6.0 million and a net income of $0.6 million. If the acquisition had occurred on January 1, 2015, Sabik would have contributed revenue of about $14.8 million and a net income of $1.3 million. The total acquisition related costs incurred by Carmanah was approximately $1.1 million.

Sabik's results will be reported within our signals business segment, with some of the business classified as a part of our new Offshore Wind vertical and the remainder reported under our Marine vertical. 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 and our efforts in the Offshore Wind market. 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. A likely outcome of this will be the transfer and sale of some intellectual property to and from Sabik to ensure technology and other property resides where it will be best utilized.

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 $5.4 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. The integration of Sol was completed during the first 6 months of 2015. Some of the major steps completed are noted below.

- 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 integration more or less complete, we will continue to focus on building this business over the coming years.

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 was 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 was initiated immediately under a notice to proceed issued by TLS. During the third quarter, under TLS direction we began some initial work under the contract while we tried to secure a comprehensive agreement to cover the future work under this contract. During our efforts to secure a contract, we determined jointly with TLS that there would be significant operational challenges in meeting the requirements of the U.S. International Traffic in Airs Regulations ("ITAR") associated with this contract. As a result we reached a mutual settlement to ceases efforts on this development contract and TLS reimbursed us for all costs incurred to date.

Executive and board of director 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. On October 22, 2015, we announced that Tammy Neske, our Chief Operating Officer, agreed to part ways with immediate effect. Pursuant to the terms of her employment contract, Ms. Neske will receive a severance payment that we will recognize in the fourth quarter of 2015.

On September 30, 2015, we announced that Sara Elford was joining our board of directors. Ms. Elford graduated from Bishop's University in 1994 with a Bachelor of Business Administration and became a CFA Charterholder in 1997. During her almost 20-year career as a Sell-Side Analyst, Ms. Elford focused on Sustainability and Special Situations. From 1998 until her resignation this year, Ms. Elford was employed by Canaccord Genuity where she was consistently ranked by Brendan Wood International and also named in the top two for stock picking by Starmine six times since 2003. In her capacity as a Sell-Side analyst, Ms. Elford provided research coverage of Carmanah for over a decade, and brings a perspective that could not be easily matched.

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, 2015.

4.1. Three and Nine month periods ended September 30, 2015 and 2014

Revenue and gross margin

	Three months ended September 30,			Nine months ended September 30,		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Revenues						
Signals	11,426	3,555	221.4%	21,673	11,438	89.5%
Illumination	990	3,425	(71.1)%	5,593	6,451	(13.3)%
Power	7,434	5,188	43.3%	19,613	12,392	58.3%
Total revenue	**19,850**	**12,168**	**63.1%**	**46,879**	**30,281**	**54.8%**
Gross margin %						
Signals	41.9%	50.4%	(8.5)%	42.7%	46.0%	(3.3)%
Illumination	23.6%	30.2%	(6.6)%	34.8%	28.6%	6.2%
Power	21.7%	28.4%	(6.7)%	24.6%	27.8%	(3.2)%
Total Gross margin %	**33.4%**	**35.4%**	**(2.0)%**	**34.2%**	**34.8%**	**(0.6)%**

Consolidated revenues for the nine months ended September 30, 2015 were $46.9 million, up $16.6 million over the same period in 2014. Overall, our gross margin for the nine months ended 2015 was 34.2%, down from 34.8% in the same period in 2014. The following section summarizes the changes by segment.

- **Signals Segment**
  Revenue for the third quarter of 2015 were $11.4 million, up from $3.5 million in the same period in 2014. Year to date 2015 revenues were $21.7 million, up from $11.4 million in the same period in 2014. On a year to date basis, the majority of this increase is due to the acquisition of Sabik which contributed revenues of $6.0 million in the third quarter. However, we also continued to see growth from our other signals verticals, which recognized revenues of $5.4 million in the third quarter, up from $3.5 million over the same period in 2014. On a year to date basis, these other verticals had revenues of $15.6 million, up from $11.4 million in 2014. These increases have been universal across all of our signals verticals, which include our Airfield, Obstruction, Marine and Traffic verticals. Airfield ground lighting, which is primarily a project based business, benefited from a number of larger projects completed and shipped in the first two quarters of 2015. Obstruction's growth has continued due to an increase in sales, development and marketing efforts that began in early 2014 when this vertical was spun off from our Aviation or Airfield ground lighting 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. Meanwhile our Marine vertical has continued to benefit from our efforts to expand our sale channel through adding partners and distributors.

