

QSolar Limited
(the “Company”)
Form 51-102 F1
Management Discussions & Analysis
Six months ended June 30, 2014

Introduction

This Management’s Discussion and Analysis (“MD&A”) is dated August 26, 2014, unless otherwise indicated and should be read in conjunction with the unaudited interim financial statements of QSolar Limited (“QSolar”, “the Company”, “we”, “our” or “us”) for the six months ended June 30, 2014, and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the six months ended June 30, 2014, are not necessarily indicative of the results that may be expected for any future period.

These unaudited interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of QSolar common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or from www.sedar.com and www.cnsx.ca

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as “forward-looking statements”) that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All information and statements in this MD&A which are not statements of material fact may be forward-looking statements. Such statements and information may be identified by looking for words such as “may”, “believe”, “could”, “expect”, “will”, “intend”, “should”, “plan”, “objective”, “predict”, “potential”, “project”, “anticipate”, “estimate”, “continuous” or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the business strategy and objectives of QSolar as well as its acquisition plans; and the impact of federal income tax changes on QSolar.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this MD&A. Some of the assumptions made by QSolar, upon which such forward-looking statements are based, include: the ability of QSolar to maintain reasonably stable general and administrative expenses; the ability of QSolar to access financing on commercially reasonable terms; and current economic conditions and the strength and persistence of the economic recovery in Canada that may be influenced by international economic developments in the United States, Europe, Asia and elsewhere; and the consolidation and various trade wars, anti-dumping duties and tariffs imposed that is occurring in the worldwide PV solar market affecting sales and ability to enter and sell in various markets, pricing and inventories.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to; general economic and business conditions; the failure to identify acquisition targets or complete announced acquisitions; competition for, among other things, capital; and competition for acquisition targets.

Although the forward-looking statements contained in this MD&A are based upon what QSolar's management believes to be reasonable assumptions QSolar cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to QSolar. We caution readers of this MD&A not to place undue reliance on our forward-looking statements because a number of factors, such as those referred to in the paragraphs above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this MD&A. The forward-looking statements are made as of the date of this MD&A and QSolar assumes no obligations to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

Description of Business

QSolar Limited (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on September 2, 1999. The Company is a technology company in the photovoltaic solar panel manufacturing field.

QSolar Ltd's unique proprietary trade secret manufacturing processes and technologies became the intellectual property of QSolar Limited subsequent to a reverse take-over transaction effective March 18, 2011. QSolar (Shanghai) Photovoltaic Technology Co. Ltd. ("QSolar (Shanghai)") was formed to be effective July 1, 2012, is a wholly owned foreign enterprise ("WFOE") and subsidiary of QSolar Ltd. It holds all or substantially all of the Company's operating assets in Shanghai, China. Effective July 26, 2013 a wholly-owned subsidiary of QSolar (Shanghai) was formed, QSolar (Zhoushan) PV Technology Co. Ltd. with the intended purpose of holding the assets of a pilot project and potential second intended factory facility in Zhoushan, China. To date no material operations have been conducted in this entity.

The Company's common shares are posted on the Canadian Securities Exchange ("CSE" or "the Exchange"), formerly Canadian National Stock exchange ("CNSX" or "the Exchange") under the trading symbol "QSL". On April 10, 2014, the Company's shares commenced trading under the symbol "Q2O" on the Frankfurt Stock Exchange over-the-counter market.

The Company's registered office is located at 2110, 250-5th Street SW, Calgary, Alberta, Canada.

The financial statements of the Company are presented in Canadian dollars, which is the functional and presentation currency of the parent company. The Company's subsidiary company, QSolar Ltd., functional currency is the United Kingdom pound sterling as is consolidated into Canadian dollars. QSolar Ltd.'s subsidiary company, QSolar (Shanghai) Photovoltaic Technology Co. Ltd. and QSolar (Zhoushan) Photovoltaic Technology Co. Ltd., functional currency is the Chinese Yuan Renminbi as they are consolidated into United Kingdom pound sterling.

Overall Financial and Operational Performance

The 2013 fiscal year for QSolar and most photovoltaic manufacturers was extremely volatile as the Corporation adapted to instability in the general worldwide solar sector. Unstable worldwide pricing generally, intense market and pricing competition in the traditional markets, and antidumping and imposing of tariffs resulted in many barriers to entry in traditional and more mature markets with some spill-over into emerging markets. These events caused significant turmoil to all manufacturers in achieving a positive profit margins and profitability.

For QSolar, the year marked a fundamental shift to be able to sell its uncertified mainstream solar panels into the European Union in the first two quarters of the fiscal 2013 as a result of the antidumping trade war between the European Union and China and subsequent imposition of tariffs against all Chinese manufacturers, to complete non-access to the European Union as a result of subsequent negotiations that occurred between the European Union and China. As a result of these negotiations, QSolar and many other Chinese tier 2 and 3 manufacturers were not allowed to sell into the European Union.

As a result of the above uncontrollable event, QSolar focused substantially all its efforts on completing the modifications and development of its family of products and processes to enable it to enter into the TUV SUD and TUV SUD UL certification processes to obtain required perceived technology acceptance in a solar sector dominated by glass substrate manufactured products. Substantial development was completed as a result of a financing successfully completed in the second quarter of 2013.

QSolar for 2014 is focusing its efforts in the following areas:

1. in the less competitive and emerging specialty products area, and in the further development of its flexible and desert ready solar panels, where certification is not necessarily required, where the value proposition of QSolar products are more readily identifiable, and margins are generally strong.;
2. on the consumer product solar sector where QSolar has developed a golf cart kit to make a golf cart run autonomously or rely only on the sun, recreational vehicle kits to power recreational vehicle electrical systems, and a fully autonomous solar scooter; and
3. the development and the testing of off-grid, full autonomous power plants and scalable solar boxes to operate various commercial and consumer products. This is in addition, once certification is achieved, to compete in the mass market where those rooftops will not bear the weight of traditional glass solar panels and QSolar has a light weight and durable solution. This mass market is estimated to be approximately more than one-third of available rooftop space throughout the world with few competitors.

