CARMANAH TECHNOLOGIES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

May 7, 2014

About this MD&A

This MD&A discusses the consolidated financial condition and operating performance for our Company and should be read together with our condensed consolidated interim financial statements for the three months ended March 31, 2014, and our audited consolidated financial statements for the year ended December 31, 2013. These documents, along with additional information about our Company, including the Annual Report, Annual Information Form, and so forth, are available at www.carmanah.com and www.sedar.com. This document contains forward-looking information qualified by reference to the forward-looking statements in the next section.

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

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, Carmanah Solar Power Corporation, and Carmanah Technologies (US) Corporation (a US incorporated company).

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 May 7, 2014.

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

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1	Financial Highlights	A summary of our consolidated results for the quarter ended March 31, 2014
2	Our Business	An overview of our business and the industries and markets we operate in
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4	Financial Results	A discussion of our financial performance for the period
5	Liquidity, Capital Resources and Other Disclosures	A discussion of our operating cash flows, investments and financing activities, as well as liquidity, credit facilities and other disclosures
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Caution regarding forward-looking statements

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual results or events to differ materially from those anticipated in such forward looking statements. Although the forward-looking statements contained in this MD&A are based upon what we believe to be reasonable assumptions, prospective investors cannot be assured that actual results will be consistent with these forward-looking statements. In evaluating these statements, readers should specifically consider various factors, including the risks discussed under the heading "Risk Factors" in our annual information form dated March 31, 2014. Additionally, factors that could cause or contribute to such differences include, but are not limited to, the following:

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

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

1. FINANCIAL HIGHLIGHTS

Financial Highlights for the Three Month Periods Ended March 31, 2014 and 2013

(US$ thousands, unless noted otherwise)	Three months ended March 31, 2014	2013	Change
Consolidated statements of income and loss			
Revenue	9,119	6,965	30.9%
Gross margin %	32.7%	30.3%	1.9%
Operating expenditures	2,464	2,801	(12.0)%
Other income (expenses)	(445)	(16)	2681%
Net income (loss)	77	(712)	110.8%
Consolidated statement of cash flows			
Cash provided/(used) in operating activities	98	(429)	114.2%
Cash used in investing activities	(194)	(98)	(98.0)%
Cash provided in financing activities	-	-	-
Other measures			
EBITDA *	457	(475)	206.3%

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

Our first quarter 2014 revenues were $9.1 million, up from $7.0 million in the first quarter of 2013. This increase was primarily driven by higher sales from all operating departments. Gross margin % in the first quarter of 2014 is up 1.9% over the same period in 2013 mainly due to product mix and reduced discounting. Operating costs in the first quarter of 2014 were $2.5 million, down from $2.8 million in 2013. This decrease is mainly due to reduced salaries and amortization, down $0.3 million and $0.1 million respectively. Operating costs in the first quarter of 2014 included higher legal costs as a result of defending an ongoing lawsuit which is described in section 5.5. These legal costs are expected to continue in future quarters until the lawsuit is completed. If the case continues, trial is expected to occur sometime in early 2015.

Other expenses were $0.4 million in the first quarter of 2014, compared to almost nil Q1 2013. These costs included $0.2 million of foreign exchange losses and $0.2 million in merger and acquisition related costs associated with our pending acquisition of SOL Inc ("Sol"). Our overall net income in Q1 2014 was $0.1 million, compared to a loss of $0.7 million in Q1 2013.

2. OUR BUSINESS

From our headquarters in Victoria, British Columbia, Canada, we design, develop and distribute solar LED lights and solar power systems. 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 early 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" and "Power". The Signals segment includes results from our Traffic, Marine, Aviation and Obstruction verticals. The Power segment includes results from our Outdoor Lighting, GoPower! and Solar EPC Services verticals. The following provides an overview of these segments and their associated underlying verticals.

The product offering across the verticals of the Signals segment 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 customers, distribution channels and routes to markets.