  Year to date gross margin % within signals was 42.7%, down from 46.0% for the first 9 months of 2014. Third quarter 2015 gross margins were 41.9%, down from 50.4%. Part of this decrease is due to some anomalies recognized in the second and third quarters of 2014. This included the conversion of a beta development project into a commercial sales which resulted in extraordinarily high margins in the second quarter of 2014. Further, in the third quarter of 2014 our margins were positively impacted by the release of warranty provisions that were associated with the acquisition of a Traffic business in early 2013. If we factored these anomalies out, our year to date 2014 margins would have been approximately 40%, which shows our margin % is actually up slightly over prior year. This increase is partially due to operational efficiencies and better pricing on our products that are now being produced by our new contract manufacturer, Creation Technologies.

- **Illumination Segment**
  Revenue for the third quarter of 2015 were $1.0 million, down from $3.4 million in the same period in 2014. Year to date 2015 revenues were $5.6 million, down from $6.5 million in the same period in 2014. The decline is due to a very soft third quarter which is due to a lack of projects that could be closed and shipped in the period, rather than a general slowdown in sales or a trend in losing projects to competitors. Activity in the first part of the fourth quarter supports this assessment with strong bookings and quoting activity which should result in a strong final quarter. Gross margin % for the first nine months of 2015 was 34.8%, up from 28.6% in the same period in 2014. Gross margin % for the third quarter were 23.6%, down from 30.2% in the same period in 2014. The decline in the third quarter of 2015 is due to a small spike in warranty costs and warehousing fees which had a disproportionately high impact on the gross margin percentages due to the low revenue

amount.

- **Power Segment**
  Revenue for the third quarter of 2015 were $7.4 million, up from $5.2 million in the same period in 2014. Year to date 2015 revenues were $19.6 million, up from $12.4 million in the same period in 2014. These increase are due to higher sales in both our On-Grid and Off-Grid verticals. On-Grid project sales have continued to benefit from a large backlog of projects carried over from prior periods. Its backlog has was reduced to $6.6 million, down from approximately $10.5 million at June 30th. A portion of this backlog is expected to be completed in the fourth quarter with some of it carried over into 2016. The exact amounts depend upon a variety of factors that are largely out of our control, such as weather and building site conditions. Off-grid sales grow is mainly driven by the introduction of new products and the development of new markets. Gross margin % for the third quarter of 2015 was 21.7%, down from 28.4% from the same period in 2014. On a year to date basis, gross margin % was 24.6% compared to 27.8% 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 23.5% of our year to date revenues for 2015 were from outside North America. This is up from 21.4% in the same period in 2014. This increase is mainly due to the inclusion of Sabik, with the majority of their sales being into Europe. This percentage increase would have been higher if it weren't for a number of large overseas projects recognized in the first half of 2014.

Operating expenses

	Three months ended September 30			Nine months ended September 30		
(US$ thousands, unless noted otherwise)	2015	2014	Change	2015	2014	Change
Sales and marketing	1,533	1,589	(3.5)%	4,038	3,593	12.4%
Research, engineering and development	934	453	106.2%	1,859	1,064	74.7%
General and administration	3,553	1,571	126.2%	6,388	4,266	49.7%
Other operating expenditures/(recovery)	-	-	NA	(3,804)	(122)	3,018%
Total operating expenditures/(recovery)	**6,009**	**3,613**	**66.3%**	**8,470**	**8,801**	**(3.8)%**
Operating expenses as % of sales*	30.3%	29.7%	0.6%	18.1%	29.5%	(11.0)%
Non-cash items:						
Amortization	*1,218*	*93*	1209.7%	*1,519*	*264*	475.4%
Stock-based payments	*343*	*112*	206.3%	*634*	*213*	197.7%

** A Non-IFRS measure*

Our total operating expenses for the nine months ended September 30, 2015 were $8.5 million, down from $8.8 million in the same period in 2014. For the three months ended September 30, 2015, total operating costs were $6.0 million, up from $3.6 million in the same period in 2014. The large increase in the third quarter 2015 operating costs is due to the acquisition of Sabik on July 2, 2015, which resulted in the pick-up of their operating costs for the first time, which amounted to $2.6 million of the total. Included in that $2.6 million is $1.0 million of amortization related to intangibles recognized on acquisition. The majority of this amortization ($0.85 million) relates to Sabik's sales order backlog (orders received but not fulfilled) which was approximately €5.5 million on July 2, 2015. Under accounting rules, we are required to estimate the profit associated with this backlog, which we have preliminarily estimated as $1.3 million, and then record it as an intangible asset at the acquisition date. This value is then amortized as the orders are shipped. Approximately 60% of the backlog was recognized in the third quarter and we anticipate that the most of the remaining value will be recognized during the fourth quarter of 2015.