QSolar's development efforts and significant expenditures on development and product positioning in 2013 are reflected in the 2013 annual audited financial statements to be read in conjunction with the 2013 year end MD&A.

During the period, the Company completed the following financial and operational events.

On January 8, 2014, QSolar announced that Dr. Zijian Zhou, Shanghai, China had been appointed to the board of directors as an independent director effective January 6, 2014. Dr. Zhou was recommended to the board of directors by and as Mr. JunLiang Xie's nominee and replacement on the board of directors. The board accepted Mr. Xie's resignation from the board of directors and this vacancy was immediately filled with the appointment of Dr. Zhou's. Dr. Zhou is a consultant to Mr. Xie, Chairman of the Zhoufa Group, Zhoushan, China, a company which is involved in investment and renewable energy in China. Due to Mr. Xie's business time constraints, Dr. Zhou's appointment will allow further collaboration to be committed to QSolar while continuing to have access to Mr. Xie, his support and corporate resources in China. Dr. Zhou is responsible for the solar initiative with the Zhoufa Group, has a solid industrial and professional background and experience in corporate investment and business development, management and operations, sales and technology. Dr. Zhou's background has also provided strong abilities in deal structuring and corporate strategic development.

On February 13, 2014, the Company announced the resignation of Mr. Gregory Nipse, a resident of Puyricard, France, from the board of directors effective immediately. Mr. Nipse was previously released from his sales management position in January 2014.

On February 25, 2014, QSolar announced approximately 870 kilowatts in new sales had been secured and booked to commence the new year of 2014 as a result of new sales initiatives and marketing efforts centralized out of Shanghai, China. This was in part as a result of a recent marketing trip to Lahore, Pakistan in January 2014, in an effort to penetrate and open up this significant emerging solar market working closely with its Pakistan distributor.

On March 31, 2014, the Company reported that 471,000 share purchase warrants were exercised at a price of \$0.40 prior to their expiration at 4:00 P.M. MST, March 30, 2014. There were a total of 521,000 share purchase warrants due to expire on March 30, 2014. At the close of business March 30, 2014, 50,000 total warrants expired unexercised. The warrant exercises represent a conversion of 90.4% of warrants to common shares and the receipt of total gross proceeds to the Corporation of \$188,400.

In addition, 100,000 share purchase warrants were exercised March 30, 2014 at a price of \$0.40 for total proceeds of \$40,000 prior to their expiration at 4:00 P.M. MST, December 10, 2014.

During March 2014, 39,840 broker warrants were exercised at a price of \$0.75 prior to their expiration at 4:00 P.M. MST, March 11, 2014 for total proceeds of \$29,880 representing a 100% conversion and a total of 349,000 share purchase warrants also due to expire on March 11, 2014 at an exercise price of \$1.00, expired unexercised. In light of the current general economic and stock market conditions, management is extremely pleased with the support offered by its current shareholders.

The Corporation also announced that it was redeeming \$568,000 of convertible debentures from a total of \$913,000 of convertible debentures that matured effective March 31, 2014. The Corporation extended the balance of \$345,000 of convertible debentures that were due to mature for one additional year to March 31, 2015. The convertible debentures are secured and continue to bear interest at 10% per annum with interest payable quarterly in arrears. The conversion price of the convertible debentures has been re-set at \$0.80, being the market price pursuant to Canadian Stock Exchange policies. The Corporation may redeem all or any portion of the principal debentures during the year with notice provided that the holders may exercise their conversion rights prior to the intended date of redemption. The Corporation paid a processing fee to the original finders firm on the extended convertible debentures as negotiated.

On April 10, 2014, QSolar announced that its shares commenced trading under the symbol "Q2O" on the Frankfurt Stock Exchange. The Frankfurt over the counter market listing marks a further step in QSolar's commitment to its shareholders to enhance the liquidity of the Company's common shares and another initiative planned to further increase market awareness for the Company.

On April 24, 2014, the Corporation reported that 1,645,510 outstanding common share purchase warrants were exercised at a price of \$0.40 per warrant prior to their expiration at 4:00 P.M. MST, April 23, 2014. There were a total of 1,695,510 share purchase warrants due to expire on April 23, 2014. At the close of business April 23, 2014, 50,000 warrants expired unexercised. The warrant exercises represent a conversion of 97.1% of warrants to common shares and the receipt of total gross proceeds to the Corporation of \$658,204. In light of the current general economic and stock market conditions, management was extremely pleased with the continued support offered by its current shareholders as reflected by these exercises of warrants.

On April 28, 2014, QSolar announced that it had retained *public eye CONSULTING* ("*public eye*") to provide investor relations, corporate communications and general corporate development consulting services for the Corporation for Germany, Austria, Switzerland and throughout Europe. *public eye* had been retained for an initial term of three months. The agreement with the Corporation was designed to increase public awareness of QSolar and its technologies in the European financial community. *public eye* is a German based investor relations and corporate development consulting firm owned by Karsten Busche of Berlin, Germany. *public eye* has a self-professed focus on the discovery of undervalued and promising growth companies and serves these companies by increasing visibility and accessing capital through an experienced network of investors. Mr. Busche has an extensive background in the European financial community and has been involved with investor relations and corporate development consulting for a variety of public companies trading on the Canadian stock exchanges as well as numerous private companies. He will be providing the services on behalf of *public eye*. Mr. Busche was instrumental in advising and assisting QSolar on its recent Frankfurt Stock Exchange over the counter listing announced April 10, 2014.

In consideration of the investor relations services provided and to be provided for Europe, QSolar paid a fee of €25,000 and granted Mr. Busche initial options to acquire up to a total of 25,000 common shares of QSolar. The options will vest immediately, are exercisable at any time up until the close of business on April 25, 2015, subject to a 30 day exercise provision on termination as stipulated in Mr. Busche's stock option agreement and subject to the Corporation's stock option plan. The stock options have an exercise price of \$0.80 per share.

