CARMANAH TECHNOLOGIES CORPORATION

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we put solar to work

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED DECEMBER 31, 2014

March 10, 2015

About this MD&A

This MD&A discusses the consolidated financial condition and operating performance for our Carmanah Technologies Corporation ("Carmanah" or the "Company") and should be read together with 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 recently filed Short Form Prospectus, are available at www.carmanah.com and www.sedar.com. This document contains forward-looking information qualified by reference to the forward-looking statements in the next section.

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

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, Carmanah Solar Power Corporation, Carmanah Technologies (US) Corporation (a US incorporated company), and Sol Inc. ("Sol"), a Florida based company which we acquired on July 2, 2014, 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 March 10, 2015.

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.

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 10, 2015 or under section 7 of this MD&A. 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, including the imposition of new or additional tariffs, duties or other trade barriers on our products or for the materials we use in our products. .

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 Twelve Month Periods Ended December 31, 2014 and 2013

	Three months ended December 31			Year ended December 31		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Consolidated statements of loss						
Revenue	13,451	7,755	73.4%	43,732	25,902	68.8%
Gross margin %	34.3%	33.3%	1.0%	34.7%	28.5%	6.2%
Operating expenditures	(3,869)	(2,364)	63.7%	(12,792)	(10,803)	18.4%
Other operating expenses	(312)	(1,062)	(70.6)%	(190)	(2,027)	(90.6)%
Other expenses	(183)	(90)	103.3%	(1,221)	(113)	980.5%
Net income (loss)	284	(933)	n/a	994	(5,564)	n/a
Consolidated statement of cash flows						
Cash used in operating activities	(1,590)	(1,707)	(6.9)%	(2,443)	(2,457)	(0.6)%
Cash provided/(used) in investing activities	(202)	96	(310.4)%	(226)	(154)	46.8%
Cash provided in financing activities	-	5,345	n/a	6,571	5,219	25.9%
Other measures						
Adjusted EBITDA *	1,011	1	n/a	3,471	(2,769)	n/a

**Adjusted EBITDA is a Non-IFRS measure – see section 8 for discussion*

Positive momentum continued in the fourth quarter of 2014, with revenues of $13.5 million, up from $12.2 million in the third quarter of 2014 and up from $7.8 million in the fourth quarter of 2013. The quarter was profitable, with a net income of $0.3 million and Adjusted EBITDA of $1.0 million. Our recent revenue has come from a combination of organic sales growth across all of our business segments and the acquisition of Sol (described in section 3). The following are some key highlights comparing 2014 to 2013.

Q4 2014 vs Q4 2013

Revenues for the fourth quarter of 2014 were $13.5 million, up from $7.8 million in the same period in 2013. This increase was largely due to the third quarter acquisition of Sol which drove strong revenue growth in our Illumination segment which was up $3.1 million over prior year. We also had strong revenue growth across our other segments, with Signals sales up $1.1 million and Power up $1.5 million. These increases result from recent investments in sales and marketing and new product introductions. Gross margin % for the fourth quarter of 2014 was 34.3%, up from 33.3% in the same period in 2013. This increase is largely due to a greater focus in 2014 on margins and product costs within sales and supply chain. Normalized operating expenditures (excluding restructuring charges) in the fourth quarter of 2014 were $3.9 million, up from $2.4 million in the same period in 2014. This increase was largely due to (1) the addition of Sol's operating costs, and (2) an increase in staff compensation expenses.

Fiscal 2014 vs fiscal 2013

Revenues for fiscal 2014 were $43.7 million, up from $25.9 million in the same period in 2013. We saw increases across all of our segments, with our Signals, Power and Illumination segments up $3.9 million, $5.4 million and $8.5 million, respectively. This increase was largely driven by higher sales from our Illumination segment, which rebounded from low point in 2013 with several project wins and also benefited from the acquisition of Sol, which contributed revenue of $5.5 million for the year. Revenue increases in our Signals segment were largely driven by new product introductions, expanded distribution, and some larger projects. The Power segment benefited from a large block of contract wins in our Solar EPC vertical, while our Go Power! vertical benefited from expanded distribution and new product introductions.

Gross margin % for fiscal 2014 was 34.7%, up from 28.5%. While margins are generally up due to improved discipline on sales initiatives and a more efficient operating structure, a portion of the margin improvement during the year were 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 32.5% for the year.

Normalized operating expenditures (excluding restructuring charges) in fiscal 2014 were $12.8 million, up from $10.8 million in fiscal 2013. This increase was largely due to (1) the addition of Sol's operating costs, and (2) an increase in staff compensation expenses.

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 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 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.
OBSTRUCTION	Carmanah 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.
MARINE	Since initially working with the Canadian and US Coast Guards to create a new generation of aids-to-navigation lanterns, the Carmanah Marine vertical has become an established supplier to Coast Guards, marine authorities, navies and ports around the globe. In 2010, we partnered with the Sabik Group with a vision to deliver one of the most comprehensive lines of short and long-range marine navigation aids on the market. Our main competitors in our Marine vertical include Sealite Pty Ltd, Vega, 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 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 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 segment 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 vertical is focused on the development and construction of roof top commercial solar grid-connected systems. It is operated through our Ontario, Canada based subsidiary, Carmanah Solar Power Corporation ("CSPC"). Over the past decade, we have installed utility connected systems with aggregate capacity of more than five megawatts across more than seventy installations, amassing the broadest range of installation type and complexity of any EPC provider in Canada. Currently this business is primarily focused on the Ontario market due to a Feed-in-Tariff ("FIT") program introduced there by the provincial government. As a leading Solar EPC Services provider, we believe we are well-positioned to support the continued rapid development of the systems the Ontario Power Authority FIT Program facilitates. We continue to monitor opportunities in other jurisdictions beyond the Canadian market.

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

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.

Industry trends and outlook

A number of our products integrate solar panels, solar charge controllers, LEDs, LED optics and LED drivers into products that provide off-grid lighting and signalling solutions. These products suit a variety of applications, usually where grid electricity is unavailable, unreliable or expensive. The underlying technology used by our products is continuously improving, allowing us to enter new markets and to become more competitive with on-grid solutions. The most notable technological trend that is currently shaping these businesses is the continued increase in LED efficiency. As LED improve, the supporting solar power system can be reduced in size and cost, making the whole product more competitive against grid powered products. Improvements in battery and solar panel technology also play a role, but are improving at a much slower rate.