Signals	
Aviation	Carmanah Aviation 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. In 2009, we formed a relationship with the global airfield lighting technology provider ADB Airfield Solutions, LLC ("ADB"). The relationship provides ADB with a line of ADB-branded self-contained Off-grid LED airfield lighting products and provides us with a global route to markets

	targeting the commercial aviation sector for increased market penetration. Our main competitors in our Aviation market include Avlite Systems Pty Ltd and Metalite.
Obstruction	Carmanah Obstruction division 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 market 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 division has become an established supplier to Coast Guards, marine authorities, navies and ports around the globe. In 2010, we partnered with the Sabik Group with a vision to deliver one of the most comprehensive lines of short and long-range marine navigation aids on the market. Our main competitors in our Marine market include Sealite Pty Ltd, Vega, and Tideland.
Traffic	Carmanah solar flashing beacons have been in use across North America for well over a decade, working as reliably in the harsh winter climates of Ohio as they do in the hot Florida sun. Departments of transport, traffic agencies, and active transportation groups continue to call on Carmanah beacons when they are looking for reliable, cost-effective products backed by a friendly and knowledgeable team of experts. Products include pedestrian crosswalk signals, school zone flashers and 24-hr roadway beacons. Our main competitors in our Traffic market include JS Foster Corporation and TAPCO (Traffic & Parking Control Company Inc).

The verticals within the Power segment are also similar in nature. Each of these businesses integrates solar components into unique product and project solutions.

Power	
Outdoor Lighting	Carmanah Outdoor Lighting division provides products for use in general illumination applications for pathways, parking lots, and pedestrian areas, as well as highway/street lighting and perimeter lighting. Our outdoor lighting division 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 Outdoor Lighting area are SOL Inc., Solar Electric Power Company (SEPCO) and Solar One.
Solar EPC	The Solar Engineering Procurement and Construction ("EPC") Services segment 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 OPA FIT Program facilitates. We continue to monitor opportunities in other jurisdictions beyond the Canadian market.
Go Power!	Marketed under the Go Power! brand, this distribution business 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, as well as through Amazon.com, a large online retailer. Operationally we utilize several 3rd party manufacturers and logistics warehouses to stock and distribute associated inventory. Some of our competitors in the Go Power! market area include Xantrex and Samlex.

3. OPERATIONAL AND BUSINESS HIGHLIGHTS

Our 2014 operational and business highlights are discussed below.

Sol acquisition
On March 21, 2014, we announced that we entered into a binding letter of intent ("LOI") to acquire SOL Inc ("Sol"), a Florida based competitor in to our outdoor lighting business vertical. Under the terms of the LOI, we will acquire all of the shares of Sol for the following consideration:

- 38,163,176 of our common shares which will be issued from treasury; and
- A royalty or earn-out payable to electing former shareholders of Sol equal to 3% of total revenues we receive in respects of certain specified prospective sales by Sol provided each identified project results in revenues of at least $5.0 million and are subject to other conditions.

Michael Sonnenfeldt, our Chairman of the Board, currently owns 84.5% of the outstanding shares of Sol as well as 23.4% of our outstanding common shares. As a result, the Acquisition will be considered a "related party transaction" for purposes of applicable Canadian securities laws. As part of the deal, Mr. Sonnenfeldt will waive receipt of the royalty or earn-out payment which will be then provided on a proportional basis to the other Sol Shareholders.

The acquisition is subject to the successful sign off on a definitive purchase agreement and a variety of approvals, including a vote by shareholders and various regulatory approvals. The Company's shareholders will be voting on the proposed acquisition at the next Annual General Meeting, which is currently scheduled for June 23, 2014. As a result of Mr. Sonnenfeldt's conflict of interest, he is not eligible to vote on the transaction.

This acquisition will be a business combination. The values associated with preliminary purchase price allocation will depend upon the Company's share price upon closing.

Private placement
On March 31, 2014, we announced plans for a non-brokered private placement ("Placement") to raise approximately $4.2 million CDN. This Placement closed April 4, 2014 and resulted in the issuance of 19,300,000 shares at a price of $0.22 a share. 10,000,000 of these shares were purchased by insiders of the Company. The following insiders with holdings of approximately 10% or more participated in the Private Placement:

- Michael Sonnenfeldt, our Chairman of the Board and largest shareholder, subscribed for 3,500,000 Shares under the Private Placement. Subsequent to the Placement, Mr. Sonnenfeldt holds 28,037,778 common shares, representing approximately 23.4% of our issued and outstanding common shares.
- Jim Meekison subscribed for 3,000,000 Shares under the Private Placement. Mr. Meekison sits on our Board and subsequent to the Placement holds 13,178,000 common shares, representing approximately 11.0% of our issued and outstanding common shares.

Subsequent to the acquisition, insiders held approximately 44% of our issued and outstanding common shares. The proceeds from this Placement are to be used for general corporate purposes, specifically working capital.