The appointment of *public eye* is in addition to QSolar's previous announcement on September 19, 2013 that it had retained Tekkfund Capital Corp. ("Tekkfund Capital") to provide investor relations and corporate communications services for the Corporation. Tekkfund Capital is responsible for investor communications, the dissemination of corporate data packages, investigating strategic business alliances and general corporate development consulting services in Canada and the United States. Tekkfund Capital is a Toronto-based investor relations and corporate development consulting firm owned by Gary Perkins. Mr. Perkins is providing the services on behalf of Tekkfund Capital and will liaise and assist QSolar in the coordination of activities with Mr. Busche and *public eye*.

On April 29, 2014, QSolar announced approximately 1.187 megawatts in additional new sales had been secured and booked since the last sales press release dated February 25, 2014. This brought current year sales to 2.056 megawatts to date and is a direct result of new sales initiatives and marketing efforts centralized out of Shanghai, China at the beginning of the year.

QSolar has developed new sales initiatives in 2014 for the mass solar panel market competing with traditional glass solar panels and the Corporation continues to develop its solar products for the emerging specialty solar panel and product market. Upon completion of TUV SUD and TUV SUD UL certifications, QSolar anticipates entering into the mass rooftop market where competition is limited due to traditional glass solar panels being too heavy for the rooftops. QSolar offers a unique and proprietary solution due to the light weight of its solar panels while being more efficient and less costly than thin film solutions currently being offered where rooftop loads will not support competitors' glass solar panels.

QSolar is pleased to see repeat orders starting to emerge with our customers. QSolar is starting to see the benefits of consolidating sales efforts through data mining all the sales leads via intensified web-based campaigns. As the technology and market awareness grows, QSolar is positioned to utilize the unique and proprietary technology. The non-toxic environmentally friendly materials used in our products, combined with extremely low carbon footprint, are well positioned for providing turnkey installation solutions by QSolar and are anticipated to be an attractive alternative to the market.

On June 3, 2014, the Corporation provided an update on sales progress for May and during the second quarter and year to date. Approximately 1.02 megawatts (“MW”) in additional new sales for the month of May were secured and booked since the last sales press release dated April 29, 2014 when 1.19 MW of new sales were announced for the month of April 2014 bringing total sales to 2.21 MW for this current second quarter which ends June 30, 2014. This represents an increase in sales of 154% so far this quarter over the Corporation’s previous first quarter. Together with the 0.87 MW sales previously announced in the press release dated February 25, 2014, the Corporation has generated sales totaling 3.08 MW year to date and is a direct result of new sales initiatives and marketing efforts centralized out of Shanghai, China since the beginning of the year.

QSolar has now seen repeat solar panel orders from customers and a noticeable increase in sales demand for the QSF family of flexible, ultra-thin, high efficiency solar panels that addresses a new range of specialty solar applications not offered by other solar manufacturers. The Shanghai sales staff has sold sample orders of our QSS 250 watt solar panels, and QSF (flexible) and specialty solar panels ranging between 10 watts to 370 watts, to new customers in Africa, United Kingdom, Indonesia, Hong Kong and China, Germany, Australia, Switzerland, New Zealand, Canada and the United States. Solar panel product has been shipped or is currently being coordinated for shipment from inventory on hand and is being sold at prices within pricing parameters commensurate with the region.

On May 13, 2014 the Corporation provided an update pursuant to its December 17, 2013 and January 7, 2014 news releases regarding the development of the QSS solar module range of products and shipping of QSS250W solar modules to the independent TUV SUD contract laboratory in the United States for certification testing. The Corporation had incorporated recommendations made in January 2014 by TUV SUD and undertaken these development enhancements to the product over the last number of months as it believes the enhancements will provide a unique marketing opportunity specifically available in the United States but also available in other countries. This is in addition to QSolar’s unique product features related to its light weight and durability.

The purpose of the testing is to obtain TUV SUD UL1703 certification, CSA UL Mark, including IFE CSA audit, fire test, TUV SUD IEC61215 and IEC61730 certification, and universal CB report and certificate for access for country specific certifications. The Corporation reports that TUV SUD, (Jiangsu TUV Product Service Ltd., Shanghai Branch)(“TUV SUD”), which is conducting the above testing certifications and associated testing procedures, continues to work and communicate closely with the Corporation. In January 2014, based on observations made during some of the initial tests, TUV SUD provided the Corporation with some preliminary recommendations for the product being enhanced that the Corporation determined could also be incorporated into a marketing strategy that could provide further significant benefits to solar panel installers aside from the products’ main features. The enhanced modifications on the corner protection and framing that is lightweight and non-conductive were made, resulting in no electrical grounding requirement. This major improvement will ultimately result in significant savings in installation time and costs for installers wiring the system by not requiring an electrical ground.

The Corporation had spent a number of months sourcing and testing materials for the enhanced modifications described above. It had subsequently retested the enhancements in its Shanghai facility and also retested specific simulated TUV SUD testing requirements on the enhanced modules in a number of independent Chinese testing facilities dependent on the test undertaken to be simulated. During this period, discussions also occurred with TUV SUD on modifications to certification testing protocols that were originally designed for photovoltaic (“PV”) glass solar panels that would not or do not apply for PV non-glass panels.

The United States testing facility recommenced testing under this project with the enhanced modules on or about May 2, 2014 after QSolar arranged further documentation and undertakings, for specific clearance by both Chinese custom authorities for exportation and United States custom authorities for importation due to Chinese and United States trade issues regarding solar panels and cells.

Testing protocols for the certification of PV solar panels has not changed materially since the introduction of PV solar panels in the 1950's and these protocols have been designed for PV glass solar panels. The certification process was designed around the main components always used by all PV manufacturers, except QSolar, for the manufacturing of solar panels, being, glass, EVA (a thermal adhesive), Tedlar (a composite back-sheet), and an aluminum frame. The test protocols were designed to test performance, safety, reliability, durability and to stress and test these materials to their limit, and to be able to certify them within a reasonable tolerance. In approximately the last 60 years, there has not been a PV manufacturer that has produced a solar panel using any different materials than described above. In fact, all manufacturers are using almost exactly the same materials, designs, equipment and processes in every respect. The only main differentiation is price.