The global solar industry has seen a number of trade disputes over the past few years. Some of the recent trade actions within the US and Canadian markets which may have an impact on us are discussed below.

- On March 5, 2015 Canada Border Services Agency released its preliminary ruling under Canada's Special Import Measures Act concerning alleged dumping and subsidizing of certain photovoltaic modules and laminates originating in the Peoples Republic of China. The preliminary ruling concludes that these modules have been dumped and subsidized and all such modules imported from March 5, 2015 will be subject to the collection of provisional duties pending the final outcome of the investigation. The specific provisional duty rates on these imports is 281%.
- On January 31, 2015, the US Department of Commerce made a final ruling that photovoltaic cells from the Peoples Republic of China and Taiwan have also been dumped and are subsidized. As a result, the US International Trade Commission has imposed countervailing duties. Those products or components within the scope of the ruling are now subject to duties of 91%.
- We currently import photovoltaic modules, some of which will be subject to countervailing duties in the United States and some of which will be subject to Canada's provisional duties. Overall, we expect the impact of these measures on our business to be limited. The following is a discussion of the potential impacts on our various segments.
    - **Power Division** – Our EPC business operates only in Canada and has, up until now, purchased solar PV modules manufactured under Canadian content guidelines for the Ontario Feed-in Tariff Program. However, the Ontario program has relaxed future Canadian content requirements and the solar developers, for whom we complete projects for, were anticipating the use of lower cost PV modules. Canadian module manufacturers and non-Chinese foreign suppliers are active competitors in the market and we believe there will still be abundant competition which will prevent significant increases in module cost. As well, we don't expect to suffer margin losses as, by contract, all component costs are passed along to solar developers. Our Mobile Power or GoPower! business imports flexible solar panels, solar power modules and solar power portable kits into both the United States and Canada. Historically the modules and kits have been obtained from Chinese suppliers, but there are abundant manufacturers of non-Chinese origin. We are actively evaluating modules from these suppliers and expects that we will be able to alter our supply chain with little or no impact on cost. However, this is not the case for flexible solar panels which are only available in reliable form from Chinese suppliers. In order to preserve reasonable profit margins on these products, we have increased our prices on the products that use flexible components by approximately 15%. While such increase is not likely to impact our competitive standing, the increase may cause some reduction in sales which is impossible to quantify at this time. Given that flexible panel based products are only about 2.5% of overall sales, we expect no meaningful financial impact.
    - **Illumination Division** – Our Illumination segment utilizes modules from a variety of countries of origin including the Peoples Republic of China. Our supply management team is content that it can obtain modules at competitive prices and quality levels from sources that are not subject to Canadian and US duties described herein for its US and Canadian customers. Sales made to the rest of the world, where we expect sales growth, are unaffected by the duties. Accordingly, we expect these measures to have virtually no impact on the Illumination segment.
    - Signals Division – Our signals products manufactured in the United States utilize solar cells that attract import duty in accordance with the rulings. The solar PV component represents a very small part of the overall manufacturing cost and the duty on these components will add approximately 1% to the overall cost of manufacturing in the United States. Prior to the duty issue, we made the strategic decision to transition a significant portion of its Signals manufacturing to Canada. Given that the solar PV components are under the power threshold in the scope of the Canadian ruling, there is no duty impact on these products. Our Canadian-based contract manufacturer has commenced production and the transition to Canada is expected to be complete by mid-year, thereby eliminating the small impact the US import duty has on Signals cost when manufactured in Canada.
- Overall, the imposition of duties in Canada and the United States will have limited overall impact on our business once all supply chain adjustments described above are fully in place. For a short period of time we may incur some additional costs resulting from duties that will be absorbed in order to continue service to customers without interruption. We expect its total unbudgeted cost exposure in the adjustment period to be approximately $0.2 million.

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, a competitor to our Illumination segment. Sol is a manufacturer of solar powered outdoor lights in 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 market growth to occur.

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 Mr. 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 Mr. 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 CAD and a US/CAD 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 $5.5 million and a net loss of $0.6 million. If the acquisition had occurred on January 1, 2014, Sol would have contributed revenue of $9.7 million and a net loss of $2.2 million. Within Sol's $2.2 million loss is approximately $0.5 million of costs related to the transaction. Total acquisition related costs incurred by Carmanah were approximately $0.7 million

Our integration plans for Sol include (1) the closure of Sol manufacturing facility and transition to a contract manufacturer, (2) the elimination of overhead and back office functions, (3) the consolidation of our combined product offerings, and (4) the merging of our sales and marketing functions. We are currently midstream on these integration efforts. The following are the major highlights with respects to these plans.

- From a personnel perspective, a total of 9 employees will remain within the Company once all of the restructuring efforts are completed. These employees will mainly be in sales and sales support functions. A total of 15 employees will be terminated, 6 of which occurred during or at the end of the fourth quarter of 2014. In the fourth quarter we took a charge of $0.30 million for severance and retention bonuses related to these employees, with $0.14 million of this paid out prior to the end of the year.
- From a manufacturing and facilities perspective, we have begun the transfer of manufacturing Sol core product lines to a contract manufacturer. We anticipate final production from Sol's current production facility in late Q1 2015 or early Q2 2015. The current plant will be closed by the end of May 2015 which is when the lease on the building expires. In late December 2014, a new office facility was found and a new lease was signed in Stuart, FL.
- From a systems integration perspective, we have started to work on modifying and setting up our ERP and CRM system to allow Sol to transact business on Carmanah's platform. This transition is expected to occur in stages in early 2015.

At present, we don't anticipate significant additional costs to be incurred in 2015 that are specifically associated with the integration, beyond those already accrued.

Equity

During 2014 we also completed two separate non-brokered private placements. These were completed to bolster our working capital and to position ourselves to take advantage of future growth opportunities. 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 CAD from the issuance of 1,930,000 post consolidated shares at a price of $2.20 CAD a share. 1,000,000 of these shares were purchased by insiders of the Company. Insiders participating 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.
    - 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.