Corporate initiatives
During the first quarter of 2014 we continued our effort to streamline and simplify our operations. This included the continued execution of our restructuring initiative with two positions/employees being terminated as planned and the launch of a project to replace our old ERP and CRM systems with a more efficient and cost effective solution. Detailed planning activities for the ERP/CRM replacement project began in early January 2014 and we expect to implement the new system in July 2014. . We currently estimate that we will see direct cost savings (licensing, hosting expenses, and support costs) of between $0.2 and $0.3 million annually as a result of this conversion. The total expected investment on this project is between $0.4 million and $0.5 million.

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 three months ended March 31, 2014.

4.1. Three month periods ended March 31, 2014 and 2013

Revenue and gross margin

	Three months ended March 31,		
(US$ thousands, unless noted otherwise)	2014	2013	Change
Revenues			
Signals	4,058	3,136	29.4%
Power	5,061	3,829	32.2%
Total revenue	**9,119**	**6,965**	**30.9%**
Gross margin %			
Signals	38.6%	36.0%	2.6%
Power	28.0%	25.5%	2.5%
Total Gross margin %	**32.7%**	**30.3%**	**2.4%**

Consolidated revenues for the three months ended March 31, 2014 were up $2.3 million over the same period in 2013. Overall, our gross margin for the three months ended 2014 was 32.7%, up from 30.3% in the same period in 2013. The following section summarizes the changes by segment.

- **Signals** – Revenues for the first quarter of 2014 were $4.1 million, up from $3.1 million in the same period in 2013. This increase is primarily due to higher revenues from our Marine, Aviation and Obstruction verticals which have benefited from renewed products and a refreshed sales effort. Our Traffic revenues were down slightly, however this is mainly due to a spike in Traffic sales in Q1 2013. Gross margins % within Signals in the first quarter of 2014 are up 2.6% over the same period in 2013. Gross margin % is up across the verticals as a result of the elimination of product discounting which peaked in the early part of 2013.

- **Power** – Revenues for the first quarter of 2014 were $5.1 million, up from $3.8 million in the same period in 2013. This increase is due to higher sales in our outdoor lighting and mobile verticals. Outdoor Lighting sales rebounded significantly in the first quarter of 2014 after a disappointing 2013. A number of large project sales were secured and shipped in the first quarter and we will carry over a strong backlog into the second quarter. Within the Mobile vertical, sales have continued to grow as a result of increased sales efforts, the introduction of new products and the development of new markets. Our Solar EPC Services revenues were down in the first quarter over 2013. This was primarily due to a lack of secured projects. We continue to track and pursue a number of projects that are significant and hope to close these in the coming quarters. Gross margin % within Power for the first quarter of 2014 was 28.0%, up 2.5% from the same period in 2013. This increase is primarily due to product mix with less sales generated from the relatively lower margin Solar EPC segment.

Sales by Geographic Region
Approximately 28.0% of our revenues for the first quarter of 2014 were from outside North America. This is up significantly over the same period in 2013 which was 9.5%. The increase is due to a number of large Aviation and Outdoor Lighting sales into Africa and the Middle East.

Operating expenses

(US$ thousands, unless noted otherwise)	Three months ended March 31 2014	2013	Change
Sales and marketing	993	954	4.1%
Research and development	304	593	(48.7)%
General and administration	1,167	1,254	(6.9)%
Total operating expenditures	**2,464**	**2,801**	**(12.0)%**
Operating expenses (excluding restructuring) as % of sales*	27.0%	40.2%	(5.2)%
Non-cash items:			
Amortization	*89*	*235*	*(62.1)%*
Stock-based payments	*17*	*45*	*(62.2)%*

** A Non-IFRS measure*

Our total operating expenses for the three months ended March 31, 2014 were $2.5 million, down from $2.8 million in the same period in 2013. These decreases are largely due to lower salaries with a net reduction of eight full time staff equivalents year over year.

Sales and Marketing
Our sales and marketing expenses for the three months ended March 31, 2014 were $1.0 million, comparable to the same period in 2013. We realized some savings on salaries but this was offset by increased variable compensation and agent fees as a result of higher sales.

Research, Engineering and Development
Our research, engineering and development expenses for the three months ended March 31, 2014 were $0.3 million, which is down from $0.6 million from the same period in 2013. This decline is primarily due to reduced salaries with the development team shrinking by five full time staff equivalents year over year as a result of the 2013 restructuring efforts.