If we factor out Sabik, operating costs in the third quarter of 2015 would have been $3.4 million, which would have been down $0.2 million from the same period in 2014. This decrease would have been due to:

- a decrease in (1) salaries of $0.5 million due to a reduced head count resulting from the Sol acquisition and integration and (2) legal and professional fees of $0.2 million due to the high legal costs incurred in 2014 to defend the patent lawsuit described in section 5.5
- the above decreases were offset by (1) stock based compensation, which was up $0.2 million due to an increase in the number of granted awards to employees and directors, (2) higher development costs, which were up $0.2 million due to an increase in development activity, and (3) an increase in bad debts and bank charges due to higher bad debt write offs and higher banking fees with the CIBC banking facility.

Year to date 2015 operating expenses also include a $3.8 million recovery, which we have separately disclosed within operating costs. Included in this amount is 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. Offsetting this were some expenditures associated with Sol, including inventory write downs of $0.4 million and some final restructuring costs incurred in 2015 related to Sol's integration. 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.

Sales and Marketing
Our sales and marketing expenses for the nine months ended September 30, 2015 were $4.0 million, up from $3.6 million from the same period in 2014. These expenses for the third quarter of 2015 were $1.5 million, down from $1.6 million from the same period in 2014. Within the third quarter, the inclusion of Sabik resulted in a pick-up of $0.4 million in sales and marketing expenditures. This means the non-Sabik costs actually declined by about $0.6 million. This decline is primarily due to a reduction in sales and marketing salary costs resulting from the restructuring and integration efforts surrounding Sol, with the majority of these efforts occurring during the fourth quarter of 2014. On a year to date basis, excluding the effects of the Sol restructuring and the pickup of Sabik costs, sales and marketing costs are down due to a reduction in variable compensation in some sales teams due to underperformance compared to targets.

Research, Engineering and Development
Our research, engineering and development expenses for the nine months ended September 30, 2015 were $1.9 million, which is up from $1.0 million from the same period in 2014. These expenses for the third quarter of 2015 were $0.9 million, up $0.5 million from the same period in 2014. These increases are due to (1) the inclusion of Sabik in the third quarter which resulted in a pick-up of $0.3 million, and (2) a renewed efforts in development activities across multiple product lines.

General and Administration
Our general and administration ("G&A") expenses for the nine months ended September 30, 2015 were $6.4 million, which is up from $4.3 million in the same period in 2014. These expenses for the third quarter of 2015 were $3.6 million, up from $1.6 million from the same period in 2014. These increases are largely due to the inclusion of Sabik's results in the third quarter of 2015 (the pick-up amounted to approximately $0.7 million) and the amortization associated with Sabik's intangibles discussed above. If we look at non-Sabik G&A expenses on a year-to-date basis, these expenses amounted to approximately $5.2 million, which is up from $4.4 million in the same period in 2014. This increase is largely due to:

- Higher stock based compensation as previously noted
- Higher salaries and wages associated with G&A, which is primarily due to an expansion of the executive team
- Higher amortization expense due to the new ERP and CRM systems which were recently implemented and are now being amortized
- The above was offset by lower legal and professional fees which are down substantially over prior year, mainly as 2014 costs were high as we were defending the lawsuit described in section 5.5

Other income (expense)

Other expenses were $3.1 million for the nine months ended September 30, 2015, which is up from $1.0 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 of $1.7 million and merger and acquisition related expenditures that are mainly associated with the acquisition of Sabik in the amount of $1.3 million.

Income taxes

Income tax recovery for the nine months ended September 30, 2015 amounted to $5.6 million, compared to essentially nil in the same period in 2014. As noted in section 3, the majority of this balance relates to the recovery realized upon 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. Also included within the $5.6 million is approximately $0.1 million related to current income tax expense, which is mainly related to the Sabik companies acquired in July 2, 2015.