- On July 17, 2014, we closed a placement which raised proceeds of approximately $3.0 million CAD from the issuance of 1,200,000 post consolidated shares at a price of $2.50 CAD 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.
  - 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.

We also completed a share consolidation in 2014. The consolidation was announced on July 18, 2014 and was 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.

Corporate initiatives

Over the past year or so, we have worked to streamline and simplify our operations. This work began in late September 2013 and had 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 ERP and CRM systems with a more efficient and 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. The final amount of the restructuring was incurred in Q4 2014 arising from the cancelation of our old ERP system.

During 2014, we implemented a new ERP system went live in stages between October and November of 2014. The initial plan was to roll out a new CRM system at the same time, but this was pushed back to allow for an expanded scope of changes to be made to our business processes. It is anticipated the new CRM will be implemented sometime in the second quarter of 2015. Total cost of the ERP implementation was approximately $0.6 million.

Credit facility

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

Business Highlights

Below are some of the business highlights within each of our market verticals:

- **Signals**
  - Our Marine vertical saw strong growth across its business. Part of this growth came from increased sales to the United States Coast Guard, who awarded us a new multi-year contract to supply our M800 series lanterns. While there is no guaranteed financial value of purchases in the contract, the award has purchase targets of $3.4 million over the life of the contract, which may be up to 5 years if all option years are exercised. The Marine vertical also officially launched a new onboard satellite-based monitored version of its M800 lantern which has been positively received by the market.
  - Within our Traffic vertical, we have focused sales efforts on the rectangular rapid flashing beacon (RRFB) which is becoming a very popular new device in the industry for crosswalks. Year over year sales growth of this product has been strong which is indicative of the accelerating market acceptance. We have supplied a variation of the RRFB to several Departments of Transportation for combating wrong way driving, which has been identified by the National Transportation Safety Board as one of the most serious types of highway accidents.
  - Our Aviation vertical largely focused on developing new go to market strategies which will continue to drive sales and increase our market penetration. The group also launched an all new A704 lantern, which is brighter and more efficient with additional options and available solar engine sizes. The A704 has 3rd party photometric compliance validation to several ICAO and FAA requirements which opens up new markets for us.

- Our Obstruction vertical, which was previously grouped with Aviation, saw tremendous growth in 2014. This growth is largely due to efforts to (1) the develop market specific products, such as the OL800 series that meets both ICAO Type A and B and FAA Type L-810 requirements, (2) the creation of market specific marketing materials and sales strategies, and (3) the expansion of its dedicated sales team. The team anticipates future growth as it continues to expand its distribution channels and marketing strategies.

- **Illumination**
  - Within our Outdoor Lighting vertical, the integration of the Sol acquisition dominated activities during the second half of the year. This included rationalizing the Carmanah and Sol product lines, working to establish contract manufacturing in preparation for the shutdown of the Sol manufacturing facility, and preparing marketing support collateral and tools for the January 2015 launch of the integrated offering. Activities in 2015 will include an evaluation of international markets and the development of a go to market strategy for targeted regions as well as assessment and refinement of the North American strategy and marketing activities.

- **Power**
  - Our Mobile vertical saw strong growth in 2014. This was largely driven by efforts to expand its distribution and routes to market and investment in product development. In the year we introduced a flexible solar module product line "Solar FLEX" for use in specialty markets and RV applications. The uptake on "Solar FLEX" was swift as the markets were clearly ready for a thin, lightweight and powerful monocrystalline solar charging solution. We plan to continue to invest in product development in 2015 and as a result should have a number of new innovative products to introduce to this market.
  - Our Solar EPC vertical saw a number of developments within the Ontario FIT program in 2014. In July the Ontario Power Authority ('OPA') released 120 megawatts of new contracts under FIT 3.0, and in December the OPA offered an additional 100 megawatts of new contracts under the extended FIT 3 Procurement. During the year, our team focused on completing construction of FIT 1.0 and FIT 2.0 projects, pursuing additional contract opportunities offered as part of the FIT 2.0 procurement, and executing on Business Development strategies for securing design-build agreements for FIT 3.0, and Extended FIT 3.0 projects. Over the first half of 2015 the team will remain focused on constructing and connecting the remaining backlog of FIT 1.0 and FIT 2.0 contracts and continue to pursue several significant portfolios of projects which it hopes to secure in and begin build out in the latter half of 2015.

Outlook for 2015

Our Company progressed well in 2014. After a number of years of declining revenues and consistent losses we grew revenues, improved margins and kept operating costs in check. These encouraging results give us the basis upon which to plan for growth both organically and by way of strategic acquisition.

In 2015 we will move cautiously forward in these respects. Our first priority will be to do all that we can to grow revenues through existing and additional sales channels while diligently managing costs. In addition, we will seek to make strategic acquisitions in those business segments where we believe we can eventually become a market leader. Acquisition investments, however, will only be pursued if we can identify outstanding companies that will fit within our business culture. Finally, we will only seek to complete acquisitions if we can do so prudently.

Overall we are cautiously optimistic that we can continue Carmanah's turnaround in 2015 and achieve reasonable levels of growth.

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 consolidated annual financial statements for the year ended December 31, 2014.

4.1. Three and Twelve Month Periods Ended December 31, 2014 and 2013

Revenue and gross margin

	Three months ended December 31,			Year ended December 31,		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Revenues						
Signals	5,360	4,284	25.1%	16,798	12,940	29.8%
Illumination	4,038	921	338.2%	10,489	1,942	440.1%
Power	4,053	2,550	58.9%	16,445	11,020	49.2%
Total revenue	**13,451**	**7,755**	**73.4%**	**43,732**	**25,903**	**68.8%**
Gross margin %						
Signals	44.8%	41.4%	3.4%	45.6%	34.6%	11.0%
Illumination	26.6%	17.2%	9.4%	27.8%	6.1%	21.7%
Power	28.1%	25.5%	2.6%	27.9%	25.2%	2.7%
Total Gross margin %	**34.3%**	**33.3%**	**1.0%**	**34.7%**	**28.5%**	**6.2%**

Consolidated revenues for the twelve months ended December 31, 2014 were $43.7 million, up over $17.8 million over the same period in 2013. Overall, our gross margin for the twelve months ended 2014 was 34.7%, up from 28.5% in the same period in 2013. The following section summarizes the changes by segment.