QSolar, however, has introduced significant disruptive changes in the PV sector, in that QSolar does not use any of the standard materials of glass, EVA and Tedlar. QSolar PV solar panels and products are based on the trade secret proprietary Spraytek99 compound that replaces all the standard materials described above for PV glass panels. QSolar panels exhibit significant advantages over glass panels including extremely high impact strength, estimated to be 10 times that of glass, are lighter, thinner, have no exposed metal parts and therefore require no grounding, and are made with a variety of back-sheets with superior heat performance characteristics.

It is due to the above explanation and these significant material differences, that the Corporation has spent a considerable amount of financial resources, time and effort, explaining, discussing and negotiating acceptable testing protocols for PV non-glass solar panels. The Corporation believes that the certification tests designed and imposed by TUV SUD take into account the completely different properties and performance of its non-glass panels compared to traditional glass panels, while at the same time meet the required results required for TUV SUD and TUV SUD UL certification. In view of the differences in the QSolar technology to standard glass panel technology and the disruptive nature of Spraytek99, the certification testing process has taken more time than the Corporation had anticipated as it had to deal with testing protocol issues required for the certification of standard glass panels, and instances where the glass panel tests are straightforward and been used for many years.

On May 27, 2014, QSolar also provided an update pursuant to its November 12, 2013 and December 11, 2013 news releases regarding the testing of its newly developed high temperature QLX desert-ready photovoltaic ("PV") solar panels. QSolar is testing its QLX desert ready photovoltaic ("PV") solar panels, which utilize its proprietary polymer, Spraytek99®, and non-glass QSS substrate, to compare their performance and durability against standard glass solar panels, under extreme desert conditions.

The QSolar QLX desert-ready solar panels address the performance problems that standard glass solar panels have not been able to address successfully. The performance of standard glass solar panels degrade significantly under the extreme heat of the desert and performance is further reduced by numerous sand storms which cover the surface of the panels with dust or a mixture of sand and hydrocarbon micro particles in the air and settling on solar panels.

The success of the pilot was key for QSolar to be able to create strategy to penetrate the multibillion dollar solar power market in the Middle East and North Africa (collectively "MENA" countries), a very desirable market where the objective is to have an effective solution for efficiency, durability and extreme ultra-violet issues that currently degrade and discolor other manufacturers' glass solar panels subjected to extreme heat conditions. GTM Research and the Emirates Solar Industry Association predict an annual volume of 3.5 gigawatts ("GW") in the MENA region's solar market by 2015. By 2017, the demand is expected to exceed 10 GW. Successful conclusion of this project will also enable introduction of the QLX desert-ready PV solar panel into certain areas of the United States such as Arizona, eastern and southern California, Nevada, New Mexico and Texas where similar heat conditions exist as well as in the target countries of Pakistan and India.

QSolar continued accumulating meaningful data results in June, when the desert temperatures are extremely high and exceeding 45 degrees Celsius. Recent test results in June from the desert pilot site located in the desert approximately 50 miles from Dubai are confirming QSolar's laboratory indications of slower heating of the PV panel in higher heat conditions than standard competitor's glass PV solar panels. Severe sandstorms have been experienced and included in the testing procedure.

The net effect is that QSolar's proprietary polymer panels was expected and delivered increased efficiency compared to a tier 1 competitor's panels. As a result of the initial Dubai indications, QSolar has made further trade secret enhancements to the QSolar QLX desert-ready PV solar panel.

The desert pilot installation included PV panels from two tier 1 manufacturers and competitors along with the QSolar QLX desert-ready PV proprietary solar panel. The desert installation also expanded the number of panels per manufacturer in order to enhance the statistical accuracy of the results. The QSolar QLX desert-ready PV solar panel was tested utilizing heat sink technology and incorporates a device that effectively assists in cooling the surface of the panels, and as a result produces more power efficiency in higher heat conditions than standard glass panels. The significance of the enhancements made to the proprietary QSolar solar panel is that any improvement in efficiency of the output of the solar panel translates to significant improvements into the economics and returns of a solar installation, especially in these extreme desert conditions.

The QSolar proprietary technology and design addresses a significant issue occurring under desert conditions. One of the main components of a solar panel is the solar cell made of silicon materials. Silicon efficiency degrades by approximately 0.43% per degree Celsius of each degree of temperature increase. The QSolar desert design therefore is addressing keeping the proprietary polymer solar panels relatively cooler while the efficiency of the panel is maintained for extended times beyond that produced from standard PV glass panels.

Update on sales and European anti-dumping trade and tariff war on solar panels.

To update on the sales and tariff situation in the European Union ("EU") countries, during May 2013, significant sales orders were placed with QSolar (Shanghai) by some existing distributors and new customers that visited the Shanghai manufacturing facility. The sales orders were generated internally after fairly significant lead times in nurturing relationships and confidence in QSS and primarily represented sales orders from EU countries. As a consequence of the facility visits in May from potential customers to inspect the newly introduced product, QSS, and in addition, in some cases, visits to the newly constructed QSolar pilot project in Zhoushan, resulted in approximately 25 megawatts of orders being placed in the order book for QSS. The May orders of QSS represented the entire original internal sales quantity projections by management for 2013. Prior to May, although European sales pricing in general was continuing to deteriorate, QSolar was successful in attracting sales orders from Europe. During May 2013, an anti-dumping trade and tariff war that was looming emerged in Europe against all Chinese companies that manufactured PV solar panel modules from China. These measures also impacted and included QSolar. The result to all Chinese manufacturing companies was an immediate 11.8% tariff on all Chinese solar panels shipped into the EU, with a further escalating 40% tariff increase (57.8% in total) schedule for all solar panels that do not arrive and clear European Union countries after August 6, 2013. This set of events had a profound and dramatic impact on all Chinese solar panel manufacturers and resulted in EU customers either cancelling orders or not willing to accept the tariff and shipping duty risk.