General and Administration
Our general and administration ("G&A") expenses for the three months ended March 31, 2014 were $1.2 million, which is down from $1.3 million in the same period in 2013. The following significant changes have occurred year over year:

1. A decrease in salaries of $0.1 million. The majority of this decrease is due to lower average salary costs with recent hires compensated at lower rates. Net full time equivalents are down by only one.
2. Decreases in occupancy, travel, and IT expenditures resulting from cost savings due to the restructuring effort implemented in Q4 2013.
3. An increase in legal expense of $0.2 million due to substantial costs incurred to defend the lawsuit described under section 5.5.

Amortization expense for the three months ended March 31, 2014 was $0.1, down over $0.1 million over the same period in 2013. This decrease is due to the various asset write offs recognized in the fourth quarter of 2013.

Other income (expense)

Other expenses were $0.4 million for the three months ended March 31, 2014, which is up from almost nil in the same period of 2013. The 2014 amount is primarily relates to foreign exchange losses and merger and due diligence costs associated with the pending acquisition of Sol. The 2013 amount primarily relates a small recovery of a legal provision offset by foreign exchange losses.

Income taxes

Our income tax expense for the three months ended March 31, 2014 relates to US state taxes.

4.2. Quarterly trends

(US$ thousands, except EPS amounts)	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	9,119	7,755	4,863	6,319	6,965	8,361	6,661	6,063
Gross margin	2,985	2,583	1,152	1,542	2,107	2,411	2,070	1,765
Gross margin %	32.7%	33.3%	23.7%	24.4%	30.3%	28.8%	31.1%	29.1%
Operating costs	(2,464)	(2,364)	(2,599)	(3,039)	(2,801)	(2,984)	(2,953)	(3,190)
Other operating expenditures	-	(1,062)	-	(965)	-	-	-	-
Other income (expense)	(445)	(90)	8	(15)	(16)	(146)	45	(26)
Income tax (expense)	1	-	(3)	-	(2)	(2)	-	-
Net (loss)/income	77	(933)	(1,442)	(2,477)	(712)	(721)	(838)	(1,451)
EPS – Basic	0.00	(0.01)	(0.03)	(0.05)	(0.01)	(0.02)	(0.02)	(0.03)
EPS– Diluted	0.00	(0.01)	(0.03)	(0.05)	(0.01)	(0.02)	(0.02)	(0.03)
EBITDA[1]	457	(676)	(1,297)	(2,174)	(430)	(428)	(489)	(1,073)

[1] *EBITDA is 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 typically often have longer tender processes and fluctuating timelines. This is most pronounced within our Solar EPC Services, Aviation and Outdoor Lighting market segments and to a lesser extent within our Marine and Traffic markets. GoPower! revenues are more seasonal in nature with higher sales in the first two quarters of the year as our distributors gear up for the busier spring and summer periods. The reasons for the larger quarterly swings in revenue are explained below:

- At $8.4 million, Q4 2012 higher than trend. This spike was primarily the result of a few larger projects that occurred at the same time and resulted in substantially higher sales from our Solar EPC and Outdoor Lighting segments.
- At $4.9 million, Q3 2013 revenues were substantially below our other quarters. This was due to lower sales in our Aviation, Outdoor Lighting and Solar EPC segments, due primarily to timing of project sales. The quarter also suffered from production problems caused by our transition between contract manufacturing facilities.
- At $9.1 million, Q1 2014 revenues are higher than the average trend. This is primarily due to higher revenues from Outdoor Lighting and Signals both of which have benefited from some larger project based sales.

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 up until the end of Q2 2013. Q3 2013 onwards operating expenses have trended lower due to restructuring efforts which began in Q3 2013. These initiatives resulted in lower salaries expense, development expenditures, travel, occupancy and other costs.

Other operating expenditures are operating costs that are non-reoccurring in nature and have been separated to better highlight their effects. The charge in the fourth quarter of 2013 relates to (1) restructuring expenses of $0.5 million, primarily related to severance costs associated with a reduction in our staffing levels, and (2) asset impairment charges of $0.5 million. The charge in the second quarter of 2013 relates to asset impairment associated with a license asset and the impairment of assets acquired in the acquisition of Spot Devices Inc.

Our other income (expense) fluctuates over the quarters due to the nature of items in this capture. It includes items such as foreign exchange gains and losses, merger and acquisition costs, and other items. In the first quarter of 2013, we recognized a small recovery of a legal provision but this was offset by foreign exchange losses.