- **Signals Segment** – Revenues for the fourth quarter of 2014 were $5.4 million, up from $4.3 million in the same period in 2013. Revenues in 2014 were $16.8 million, up from $12.9 million in the same period in 2013. These increases are primarily due to higher revenues from our Marine and Obstruction verticals which have benefited from renewed products and a refreshed sales effort. Offsetting this is lower revenues from our Aviation vertical which is down mainly due to a lack of project based sales closing in the year. Gross margins percentages within Signals in the fourth quarter of 2014 are up 3.4% over the same period in 2013 and up 11.0% year over year. While overall gross margins are up in our Signals segment 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 these anomalies our 2014 margins would have been 4.1% lower.
- **Illumination Segment** – Revenues for the fourth quarter of 2014 were $4.0 million, up from $0.9 million in the same period in 2013. Revenues in 2014 were $10.5 million, up from $1.9 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 segment also includes results from the Sol acquisition which we are reporting on a consolidated basis since July 2, 2014. Fourth quarter revenues from Sol amounted to $3.3 million and $5.5 million for the year. Gross margins percentages within Illumination in the fourth quarter of 2014 are up 9.4% over the same period in 2013 and up 21.7% year over year. 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 Segment** – Revenues for the fourth quarter of 2014 were $4.1 million, up from $2.6 million in the same period in 2013. Revenues in 2014 were $16.4 million, up from $11.0 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 vertical 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 number of contracts. Our backlog at the end of the fourth quarter within Solar EPC Services remains strong, which we anticipate will be delivered on in early 2015 depending on weather within Ontario, Canada. Gross margin percentages within Power for the fourth quarter of 2014 was 27.9%, up from 25.5% from the same period in 2013. Year over year, our gross margins are up a similar amount. These increases are due to (1) higher margins achieved within Solar EPC vertical 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 vertical is difficult to accurately quantify. The impact of the recovery from the solar panel supplier is quantifiable and if factored out of our 2014 margins they would have been 26.7%, or 1.2 % lower.

Sales by geographic region

Approximately 21.9% of our revenues for the year ended 2014 were from outside North America. This is up slightly over the same period in 2013 which was 16.9%.

Operating expenses

	Three months ended December 31			Year ended December 31		
(US$ thousands, unless noted otherwise)	2014	2013	Change	2014	2013	Change
Sales and marketing	1,699	687	147.3%	5,292	3,439	53.9%
Research and development	469	460	2.0%	1,533	1,925	(20.4)%
General and administration	1,701	1,217	39.8%	5,967	5,439	9.7%
Total operating expenditures	**3,869**	**2,364**	**63.7%**	**12,792**	**10,803**	**18.4%**
Operating expenses (excluding restructuring) as % of sales*	28.8%	30.5%	(1.7)%	29.3%	41.7%	(12.5)%
Non-cash items:						
Amortization	*172*	*244*	*(29.5)%*	*436*	*936*	*(53.4)%*
Stock-based payments	*113*	*13*	*769.2%*	*326*	*46*	*608.7%*

** A Non-IFRS measure*

Our total operating expenses for the year ended of 2014 were $12.8 million, up from $10.8 million in 2013. For the three months ended December 31, 2014, our total operating expenses were $3.9 million, up from $2.4 million from the prior year. These increases are largely due to the addition of twenty five full time staff equivalents year over year, mainly as a result of the acquisition of Sol, as well as increased selling costs to support an increase in revenues. Overall, operating expenses as a percent of sales are down 12.5% year over year.

Sales and marketing

Our sales and marketing expenses for the year ended 2014 were $5.3 million, up from $3.4 million in the same period in 2013. Sales and marketing expenses in the fourth quarter of 2014 were $1.7 million, up from $0.7 million in the same period of 2013. These increases were largely the result of higher agent commissions paid to outside companies as well as salaries to internal sales staff as a result of the increased revenues.

Research, engineering and development

Our research, engineering and development expenses for the year ended 2014 were $1.5 million, which is down from $1.9 million from the same period in 2013. For the fourth quarter of 2014, these expenses were $0.5 million, unchanged from the same period in 2013. This annual decline is primarily due to reduced development activities, including a net reduction in dedicated development staff.

General and administration

Our general and administration ("G&A") expenses for the year ended 2014 were $6.0 million, which is up from $5.4 million in the same period in 2013. For the fourth quarter of 2014, these expenses were $1.7 million, up from $1.2 million in the same period in 2013. Included in G&A is $0.3 million of costs related to Sol. Other than this, the following are significant changes which have impacted G&A expenses for the year:

- Legal expenses are up $0.4 million over prior year and is primarily due to costs incurred to defend the lawsuit described under section 5.4.
- Stock compensation is up $0.3 million as a result of a new grants to employees and executives.
- Bad debt expenses reduced by $0.2 million in 2014.

Other operating expenses

During the year ended December 31, 2014, we incurred a number of operating expenses that are non-recurring in nature and have been separately disclosed for better clarity and presentation. These expenses are described below.

Restructuring

During 2014, we recognized net restructuring charges of $0.2 million. This is made up of $0.3 million in restructuring charges associated with the integration of Sol, and a $0.1 million recovery on elements of the restructuring plan from 2013. In fiscal 2013, we incurred restructuring charges of $0.6 million related to a program to help streamline our operations and reduce our salary costs to sustainable levels.

Asset impairments

During the year ended December 31, 2013, we recognized approximately $1.5 million in various intangible and tangible asset impairments. No comparable write offs occurred in 2014.

Other income (expense)

Other expenses were $1.2 million for the year ended 2014, which is up from $0.1 million in the same period in 2013. The 2014 amount relate to foreign exchange losses of $0.5 million and acquisition costs of $0.7 million. The majority of acquisition costs incurred related to the acquisition of Sol, although some costs were incurred pursuing other strategic acquisitions. The 2013 amount primarily relates to foreign exchange losses.