Chinese manufacturers and QSolar will also not accept the duty and tariff risk. In the latter part of July 2013, EU and Chinese authorities continued to negotiate, with news from the EU that a pricing arrangement and production quantities allowed into the EU by Chinese manufacturers had been reached. During September, it was confirmed that QSolar was not on a Chinese central government list compiled September 12, 2012 that allowed approximately 90 Chinese Tier 1 manufacturers to re-enter the EU based on floor pricing and a combined manufacturing limit of 7 GW. This has resulted in QSolar working to diligently and strategically develop its network outside the EU, including an immediate focus on China and the U.S. in light of its completed pilot project facility in Zhoushan, China. QSolar continued to manufacture finished goods and inventory in China up to September 2013 and until approximately 2MW were produced. Manufacturing in Shanghai was scaled down during 2013 with a current focus on the outcome of the certification preparation of its QSS250W. There has been no material change for the mass market sales prospects for QSolar during 2014. Continued focus and development on the United States, middle-eastern, India and Pakistan markets will continue over the next quarters.

Industry and Sector Outlook

The world solar photovoltaic (“PV”) market installations reached another record high dollar volume in 2013 and it is anticipated again in 2014 according to available industry statistics and metrics reviewed by management, despite extremely volatile conditions in the industry and poor margin and profitability performance worldwide.

The global electricity industry is facing many challenges including: increase in consumers and consumption; government and industry focus on the environmental impact of energy generation; a finite fossil fuel supply; fluctuating and unpredictable fossil fuels prices; scepticism related to certain electricity generation practices and technologies; and political and economic instability in various oil and natural gas producing regions.

Consumers, industry, and governments are considering alternative energy sources to address these challenges; as a Canadian example, the government of Ontario adopted the Green Energy Act (“GEA”) during the third quarter of 2009 with modifications to the pricing and subsidies in the program during 2011 and throughout 2013. Many variations of these programs have been adopted throughout the world, including China, India, the Middle East, and the United States where an aggressive political mandate calls for non-fossil fuel self-sufficiency, with specific targets.

The increased focus on alternative energy has led to developments in solar, wind, geothermal, and biomass energy among others. The benefits of solar electricity compared with these other sources of renewable energy include: high reliability; ease of location to the end user; a strong match between peak energy generation and peak energy consumption; and applicability to a wide range of power requirements. Management believes these factors provide a positive long term outlook for the solar energy industry and especially to those manufacturers and distributors that can control costs in an eroding pricing market over the last two years due to dumping of excessive inventory by some large manufacturers, or the requirement to keep producing under supply contracts. It is management’s view that the dumping is due to the loss of subsidies, inability to control manufacturing costs due to the economies of scale required inherent in the high capital, long-term supply contracts and overhead required in all lamination manufacturing processes.

Current market prices of silicon wafers, which are subject to world pricing fluctuations, and a major component in the solar panel manufacturing process generally declined during 2011, rebounded in price slightly during 2012 and 2013. Average PV cell prices have also increased marginally on a per watt basis through 2013 due to government imposed tariffs to generally protect domestic manufacturers and create barriers to entry for foreign competitors attempting to penetrate those markets. The end result for most lamination manufacturers is that the actual manufacturing costs and selling and marketing costs exceed current PV world and regional selling prices. This has resulted with insolvencies of manufacturers in the sector. In early 2013, there are signs that world PV selling prices have stabilized and in some cases have begun to slightly increase. In light of recent developments of the European Union introducing tariffs to Chinese glass made PV solar panels, management believes throughout 2014, world selling prices of PV solar panels will stabilize but remain low with thin profit margins. QSolar’s manufacturing costs are scalable, enabling the Company to position itself and compete profitably due to its spraying manufacturing process. Management believes this will be achieved with a combination of additional capital resources and economic factory output being achieved as sales are ramped up. Our main constraint since inception has been access to capital to purchase inventory as ramp-up continues. Management partially resolved this issue during 2013, however, as stated above financial resources were spent on both product development and modifications, and product positioning, therefore as operations and sales efforts expand additional capital may be required.

The development and increased use of solar energy is significantly affected by, and dependent on, various government incentives around the world. A growing number of national and local governments have established attractive incentive programs which support the solar energy industry. It is expected that the solar energy industry will continue to grow at significant rates in the coming years.

An important development is the efforts by the US government to increase incentives for solar installations and also the introduction of incentives in China, India and Pakistan to stimulate the local market. Increase in the demand in the world’s bigger markets will significantly increase the overall demand for solar panels.

Another development which has affected the solar market positively is the unfortunate events in Japan that have generated uncertainty in the nuclear energy market the only competitive market to solar. The decision of Germany and Italy to halt the generation of electricity from nuclear stations and the uncertainties of other countries regarding nuclear brought even more focus on the solar energy. However, these same governments suffer insolvency issues or simply do not or cannot pay incentives previously established offsetting any potential benefits.

The world financial problems generally have had a negative effect and applied pricing pressures on the solar market sector as well. This however will ultimately assist companies with innovative products and competitive pricing to thrive as it will eliminate companies with no unique selling points and those with prohibitive manufacturing cost structures.

Research & Development

During the year, QSolar's research and development ("R&D") continues to be directed in its leased facilities in Shanghai, China. The CEO of the Corporation directs R&D and the Company is committed to developing new processes and new products with minimal financial resources required at this time. The Company's manufacturing platform is based on its proprietary Spraytech99® and ESS manufacturing process which has resulted in families of products with significant weight savings and that are extremely durable.

The latest products developed by the Company in 2011 and further enhanced since are ready for production and have been introduced as a PV family of products: the super light-weight QLiteX and QSS, the flexible QSF and semi-transparent, QST all available in color. These products address the developing Building Integrated Photovoltaics market which is expanding very rapidly worldwide. In the first quarter of 2013, QSS was introduced as a light-weight product with solid substrate backsheet which is lower cost and specifically designed for the commercial and EPC, engineering, procurement and construction solar farm markets. This family line is currently going through TUV SUD and TUV SUD UL certification process.