5. LIQUIDITY, CAPITAL RESOURCES AND OTHER DISCLOSURES

5.1. Summary of consolidated statement of cash flows

Year ended March 31 *(US$ thousands, unless noted otherwise)*	2014	2013	Change
Cash provided/(used) in operating activities	20	(429)	104.7%
Cash used in investing activities	(194)	(98)	(98.0)%
Cash provided from investing activities	-	-	N/A
Effects of exchange rate changes on cash	78	23	(239.1)%
Total decrease in cash	**(96)**	**(504)**	**81.0%**

Cash used in operating activities

During the three months ended March 31, 2014, cash provided/(used) by our operating activities, excluding changes in working capital, was $0.1 million which is up from ($0.5) million in the same period in 2013. This change is largely due to increased profitability. Changes in non-cash working capital were negative $0.1 million during the three months ended March 31, 2014, up from almost nil in 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 three months ended March 31, 2014, cash used for investing activities was $0.2 million, up from $0.1 million in the same period in 2013. The 2014 first quarter additions relate to the initial costs associated with our project to replace our ERP and CRM systems. The costs incurred related to software license and some consulting services. The majority of this project is expected to take place in the second quarter of 2014, although some costs will likely flow into subsequent quarters as adjustments are made. We expect to switch to the new systems at the start of the third quarter. The additions in 2013 mainly related to production equipment.

Cash provided from financing activities

There were no financing cash flows during the three months ended March 31, 2014 or March 31, 2013. As previously noted, we did initiate a private placement during the first quarter. However the funds raised and costs incurred were not realized until early April 2014.

5.2. Liquidity and capital resource measures

On March 31, 2014, our overall working capital was $8.1 million, which is comparable to the balance at December 31, 2013.

We previously disclosed that the proceeds from our fourth quarter of 2013 offering would be used for general corporate purposes including, but not limited to: (1) funding restructuring costs and process improvement expenditures all of which will be directed at reducing operating costs; (2) investments in new product development activities to meet market demands and improve gross margins; (3) funding an increase in inventory to meet customer demands and, if required by a change in manufacturing strategy, to buy back parts inventory from the Company's contract manufacturer; and (4) funding operating losses until the results of (1) and (2) can be achieved. To date, the proceeds have been used for working capital needs and in the execution of our restructuring plan previously described. The following table outlines the use of proceeds to March 31, 2014 for items other than working capital:

(US$ thousands)	As per previous disclosure	Incurred to March 31, 2014
Restructuring activities	Cash amounts not specified	391

Our major capital expenditures in 2014 will relate to our ERP and CRM replacements. As previously noted, this project was kicked off in Q1 2014 and the majority of it will be completed during the second quarter. Total costs associated with this project are expected to be about $0.5 million with some additional costs required for hardware to support the systems

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

5.3. Credit facilities

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

5.4. Contractual obligations and commitments

We have a number of contract manufacturers who build and supply our manufactured products. Our agreements with these contract manufacturers generally require us to be liable for inventory and outstanding committed purchase orders they have outstanding to support our business. If one of these agreements is terminated, we would be required to purchase the associated underlying inventory or arrange for a new contract manufacturer to acquire and hold it in a similar capacity. Our largest contract manufacturer, Flextronics, also requires us to purchase excess raw inventory which arises in situations where our demand forecasts for particular product is less than our actual use or sales in a given period. The value of the Flextronics inventory held at March 31, 2014 was $1.1 million (December 31, 2013 - $0.9 million), and the value of planned purchase orders to support our expected future demand was $1.3 million (December 31, 2013 - $1.8 million). Inventory held at other contract manufacturers is approximately $0.2 million in aggregate.

There have been no substantial changes in contractual obligations since those reported in the 2013 annual MD&A, except for some commitments related to the EPR/CRM project. These commitments mainly relate to implementation services, which are expected to be around $0.3 million over the next quarter and minor ongoing licensing fees which have not yet been fully determined, although they are expected to be under $0.1 million a year. This represents a meaningful savings compared to our previous systems.

5.5. Claims and lawsuits

On July 18, 2013, we were named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to our solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to patent of a similar nature that we hold. In early 2014, our application to re-examine a number of aspects of the Plaintiffs patent was accepted by the US patent office. The outcome of the review was positive, with the examiner agreeing with our position. The Plaintiff can appeal this decision. We are not certain of the outcome of this case and we intend to continue to defend ourselves and will file additional appropriate responses to the Court as required to do so. As the outcome of these matters is not currently determinable, no provision has been made at March 31, 2014. During the three months ended March 31, 2014 we have incurred legal fees of approximately $0.2 million relating to this lawsuit.