Income taxes

Our income tax expense for the year ended December 2014 was less than $0.1 million, up from almost nil in 2013. Although our main corporate entity has substantial tax assets that should allow us to shield significant future taxable earnings we expect some income taxes payable due to our corporate structure arising from subsidiaries based in the US and Ontario. These entities do not have any substantial tax assets to shield future taxable earnings.

4.2. Quarterly Trends

(US$ thousands, except EPS amounts)	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	13,451	12,168	8,994	9,119	7,755	4,863	6,319	6,965
Gross margin	4,614	4,302	3,261	2,985	2,583	1,152	1,542	2,107
Gross margin %	34.3%	35.4%	36.3%	32.7%	33.3%	23.7%	24.4%	30.3%
Operating costs	(3,869)	(3,613)	(2,846)	(2,464)	(2,364)	(2,599)	(3,039)	(2,801)
Other operating (expenditures)	(312)	-	122	-	(1,062)	-	(965)	-
Other income (expense)	(183)	(494)	(99)	(445)	(90)	8	(15)	(16)
Income tax (expense)	34	-	-	1	-	(3)	-	(2)
Net (loss)/income	284	195	438	77	(933)	(1,442)	(2,477)	(712)
EPS – Basic	0.02	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)
EPS– Diluted	0.02	0.01	0.04	0.01	(0.13)	(0.29)	(0.49)	(0.14)
EBITDA[(1)]	535	400	604	182	(676)	(1,297)	(2,174)	(430)
Adjusted EBITDA[(1)]	1,011	786	1,071	603	1	(1,131)	(1,209)	(430)

[(1)] *EBITDA and Adjusted EBITDA are a non-IFRS measure 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 often have long tender processes and fluctuating timelines. This is most pronounced within our Solar EPC Services, Aviation and Outdoor Lighting market verticals and to a lesser extent within our Marine and Traffic verticals. 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. Beyond the upswing in revenues experienced over the past year, the only other anomaly to note is the Q3 2013 revenues which at $4.9 million were substantially lower than normal. This was primarily due to lower sales in our Aviation, Outdoor Lighting and Solar EPC verticals. A good portion of this was due to timing of project sales. The quarter also suffered a bit from production problems caused by our transition between contract manufacturing facilities.

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.

Our operating costs were relatively stable at around $3 million a quarter. Q3 and Q4 2014 are higher which will continue into the future with the addition of employees and G&A costs associated with the acquisition of Sol. Q3 and Q4 of 2013 and Q1 of 2014 trended lower due to restructuring initiatives. These initiatives resulted in lower salaries expense, development expenditures, travel and marketing and advertising costs.

Other operating expenditures 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. Q4 2013 included $0.5 million related to severance costs associated with a reduction of our staffing levels, and asset impairments of $0.5 million in the fourth quarter and $1.0 million in the second quarter of 2013. See section 4.1 for a description of the asset impairments incurred during 2013.

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 third and fourth quarter of 2014 included costs associated with the acquisition of Sol.

4.3. Select Annual Information

The following table provides selected financial information for the last three fiscal years.

Year ended December 31 *(in thousands US$, unless noted otherwise)*	2014	2013	2012
Sales	43,732	25,902	26,442
Gross margin	15,162	7,384	8,239
Income/(loss) from continuing operations	994	(5,564)	(3,921)
Income/(loss) per Share – Basic and Diluted	0.07	(0.10)	(0.09)
Net income/(loss)	994	(5,564)	(3,921)
Income/(loss) per Share – Basic and Diluted	0.07	(0.10)	(0.09)
Total assets	33,367	14,957	13,176
Total long-term financial liabilities	-	-	-
Cash dividend	-	-	-

The Company's loss from continuing operations increased in 2013 from 2012 due to impairment of assets, write off of intangibles assets and restructuring activities. Income from continuing operations in 2014 was the result of the successful restructuring activities initiated in 2013 which resulted in lower overall operating costs and increased sales efficiencies.

Assets increased from 2012 to 2013 due to an increase in cash from a rights offering which was offering as well as an increased in accounts receivable year over year. These were offset by lower capital and intangible assets written off in 2013 as part of the restructuring efforts previously described. Assets in 2014 increased primarily due to the acquisitions of Sol as well as cash increases from equity issuances.

Sales decreased slightly in 2013 over 2012 due to lack or project based sales and increased competition across our Signals segment.

5. LIQUIDITY, CAPITAL RESOURCES AND OTHER DISCLOSURES

5.1. Summary of Consolidated Statement of Cash Flows

Year ended December 31 *(US$ thousands, unless noted otherwise)*	2014	2013	Change
Cash provided/(used) in operating activities	(2,443)	(2,457)	1.2%
Cash used in investing activities	(226)	(154)	46.8%
Cash provided from financing activities	6,571	5,219	25.9%
Effects of exchange rate changes on cash	(392)	56	(723.2)%
Total increase/(decrease) in cash	**3,510**	**2,664**	**31.8%**

Cash used in operating activities

During the year ended December 31, 2014, cash used by our operating activities, excluding changes in working capital, was $2.3 million which is up from negative $3.0 million in the same period in 2013. Changes in non-cash working capital were negative $4.7 million, down from cash provided of $0.6 million from the same period in 2013. 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 year ended December 31, 2014, cash used for investing activities was $0.2 million, up slightly from the same period in 2013. The additions in 2014 mainly related to investments in our new ERP and CRM systems of $0.7 million and computer hardware of $0.2 million. This was offset by the cash recognized on the acquisition of Sol. 2013 additions mainly related to purchases of production equipment.

Cash provided from financing activities

During the year ended December 31, 2014, cash provided by financing activities was $6.6 million compared to $5.2 million in the same period in 2013. In 2014, we completed two private placements which raised approximately $6.6 million in gross proceeds. In 2013, we completed a rights offering which raised approximately $5.7 million in gross proceeds. Costs associated with the private placements were less than $0.1 million and costs associated with the equity issues were approximately $0.5 million. Section 3 provides more details associated with these transactions.

5.2. Liquidity and Capital Resource Measures

On December 31, 2014, our overall working capital was $16.0 million, an increase of $7.9 million compared to $8.1 million at December 31, 2013. This increase is due to the acquisition of Sol assets as well as the private placements which increased our cash balance.