4.2. Quarterly trends

(US$ thousands, except EPS amounts)	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	19,850	15,715	11,314	13,451	12,168	8,994	9,119	7,755
Gross margin	6,637	5,412	3,969	4,614	4,302	3,261	2,985	2,583
Gross margin %	33.4%	34.4%	35.1%	34.3%	35.4%	36.3%	32.7%	33.3%
Normal operating costs	(6,009)	(3,256)	(3,009)	(3,869)	(3,613)	(2,846)	(2,464)	(2,364)
Other operating (expenditures)/recovery	-	4,188	(384)	(312)	-	122	-	(1,062)
Other income (expense)	(1,008)	(1,517)	(546)	(183)	(494)	(99)	(445)	(90)
Income tax recovery (expense)	97	5,505	-	34	-	-	1	-
Net (loss)/income	(283)	10,332	30	284	195	438	77	(933)
EPS – Basic	(0.01)	0.48	0.00	0.02	0.01	0.04	0.01	(0.13)
EPS– Diluted	(0.01)	0.47	0.00	0.02	0.01	0.04	0.01	(0.13)
EBITDA[(1)]	1,181	5,135	314	535	400	604	182	(676)
Adjusted EBITDA[(1)]	2,084	2,499	1,481	1,234	1,121	843	773	63

[(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 do naturally fluctuate within our business segments 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, Airfield and Illumination markets 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:

- 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.
- Q3 2015 revenues trended upward due to the acquisition of the Sabik on July 2, 2105. During the quarter the Sabik companies contributed $6.0 million to the total revenue.

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. During Q3 2015, the On-Grid vertical neared completion on a number of projects and was able to recognized revenue on a number of projects which typically carry lower margins.

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. The large increase during Q3 2015 was due to the acquisition of Sabik which added a number of new office locations and approximately 80 employees, with approximately 65 of those expensed within operating costs. Also included in this is $0.9 million of amortization associated with the backlog acquired from Sabik which is expected to be substantially completed by the end of Q4 2015.

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. Other expenses in the third quarter of 2015 primarily relate to foreign exchange losses of $0.5 million and additional M&A costs of $0.5 million which mainly relate to the Sabik acquisition.

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)*	2015	2014	Change
Cash used in operating activities	(7,734)	(853)	(806.7)%
Cash used in investing activities	(17,424)	(24)	(72500)%
Cash provided from financing activities	34,206	6,571	420.6%
Effects of exchange rate changes on cash	(221)	(191)	(15.7)%
Total increase in cash	**8,827**	**5,503**	60.4%

Cash used in operating activities

During the nine months ended September 30, 2015, cash provided by our operating activities, excluding changes in working capital, was $1.9 million which is up from $0.6 million in the same period in 2014 the increase is due to higher net income. Changes in non-cash working capital were negative $9.7 million, up from negative $2.2 million in the same period in 2014. This increase is due to (1) a rise in the number of major projects that have required an upfront working capital investment and (2) a general increase in inventory levels as our business grows. From a project perspective we have seen a number of larger contracts within our On-Grid vertical that have longer payment terms which has resulted in a large increase in our receivables balance. We expect a majority of the On-Grid receivables to be collected in Q4 2015. 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, 2015, cash used for investing activities was $17.4 million, up from less than $0.1 million in the same period in 2014. The 2015 increase primarily relates to the acquisition of Sabik which we disbursed $19.1 million to purchase. The actual value presented in the cash flow statement for the Sabik acquisition is net of $2.1 million of cash within Sabik which was acquired. The remaining amount was from the investment in our new CRM which we continue to improve 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 which was offset by the cash received from the acquisition of Sol, Inc. in Q3 2014.

Cash provided from financing activities

During the nine months ended September 30, 2015, cash provided from financing activities was $34.2 million, up from $6.6 million in the same period in 2014. In 2015, the amount relates to bought deal equity raise backed 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. The 2014 we raised $6.6 million from two different private placements which occurred in Q2 and Q3 of 2014.

5.2. Liquidity and capital resource measures

On September 30, 2015, our overall working capital was $26.8 million, up from $16.1 million 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. Other than regular purchases of production and office equipment, we have no further major capital plans in the near term.

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 $25.75 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) $2.0 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.

The Sabik Group of companies has access to an operating line and loan with a Finnish financial institution. This debt is secured by Carmanah through a letter of credit drawn from the CIBC credit facility noted above.

At September 30, 2015, the principal amount outstanding on the $10 million term acquisition loan was $9.5 million.

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, Creation Technologies LP and Star Precision Fabricating Ltd. We previously had Flextronics as our main contract manufactured; however, we have now fully moved manufacturing away from that facility. 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 products is less than actual use or sales in a given period. At September 30, 2015, our contract manufacturers held approximately $1.9 million (December 31, 2014 - $1.8 million) in inventory and $1.5 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 September 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 October 11, 2015, we announced that Tammy Neske, our Chief Operating Officer, agreed to part ways with immediate effect. Pursuant to the terms of her employment contract, Ms. Neske will receive a severance payment that we will recognize in the fourth quarter of 2015.