QSolar introduced a further lighter version of QLite, named QLiteX, a new significantly lighter panel than conventional laminated panels. During the fourth quarter of 2012, manufacturing and assembly of the QLiteX product was brought in-house as QSolar moves to vertically integrate some processes and manage quality control

QSolar continues to do in-house research and provide ongoing development to constantly improve its suite of products with the introduction of the super light-weight flexible, QSF and a light weight semi-transparent solar panel. QSolar has also made significant progress on developing a suite of speciality commercial and consumer products. Conventional solar panel manufacturing, unlike QSolar, uses glass as a substrate and encapsulates the solar cells using EVA and TPT film in capital intense and power hungry laminators. The lamination process and materials has not changed significantly in this sector for many years. QSolar products and processes are completely differentiated and feature the following advantages over glass lamination manufacturing:

1. QLiteX solar panels are nearly half the weight of conventional solar panels;
2. QLiteX solar panels are non-metallic frameless design which does not trap dust, particles and is not susceptible to corrosion and pitting in contrast to conventional solar panels;
3. QLiteX being nearly unbreakable in contrast to conventional solar panels utilizing glass which is susceptible to breakage on minor impact or weight load;
4. The new ultra-light QSolar substrate incorporates air cooling ducts enhancing efficiency in contrast to glass panels;
5. The new QSolar substrate can be of virtually any size and any thickness or color.

With the continuing enhancements to the QSolar substrate, QSolar will continue to offer embedded solutions that are of lighter weight and greater strength and that, can be colored and custom shaped if required, providing greater flexibility in the module design. In addition, other substrates are being tested and can be potentially embedded utilizing QSolar Spraytek® technology.

The Company has also designed and is developing, but not as yet introduced, a new wafer manufacturing process that eliminates the silicon waste which occurs during current manufacturing processes and will thus reduce the Company's solar cell and overall solar panel costs. The Company has stopped this development during the latter part of 2013 as it focuses on the above market segments and transitions from a development company to efforts in generating sales.

Conventional manufacturing of multi crystalline silicon wafers for the production of solar wafers consists of melting solar grade silicon in furnaces with slight doping of Boron and forming large ingots of crystalline silicon. The ingots are then cut into squares which are then sliced using wire saws into thin wafers. The slicing process creates up to 50% waste of silicon material in the form of silicon powder which cannot be reused as it is no longer pure.

QSolar's crucible cell process it has been developing eliminates this waste by using a completely different process in the manufacturing of solar silicon wafers. It is anticipated that this process will have significant cost savings in that only half of the amount of silicon is required and no wire saws are needed. The cost of the wafers represents about 45% of the total cost of a module, saving 50% of the silicon in this process represents a saving of about 40% of the cost of the wafer or about 20% of the cost of the module. Furthermore the anticipated saving in using Spraytech99® process will lead up to significantly lower costs in the final solar module price. With this process, QSolar anticipates introducing savings in two of the three processes in an integrated solar module manufacturing line with improvements in throughput and costs. As financial and time resources become available, management believes this project might become available in late 2014.

The Company intended to complete its major development of various PV solar module families during the fourth quarter of 2013 as well as a number of consumer group products. QSolar anticipates to strategically partner-up with other sales channel organizations to include its autonomous (no gas or electric engine) solar scooter, solar golf cart and recreational vehicle kits, solar portable power packs in various sizes and solar "plug and play" residential kit.

During the year, the Company will further conduct low cost research and development, to pilot new products, and enhance and improve development while continuing to manufacturing its primary product lines of QLiteX and QSS. The Corporation has allowed all current patent applications to lapse and treat all technology as trade secret.

The Corporation intends to continue to enhance its value and conduct ongoing research and development based on available budgeted financial resources with the aim of improving the existing processes and technologies and introducing new products and applications to position QSolar is at the forefront of innovative solar technology. QSolar continues to provide products for potential new markets that cannot be addresses with conventional solar panels.

Results of Operations

Six months ended June 30, 2014

The net comprehensive loss for the period ended June 30, 2014 was \$(1,648,909) compared to \$(2,127,473) for the period ended June 30, 2013.

Revenues

Sales for the six months ended June 30, 2014 was \$1,036,490 compared to \$307,073 for 2013. The increase in sales during the first six months 2014 compared to 2013 reflects the focus of management to move from more intense development activities to a sales focus, as preparation for QSS certification was completed in the fourth quarter of 2013. During January 2014, definitive sales initiatives were introduced as all activities were focused to Shanghai, China and sales management changes were made. It also reflects the Company's focus to commit some resources during the quarter to continue to develop and complete speciality products for introduction, as well as modify or enhance various stages of development on its various PV product families including the QSF and desert ready panel. The growth in sales to date in 2014, is attributed to direct sales by management, from the sales team in Shanghai and sales to distributors. The majority of sales are in new emerging markets, some repeat sample orders, and some early success on internet sales campaigns. In the early part of 2014, the Company focused on consolidating sales out of Shanghai, China, re-address sales personnel and focus on some new areas including data mining through various sales data bases, resulting in promising sample sales that the company expects will lead to recurring sales in 2014. In 2014, it is the Company's intention to move to more emerging higher margin markets and speciality higher margin products. Strategically, the Company has a scalable proprietary spray manufacturing process, compared to all competitors having capital and overhead intensive lamination equipment. Management also believes the constraints moving forward to achieve manageable minimum manufacturing overhead levels will be to ensure there is minimum monthly and consistent throughput in the factory supported by sales orders. Management continues to work diligently towards this goal.

Gross Profit (Loss)

The gross profit for the first six months was \$340,970 compared with a gross loss of \$(116,092) in the same period in 2013. The gross profit for the first six months was 32.9%.