In 2013, the company completed a Rights Offering which raised a net amount of $5.2 million. We previously disclosed that the proceeds from the 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 outlined in section 3. The following table outlines the use of proceeds to December 31, 2014 for items other than working capital:

(US$ thousands)	As per previous disclosure	Incurred to December 31, 2014
Restructuring activities	Cash amounts not specified*	438

* - previous disclosure of the restructuring activities estimated the restructuring charges at $0.9 million. Actual restructuring expenses incurred amounted to $0.4 million which have all been paid out as of December 31, 2014. A few positions which were to be eliminated under the plan were ultimately kept due to changes in the Company's business plans. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. The previous estimate of $0.9 million had included some asset write offs which have been separately disclosed for clearer presentation.

Our capital plans for 2014 included the replacement of our ERP and CRM systems. This decision was primarily made in an effort to streamline business processes and reduce ongoing operating costs associated with the legacy systems. The ERP went live in Q4 2014 at a total cost of $0.6 million. 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 CRM will be delayed and rolled into a larger project that will include changes to our go forward sales strategies and is expected to go live in early Q2 2015.

We are continuing to evaluate our operations in an effort to improve our ability to meet our customer's needs in a profitable manner. Our primary source of liquidity has been from equity issuances as described in section 3. Future liquidity is expected to come from operating activities with the exception of mergers and acquisitions which will be funded with financing activities. Future changes in our inventory management and manufacturing arrangements may occur which could have a significant impact on our liquidity and working capital positions.

5.3. Contractual Obligations and Commitments

We work with a number of operating leases that cover facilities and equipment as well as committed contracts covering various IT services. The following table outlines the minimum amounts due under these agreements in future years as at December 31, 2014:

(US$ thousands, unless noted otherwise)	Facility leases	Equipment leases	IT service contracts	Total
Not later than 1 year	354	35	-	389
2 year to 3 years	330	41	-	371
Total	684	76	-	760

The total lease commitments are expected to be funded by cash flows from operations.

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 December 31, 2014 was $1.8 million (December 31, 2013 - $0.9 million), and the value of planned purchase orders to support our expected future demand was $1.2 million (December 31, 2013 - $1.8 million). Inventory held at other contract manufacturers is approximately $0.2 million in aggregate.

5.4. 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 held by the Company. 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 to 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 December 31, 2014. We have and are continuing to pursue our insurance company for coverage of associated defense costs.

In early March 2015, the Company 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 the Company's 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 incurred by the Company. The lawsuit seeks to recover legal expenses and damages. To the end of December 31, 2014, the Company has incurred approximately $1.1 million defending the underlying lawsuit.

5.5. Contingent Liability

None

5.6. 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 5.3, Contractual obligations and commitments.

5.7. 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.

5.8. 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, are also a related party transaction given the involvement of insiders.

5.9. Proposed Transaction

None

5.10. Outstanding share data

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at December 31, 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 CAD.

	As at				
	March 10, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Share price – closing (CAD$)	4.00	2.91	2.56	2.00	2.10
Market capitalization (CAD $ in thousands)	67,908	49,403	43,461	23,982	21,129
Outstanding					
Shares	16,977,000	16,977,000	16,977,000	11,991,201	10,061,201
Options	1,325,948	1,335,697	1,109,600	1,036,950	377,200
Restricted share units	-	-	-	-	-
Performance share units	-	-	-	-	-

6. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

6.1. Critical Accounting Estimates

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

The significant accounting policies and estimates are discussed below:

Accounting policy	Estimates
Warranty provision	A provision for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. We review the provision quarterly and adjust it prospectively. The total provision as at December 31, 2014 was $1.1 million, up from $0.9 million at December 31, 2013. The increase in the warranty provision during the year was due to the acquisition of Sol, with the agreement requiring us to pick up their historical warranty claims, up to a maximum of $0.4 million. Historical Carmanah provisions decreased $0.1 million and the $0.1 million provision relating to historical Spot products was reversed in 2014 due to reduced warranty claims. The $0.1 million provision to cover costs associated with monitoring services provided by Cirrus for SIMA enabled products which we sold remains unchanged in 2014. 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.
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 December 31, 2014 our inventory provision was approximately $1.5 million, up from $1.0 million at December 31, 2013, mainly due to additions to the provision for slow moving Outdoor Lighting inventory.
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 December 31, 2014, our allowance for doubtful accounts was $0.1 million, unchanged from December 31, 2013.
Forfeiture rates associated with share-based payments	In determining share-based payments expense, we make estimates related to forfeiture rates for each specific grant. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the statement of income (loss) and total comprehensive income (loss) in the year that they occur. Current forfeiture rates applied to grants range from 5% to 26% and vary depending upon the employee make-up of the associated grants.
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 2014, significant judgment was required to determine the fair value associated with respects to the acquisition of Sol (described in section 3). Approximately $0.3 million of intangibles were recognized which related to two specific assets which met the criteria for recognition. These are described below: • Sol's designs and technology related to its charge controller utilized in its core products. We determined Sol's charge controller was better designed and more cost effective than the one currently utilized in our products and as a result is being integrated into our products on a go forward basis. A value of $0.25 million was attributed to this asset based on our estimate to engineering a similar controller. This amount will be amortized over 2 years as this is our best estimate of its useful life. • Sol's rights to the domain name (solarlighting.com) for its main website. This website generates a significant number of sales opportunities and leads which helps to drive some of the sales for the entity. Sol had never tracked the value of revenue derived from these leads so fair value has been calculated by looking at comparable transactions of similar domain names. Based on this, we have estimated the fair value of this asset at $0.05 million. Other significant estimates associated with the acquisition of Sol included determining the fair value of inventory acquired which required our judgment in assessing the value of highly specialized part, some of which were associated with product lines that were unprofitable or had limited sales prospects.

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 Solar EPC 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, the Company will at times have unbilled receivables which arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the Consolidated Statement of Financial Position.