5.6. Contingent liability

None

5.7. Off balance sheet arrangements

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

5.8. Financial instruments and other instruments

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

We are exposed to foreign exchange risks as we transact business and have working capital denominated in multiple currencies. We attempt to minimize our exposure through managing our working capital and entering into foreign exchange products or contracts when are where appropriate. At March 31, 2014, our net CDN dollar denominated working capital is higher than normal due the recent closure of our rights offering. Given the recent changes in the business, we are currently reviewing our situation with respects to foreign exchange and our associated policies.

5.9. Related party transactions

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

5.10. Proposed transaction

As noted under section 3, Operational and Business Highlights, we are currently working to close the acquisition of Sol.

Outstanding share data

Our common shares trade on the Toronto Stock Exchange ("TSX") (TSX: CMH), and as at March 31, 2014 we had 100,612,011 fully issued and outstanding common shares. The following table summarizes the outstanding shares, options and other outstanding stock units stated in CDN$.

	As at				
	May 7, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Share price – closing (CDN $)	0.26	0.21	0.15	0.16	0.29
Market capitalization (CDN $ in thousands)	31,177	21,129	15,092	8,047	14,554
Outstanding					
Shares	119,912,011	100,612,011	100,612,011	50,294,000	50,186,854
Options	10,385,500	3,772,000	4,114,000	1,792,000	2,998,000
Restricted share units	-	-	-	6,944	88,420
Performance share units	-	-	-	-	20,432

6. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

6.1. Critical accounting estimates

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

The significant accounting policies and estimates are discussed below:

Accounting area	Description of policy and estimates
Warranty provision	A provision for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. We review the provision quarterly and adjust it prospectively. The total provision as at March 31, 2014 was $0.6 million, unchanged from December 31, 2013.
Other provisions	A number of accounting provisions have been recorded relating to the acquisition of Spot. They are described below: $0.1 million has been provided to cover costs associated with monitoring services provided by Cirrus for SIMA enabled products which we sold. As described in section 3, 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. $0.1 million has been provided to cover potential returns or product replacements associated with an offer we extended to customers who purchased SIMA enabled products from us. During the third quarter of 2013, concerns about the reliability of SIMA enabled products were brought to management's attention. In some situations SIMA enabled products can suddenly or unexpectedly fail which could result in a safety hazard. As a result, we extended an offer to customers who purchased SIMA enabled product from us the ability to obtain replacement

	products on a free or a substantially discounted basis. We estimate the total maximum exposure associated with this offer is approximately $0.2 million, which is the cost of the SIMA-enabled product we sold during the period. We have recorded $0.1 million as a provision which is our best estimate given the wide range of options open to the end customers. These options include everything from modifying the product, upgrading their solution, or retaining the risk or lost functionality. In early 2014, a notice was released by Cirrus (the provider of the monitoring) indicating the service was to be discontinued on June 30, 2014.
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 March 31, 2014 our inventory provision was approximately $0.9 million, down from $1.0 million at December 31, 2013.
Allowance for doubtful accounts	We record an allowance for doubtful accounts related to trade accounts receivable. This allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts recorded. At March 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 25% and vary depending upon the employee make-up of the associated grants.

6.2. Future changes in accounting policies

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

- IFRS 9, Financial Instruments, initially to be applied for periods on or after January 1, 2015 but the effective date has been deferred. On July 24, 2013, the IASB tentatively decided to defer the mandatory effective date, with earlier adoption still permitted.

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 March 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 Condensed Consolidated Interim Financial Statements contained in this report were being prepared.

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

7. RISKS AND RISK MANAGEMENT

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

8. Definitions and reconciliations

EBITDA

For the three months ended March 31, 2014 as well as the respective period in 2013, we are disclosing EBITDA, a non-IFRS financial measure, as a supplementary indicator of operating performance. We define EBITDA as net loss before interest, income taxes, amortization, merger and acquisition costs and non-cash stock based compensation. We are presenting the non-IFRS financial measure in our filings because we use it internally to make strategic decisions, forecast future results and to evaluate our performance. We are also presenting this measure 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 is not intended as a substitute for IFRS measures.

EBITDA reconciliation	Three months ended March 31	
(US$ in thousands)	2014	2013
Net income (loss)	77	(712)
Add/(deduct):		
Income tax expense	(1)	2
Amortization	89	235
Merger and acquisition costs	275	-
Non-cash stock based compensation	17	45
EBITDA*	**457**	**(430)**

* A Non-IFRS measure