Outstanding share data

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at September 30, 2015 we had 24,580,406 fully issued and outstanding common shares. The following table summarizes the outstanding shares, options and other outstanding stock units stated in CAD.

	As at				
	November 12, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Share price – closing (CAD$)	6.79	5.57	6.70	5.90	2.91
Market capitalization (CAD $ in thousands)	166,972	136,913	156,718	100,164	49,403
Outstanding					
Shares	24,590,913	24,580,406	23,390,811	16,977,000	16,977,000
Options	2,153,676	2,164,183	2,006,608	1,325,948	1,335,697
Warrants	319,440	319,440	319,440	-	-

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 September 30, 2015 was $1.1 million, unchanged from $1.1 million at December 31, 2014. There was a decrease in the warranty provision of historical Carmanah and Sol, Inc. sales during the year due to a reduction in general warranty claims as return rates continue to decline. An increase of $0.3 million was related to the acquisition of Sabik based on their historical sales.
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, 2015 our inventory provision was approximately $0.6 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 in Q2 2015 of $0.4 million due to some non-provisioned items remaining at closure. Sabik evaluates their inventory periodically and writes down inventory immediately when they determine it to be obsolete.
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 September 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 September 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 14% 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.
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 disclosed 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.
Fair values of assets and liabilities acquired in business combinations	In a business combination, we acquire various assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (e.g. technology, brand, order backlog, etc.) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including estimates surrounding costs to acquire or reproduce a similar asset, expected cash flows, discount rates, etc. Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on expected discounted cash flows, and is subsequently remeasured to fair value at each reporting date with any subsequent change in fair value recognized in the Consolidated Statement of Earnings and Comprehensive Income. During 2015, significant judgment was required to determine the fair value associated with the acquisition of Sabik, which was acquired on July 2, 2015. The transaction was described in section 3 above. The determination of the purchase price and the associated allocation within our September 30, 2015 financial statements are preliminary and are subject to change. The following are the major areas of judgement within the accounting for the acquisition: • The value of the 1,180,414 shares issued on July 2, 2015 was determined to be $4.5 million. If these shares were valued as per the closing price on July 2, 2015, it would have been $6.4 million, based on the closing share price of $6.79 CAD and a US/CAD exchange rate of 0.7958. However, 948,842 of the shares issued were subject to an escrow or hold period, with approximately 118,605 shares being released from the hold period every 3 months over a 2 year period. As a result, the fair value of these shares have been adjusted downward utilizing a Black Scholes model calculation. The major assumptions for this calculation mainly related to an estimate of our share price volatility, which ranged from 59.5% to 85.8% in the calculations utilized. • We have made a number of estimates and judgements with respects to intangible assets that have been recognized as a result of the acquisition. The major items recognized, include Sabik's sales order backlog, product development assets, customer lists and other similar intangibles.

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 weII as internal controls over financial reporting.

Disclosure controls

Our officers and management have evaluated the effectiveness of our DC&P as at September 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

Prior to the third quarter of 2015, the scope of DC&P and ICFR has been limited to exclude controls, policies and procedures of Sol which was acquired on July 2, 2014. During the second quarter of 2015, we completed the integration of all of Sol's significant processes and as a result we are no longer relying on the associated scope limitation. However, we are relying on the same scope limitation for both DC&P and ICFR surrounding the Sabik acquisition, which closed on July 2, 2015. We are currently assessing Sabik's processes, procedures and associated controls with the aim of removing the scope limitation as soon as we can.

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 nine months ended September 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 September 30,		Nine months ended September 30,	
(US$ in thousands)	2015	2014	2015	2014
Net (loss)/income	(283)	195	10,079	710
Add/(deduct):				
Income taxes	(97)	-	(5,602)	(1)
Amortization	1,218	93	1,519	264
Non-cash stock based compensation	343	112	634	213
EBITDA*	**1,181**	**400**	**6,630**	**1,186**
Merger and acquisition costs	443	129	1,215	731
Extraordinary legal costs	7	257	32	665
Investment tax credits	-	-	(4,320)	-
Restructuring and asset write offs/(recovery)	(8)	-	396	(122)
Other inventory write downs/(recoveries)	(21)	-	368	-
Foreign exchange loss	482	335	1,743	277
Adjusted EBITDA*	**2,084**	**1,121**	**6,064**	**2,737**

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