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 December 31, 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 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 are some segregation of duties issues and a lack of documented review in certain areas. Some of these issues have been addressed during 2014, but there is further work is needed to fully validate the controls are appropriately designed and operating effectively prior to full certification. We do not believe these control issues are a material weaknesses and we are currently developing a detailed plan for 2015 to fully remediate these potential control weaknesses.

Limitation on scope of design

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

7. RISKS AND RISK MANAGEMENT

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

Area of Risk	Description
Competitive Environment	The competitive environment varies between our different business segments and thus includes companies who (1) manufacture, sell and install off-grid lighting devices, (2) engineer, procure and install roof top grid connected solar systems, and (3) provide off-grid power solutions. We compete on the basis of product performance, product features, price, quality and post-installation product support. Our ability to compete successfully depends on factors within and beyond our control, including successful and timely development of new products, product performance and quality, product availability, intellectual property protection obtained by us and our competitors, customer service, pricing, industry trends and general economic trends. In particular, we anticipate that certain competitors may transition to off-grid lighting in the future. If, and when, this transition occurs, the greater name recognition and financial resources of these competitors may make it difficult for us to compete. To be successful, we will need to keep pace with rapid changes in lighting technology, changing customer requirements, new product introductions by competitors and evolving industry standards, any of which could render the our existing products obsolete if it fails to respond in a timely manner. Development of new products incorporating advanced technology is a complex process subject to numerous uncertainties. We have in the past experienced, and could in the future experience, delays in introduction of new products. If others develop superior innovative proprietary lighting technology our competitive position may be harmed and it may not achieve sufficient growth in revenue to attain, or sustain, profitability.
Competition with Other Energy Sources	Off-grid LED lighting products compete with products powered by conventional energy and other sources of renewable energy. There is a risk that similar products with alternative power sources will enjoy greater policy support or provide a more cost-effective alternative to conventional lighting than our products.
Technological Changes	Our products rely on us keeping pace with technological changes. Failure to keep pace with state-of-the-art technologies and methodologies may have a materially adverse effect on our results. Evolving industry standards and/or customer needs may have an effect on demand for our products. Our products may be rendered obsolete or less marketable due to technological advances made by competitors. In order to maintain our current market share, we may have to make substantial investments in product innovation and development.

Anticipated Adoption Rates for Off-Grid LED Lighting	While we have invested heavily in the development of off-grid LED lighting products, off-grid LED lighting is still in its early stages. If the rate of off-grid LED lighting adoption is slower than the anticipated commercial trends and we are unable to meet the forecasted sales volumes, we may not generate sufficient revenues to sustain profitability. In addition, demand for off-grid LED lighting products in our targeted markets may not develop or may develop to a lesser extent than anticipated.
Ability to Manage Expansion Effectively	We expect to expand our business in the future to meet the anticipated growth in demand for off-grid LED lighting products. If we are unable to manage growth effectively, we may not be able to take advantage of market opportunities, execute our business strategy or respond to competitive pressures. To manage the potential growth of our operations, we may be required to improve operational systems and procedures and expand our relationships with suppliers, manufacturers, distributors and customers. There can be no assurance that the current and planned operations, personnel, systems and internal procedures will be adequate to support future growth.
Foreign Exchange	We have exposures to foreign currency fluctuations, most significantly between the US and Canadian dollar. At present our functional and reporting currency is the US dollar, as a significant portion of our sales and cost of sales is denominated in US dollar. However a significant portion of our operating costs are denominated in Canadian dollars and we generally finance in Canadian dollars as well. As a result, we are exposed to US/Canadian dollar fluctuations which may negatively impact our results. At present level, a lower Canadian dollar positively impacts our results. In the past we have entered into foreign exchange contracts to manage exchange rate risks, although none in the past two years. On a regular basis we evaluate our foreign exchange exposures and determine if any action is required. We evaluate our exposures from time to time to We have not, and do not intend to use foreign exchange contracts, or any other financial instruments, for speculative purposes.
Reliance on Third Party Manufacturers	We rely on third party manufacturers and suppliers to provide certain products used in our components. While we maintain good relationships with suppliers, increased product demand can lead to increased demand on these providers, which they may not be able to meet. The failure of a supplier to meet product demands and/or specifications could result in significant production delays, which could harm our operations. Should a manufacturer or supplier suffer financial difficulties or any other disruption in manufacturing capacity, we may not be able to secure adequate substitute manufacturing sources for our products in a timely manner. While we believe we have sufficient access to manufacturing capacity to meet current and expected future requirements, it is possible that future capacity needs will not be available. Additionally, as we rely on third party manufacturers, we are subject to risks associated with limited control over delivery schedules, reductions in capacity, the possibility of defects, the possibility of increased products costs and variable product quality.
Reliance on Outside Agents and Distributors	Market penetration of our products heavily depends on the success levels of our distributors and sales agents. There can be no assurances that we will successfully develop and maintain such alliances or that the sales efforts of our distributors and sales agents will be successful. In an effort to increase sales and margins, we are in the process of developing additional and more direct routes to market. These plans may result in channel conflict which could negatively impact our sales.
Reliance on Key Employees	Our success depends on our continued ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, administrative and sales and marketing personnel. To a significant extent, our success will depend on our senior management team. Competition for these individuals is intense and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. In particular, we may encounter difficulties in recruiting and retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products and adversely impact our relationships with existing and future customers.
Intellectual Property Risks	A number of our products employ new and innovative technologies. Although we are careful to ensure we have the right to technology utilized in our products we face the risk of infringing on the patents of others. We pursue a strategy of protecting the technology we developed through a combination of patent, copyright, trademark and trade secret laws, employee and third party

	nondisclosure agreements and similar means. Despite our efforts, other parties may attempt to disclose, obtain or use our technologies. Competitors may also be able to independently develop products that are substantially equivalent or superior to our products or design around our patents. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of Canada. As a result, we may not be able to protect our proprietary rights adequately in Canada or abroad Because our patent position involves complex legal, scientific, and factual questions, the issuance, scope, validity and enforceability of our patents cannot be predicted with certainty. Our issued patents may be invalidated or their enforceability challenged, they may be designed around, and they may not provide us with competitive advantages against others with similar products and technology. Furthermore, others may independently develop similar products or technology or duplicate or design around any technologies that we have developed. We may receive notices that claim we have infringed upon the intellectual property of others. Even if these claims are not valid, they could subject us to significant costs and could materially harm our business. Litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. An adverse outcome in litigation or any similar proceedings could subject us to significant liabilities to third parties, require us to license disputed rights from others or require us to cease marketing or using certain products or technologies. We may not be able to obtain any licenses on acceptable terms, if at all. We also may have to indemnify certain customers if it is determined that we have infringed upon or misappropriated another party's intellectual property. Any of these results could adversely affect our business, financial condition and results of operations.
Environmental and Regulatory Compliance	We are subject to a variety of environmental laws, rules and regulations, with which we believe we are in compliance. In certain cases, the cost of compliance with regulations can be substantial. Failure to comply with present or future regulations could result in legal claims, fines, operation suspensions or cessation of operations. Compliance often requires incurring costs and capital expenditures. We face few, if any, of these issues directly as we rely on third party manufacturers.
Government Contracts and Subsidies	A significant portion of our revenues are derived from government and military agencies. Consequently, any disruption in government funding or in the relationship with those agencies could adversely affect our business. Additionally, there are many government subsidies and economic incentives for solar energy related businesses, including the FIT Program established by the Government of Ontario. There is no guarantee that these incentives and subsidies will remain in place or that other countries, states, provinces or municipalities will adopt similar programs. The elimination of such subsidies and incentives, or the failure of additional countries, states, provinces or municipalities to adopt similar programs, may have an adverse impact on the solar market, and may result in rapid changes in demand and pricing. Such changes may have an adverse impact on our business and financial condition.
Product Quality and Reliability and Warranty Liability Risk	Problems with product quality and/or performance, including defects in products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share. We cannot test for all defects, and occasionally defects may be detected after products have been shipped or installed. These defects could cause us to incur significant costs, including product replacement, and may adversely affect our customer relations and business reputation. Additionally, because we source many of our components from third party manufacturers, our ability to control product quality is limited. We operate in a market where product reliability is essential as our products are often used as safety devices. A significant product failure could expose us to liability claims. While we maintain insurance to cover these risks, the adequacy of this coverage may be insufficient and litigation may extend beyond coverage held by the Company. Our grid-tie business strategy is to focus on securing EPC contracts. By their nature, these contracts include construction industry agreement terms including, amongst others, liquidated damages and indemnification obligations. We try to use our commercial best efforts to minimize our liability on such exposure.

	If negative factors occur that are beyond our control or if disputes arise and are not settled favorably, they may have an adverse impact on our business, financial condition and results of operations.
Downturn in Economic and Market Conditions	The lighting industry is susceptible to downturns related to declines in general economic conditions. Demand for solar lighting products and components are adversely impacted by the global financial crisis and corresponding decreases in or postponement of infrastructure spending budgets. We may continue to be adversely impacted by downturns in general economic and market conditions, both nationally and internationally. Economic downturns generally, or in our markets specifically, would have a material adverse effect on our, cash flows, financial condition and results of operations. Our future results of operations may experience substantial fluctuations from period to period as a consequence of these factors, and such conditions and other factors affecting capital spending may affect the timing of orders. As we sell to governments who continue to suffer from deficit spending and may need to cut spending further, we may experience a softening demand for our products. Continued economic adversity coupled with a decline in our revenue could adversely affect our ability to meet capital requirements, support working capital requirements and growth objectives, or otherwise adversely affect our business, financial condition and results of operations.
Liquidity and Capital Requirements	Although we have had some recent success in growing our sales in a profitable manner, we face a variety of challenges to maintain this in the coming periods. To do so, we must be prudent in adding operating costs and ensure we have sufficient liquidity as our working capital needs grow. There can be no assurance that we will be able to maintain adequate liquidity without additional capital. Our future growth may also come from mergers and acquisitions, which may require us to raise additional capital. There is no guarantee we will be able to raise the necessary capital, and we may be forced to do so on terms that significantly dilute existing holders of our common shares.
Litigation Risk	We may in the future become involved in disputes, litigation or arbitration proceedings. The results of these proceedings cannot be predicted with certainty. If we are unable to resolve these disputes favorably, it may have an adverse impact on our business, financial condition and results of operations.
Acquisitions or other Business Transactions	We may, when and if the opportunity arises, acquire other products, technologies or businesses with activities or product lines that are complementary to our business. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies and products of the acquired companies the diversion of management's attention from other business concerns, risks associated with entering new markets or conducting operations in industry segments in which we have no or limited experience and the potential loss of key employees of the acquired company. There can be no assurances that any anticipated benefits of an acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the use of cash, the incurrence of debt and contingent liabilities, and write-off of acquired research and development costs, all of which could materially adversely affect our financial condition, results of operations and cash flows.
Potential Reorganization of Operations or Product Offerings	We routinely review our operations for additional efficiency opportunities or to reduce costs. That analysis may lead to the determination to close, eliminate, rationalize or reduce operations and divisions and/or alter the sales, manufacturing or distribution structure. Should we decide to pursue any such changes it may incur additional charges and losses which may be material. In addition, we could experience difficulties, disruptions or delays in the implementation of any such changes and there can be no assurance that we will be able to implement these programs successfully or on a timely basis.
Geopolitical and other Global or Local Events	Geopolitical and other global or local events may have a significant effect on our operations as we operate in numerous foreign countries. Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of our normal operations and may disrupt the domestic and international travel of our distributors and sales agents.

8. Definitions and Reconciliations

EBITDA and Adjusted EBITDA

For the three months and year ended December 31, 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 December 31,		Year ended December 31,	
(US$ in thousands)	2014	2013	2014	2013
Net income (loss)	284	(933)	994	(5,564)
Add/(deduct):				
Income taxes	(34)	-	(35)	5
Amortization	172	244	436	936
Non-cash stock based compensation	113	13	326	46
EBITDA*	**535**	**(676)**	**1,721**	**(4,577)**
Merger and acquisition costs	25	-	756	-
Extraordinary legal costs	139	125	804	291
Restructuring and asset write offs	312	552	190	1,517
Adjusted EBITDA*	**1,011**	**1**	**3,471**	**(2,769)**

* A Non-IFRS measure