Gross profit was realized mainly from the sales of higher margin speciality products and disposal of some inventory that was re-graded during the quarter and offered with no warranty exposures. The gross profit for the period was further enhanced by the Company refocusing its attention to specific sales initiatives utilizing a Shanghai and management sales force. While the company recognized it was imperative to immediately develop other markets, contingent on financial resources being available, it also recognized there was an opportunity to develop speciality and off grid autonomous products other manufacturers were not addressing or focusing on. In 2014, further improvement to gross profit is anticipated as the company focuses on speciality and off-grid sales and anticipated success as it has now entered the TUV SUD certification process in the United States. The Company, like all other manufacturers must also continue to focus on cost reductions in materials and reducing labour costs by increasing production through-put.

In 2014, the Company will focus on the higher margin off-grid speciality solar products from 10W to 240W and its newly developed consumer products utilizing its technology, giving it certain advantages over other manufactures. All traditional glass manufacturers' gross profits are anticipated and continue to be impacted by a number of factors including world prices for the sale of PV solar panels, as they remain low, with margins in the mass rooftop and ground-mount markets evaporating or being extremely thin. During the latter part of 2013, the Company also changed its credit policy and goods are now predominately available ex-works factory, with 30% down payment requirement on ordering, and balance prior to receipt ex-works factory. In 2014, the Company anticipates this will continue to eliminate accounts receivable, credit and shipping risks.

In light of worldwide dumping of PV solar panels from large manufacturers and the pressure it has put on declining PV solar panel prices in general, and as a result of the Company's cash liquidity at year end, considerable effort has been made to control expenses and the utilization of funds during 2014 as specialty product development and product positioning and awareness was undertaken.

Operating Expenses

Total selling, general and administrative expenses for the six months ended June 30, 2014 was \$1,983,316 compared to \$2,091,463 in 2013.

Significant expenses were incurred in the first six months of 2014 for advertising and marketing as the Company continued expenditures with its internet campaigns including Google Adwords. Advertising, samples and marketing were \$124,925 compared to \$214,044 during the same period last year. The decrease in advertising and marketing was a result of eliminating mass market oriented trade shows in 2014 as compared to 2013.

Consulting fees, management and director fees and wages increased for the first six months ended June 30, 2014 from the same period last year reflecting the general increase in activity of the company, adding of trained staff as we strengthen operations in Shanghai and Canada, and the addition of independent directors. Wages increased in 2014 compared to 2013 as a result of increased manufacturing and certification activity over 2013 and to further train a core group of factory employees to enhance stability and quality.

Travel and hotel costs decreased in the period ended 2014 compared to 2013 primarily due to a reduction in travel for trade shows. Travel and hotel costs decreased from \$200,185 in 2013 to \$167,813 for the period.

Commission expenses increased to \$84,130 in the period ended 2014 compared to \$3,539 during the same period last year, reflecting incentives provided to Shanghai sales staff to develop and realize benefits from the development of a sales pipeline which was previously thin.

Professional fees although lower for the comparable period continue to be incurred in 2014, mainly attributable to corporate financing activities related to convertible debenture payouts, warrant conversions and stock option activities with business development and investor relation consultants, potential litigations and general legal fees.

Certification costs decreased from \$9,254 in 2013 to \$NIL in 2014, reflecting QSolar now being in the certification process for the QSS250 watt solar panel.

Rent decreased in the period ended June 30, 2014 compared to the same period last year due to combining various warehouse space. During the quarter the Company sold all remaining Hamburg warehouse inventory and released the leased space in Hamburg.

Investor communication costs increased in 2014 compared to 2013 from \$24,663 to \$100,981 a result of incurring investor relations and business development costs which were not incurred in the comparative period and completing a European over the counter interlist on the Frankfurt Stock Exchange.

Pilot project costs of \$2,785 were recovered for the period due to returns from the pilot project in Zhoushan, China.

Research and Development

Research and development for the six months ended June 30, 2014 was \$502,663 compared to \$500,577 in the same period 2013. Research and development is carried out under the direction of the CEO mainly from the Shanghai, China manufacturing facility. The CEO of the Company and a staff remain active in further developing its speciality products including new substrates, solar scooter, golf car solar kit, recreational vehicle solar kit, solar power boxes and soar portable power plants. During 2013, the strategy of filing patent applications was abandoned as described above, and the Company strategically developed a trade secret intellectual property strategy. This approach was adopted as a result of legal consultations on IP and trademark filings.

Selected annual financial information

The annual results for the year ended December 31, 2013 and 2012 reflect accounting policies consistent with IFRS. A summary of selected annual information is as follows:

Years ended December 31,	2013 IFRS	2012 IFRS	2011 IFRS
Total Revenue	\$ 285,695	\$ 1,719,419	\$ 1,664,187
Cost of Revenues	1,676,122	1,387,248	2,198,059
Total gross profit (loss)	(1,390,427)	332,171	(533,872)
Gross profit (loss) margin	(487)%	19%	32%
Selling, general and administrative expenses	6,281,788	2,695,517	2,507,619
Loss from operations	(7,672,215)	(2,363,346)	(3,041,491)
Other income (expenses)	59,741	-	(607,653)
Unrealized foreign exchange gain (loss)	97,603	4,623	(23,335)
Comprehensive loss for the year	\$ (7,514,871)	\$ (2,358,723)	\$ (3,672,479)
Basic and diluted loss per common share	\$ (0.11)	\$ (0.05)	\$ (0.12)
Weighted average number of shares	67,551,516	46,542,184	31,609,589
Total Assets	5,234,597	1,557,952	671,122
Total Liabilities	1,422,676	2,141,914	1,957,773
Total liabilities net of cash	(1,127,870)	1,990,448	1,949,149

Selected Quarterly Information

The quarterly results reflect accounting policies consistent with IFRS. A summary of selected information for each of the quarters presented below is as follows:

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Total assets	\$3,825,771	\$4,728,973	\$5,234,597	\$7,666,771	\$9,389,226	\$4,108,930	\$1,557,952	\$1,727,781
Total Liabilities	\$679,545	\$1,245,658	\$1,422,676	\$1,318,405	\$1,807,116	\$1,571,924	\$2,141,914	\$2,641,204
Shareholders' equity (deficiency)	\$3,146,226	\$3,483,315	\$3,811,921	\$6,348,365	\$7,582,110	\$2,537,006	\$(583,962)	\$(913,423)
Revenue	\$707,414	\$329,076	\$13,452	\$(34,919)	\$281,550	\$25,522	\$358,411	\$804,233
Expenses	\$1,641,732	\$1,037,105	\$2,823,021	\$2,620,263	\$1,677,149	\$837,477	\$1,740,376	\$924,111
Comprehensive loss for the period	\$(1,010,029)	\$(638,882)	\$(2,690,729)	\$(2,696,670)	\$(1,344,242)	\$(783,230)	\$(1,233,622)	\$(146,943)
Loss per share	\$(0.01)	\$(0.01)	\$(0.03)	\$(0.04)	\$(0.02)	\$(0.01)	\$(0.03)	\$(0.00)

During the quarter ended June 30, 2014, the Company had transactions as described in Revenue and Operating Expense above. In addition during the three months ended June 30, 2014, sales for the quarter were \$707,414 compared to \$281,550 in the same quarter in 2013 and generating a gross margin for the quarter of 21%. During the current quarter, general and administrative expenses are primarily attributable to advertising and marketing of \$63,379 (2013 - \$193,183), bank charges and interest of \$1,628 (2013 - \$3,595), certification costs of \$NIL (2013 - \$119), commission expense of \$58,361 (2013 - \$3,394), consulting fees of \$104,178 (2013 - \$48,704), listing and transfer agent fees of \$12,341 (2013 - \$11,778), investor communication fees of \$79,831 (2013 - \$18,152), professional fees of \$98,942 (2013 - \$120,459), foreign exchange (gain) loss of \$655 (2013 - \$(160,915)); research and development of \$253,521 (2013 - \$253,503); rent of \$67,360 (2013 - \$107,916), wages and benefits of \$126,900 (2013 - \$49,854) and travel and hotel of \$71,359 (2013 - \$151,540).

Liquidity and Capital Resources

The Company's working capital was \$2,767,474 as at June 30, 2014 (December 31, 2013 - \$3,447,095).

The Company manages its capital structure and makes adjustments to it, based on available funds to the Company. The success of the Company is dependent upon it maintaining its trade secret technology rights, generating sufficient sales, and its ability to obtain financing for operations and to fund its research and development. Although management believes the Company's working capital will be sufficient for the Company to meet its ongoing obligations in 2014, the Company does anticipate raising further capital through equity and debt financings, as appropriate, to fund its future ongoing activities. During the year ended December 31, 2013, the Company secured sufficient capital resources to meet its ongoing obligations for 2013. The same level of activities cannot be undertaken in 2014 without obtaining additional financial resources.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2014, the Company had cash balances of \$1,126,055 (December 31, 2013 - \$2,550,546) and current liabilities of \$679,545 (December 31, 2013 - \$1,422,676).

Outstanding Share Data

The total number of common shares outstanding as of June 30, 2014 was 73,748,912 and as at August 26, 2014 was 73,748,912. As at June 30, 2014, NIL shares were held in escrow and as at August 26, 2014, all shares had been released from escrow.

Stock Options

As at June 30, 2014, the following stock options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
1,000,000	\$ 0.05	March 17, 2021
1,820,000	0.15	July 19,2022
1,500,000	0.80	September 18, 2023
600,000	See note below.	See note below.
150,000	0.70	December 10, 2023
25,000	0.80	April 25, 2015
5,095,000		

On September 18, 2013, 600,000 stock options were granted to a consultant for five year terms from the vesting date, vesting in 200,000 stock option increments on September 18, 2013, October 1, 2014 and October 1, 2015 at prices of \$0.80, \$1.10 and \$1.40 respectively.

Share purchase warrants

As at June 30, 2014, the following share purchase warrants are outstanding and exercisable:

Number of Warrants	Exercise Price	Expiry Date
1,383,680	0.40	December 10, 2014
400,000	1.00	March 12, 2015
6,666,667	1.00	April 15, 2015
450,450	1.10	October 15, 2015
8,900,797		

On or before March 11, 2014, share purchase warrants totalling 25,000 were exercised at \$0.40 per share expiring on March 30, 2014.

On or before March 11, 2014, share purchase warrants totalling 50,000 were exercised at \$0.40 per share expiring on April 23, 2014.

On or before March 11, 2014, finder's purchase warrants totalling 39,840 were exercised at \$0.75 per share expiring on March 11, 2014.

On or before March 30, 2014, share purchase warrants totalling 446,000 were exercised at \$0.40 per share expiring on March 30, 2014.

On or before March 30, 2014, share purchase warrants totalling 100,000 were exercised at \$0.40 per share expiring on December 10, 2014.

On or before April 23, 2014, share purchase warrants totalling 1,645,510 were exercised at \$0.40 per share expiring on April 23, 2014.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

As at June 30, 2014, the Company was indebted to (from) officers and directors of the Company \$(127,711) (December 31, 2013 - \$73,385) which was included in due to related parties. The amounts are non-interest bearing with no specified terms of repayment.

During the period ended June 30, 2014, the following transactions occurred:

(i) Included in selling, general and administrative expenses is an amount of \$113,072 representing remuneration for officers and directors and former officers and directors (2013 - \$235,077)

(ii) Included in selling, general and administrative expenses is an amount of \$269,330 representing consulting fees paid to companies controlled by officers and directors (including portions allocated to research and development) (2013 - \$96,653)

(iii) Included in selling, general and administrative expenses is an amount of \$69,421 representing legal fees paid to an officer who is a partner of a legal firm (2013 - \$64,024)

(iv) Included in selling, general and administrative expenses is an amount of \$24,013 representing remuneration paid to a spouse of an officer and director (2013-\$NIL)

Risk Factors

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline and prospective investors may lose part or all of their investment.

Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to submit documents to the Exchange in the time periods required. Trading in the common shares of the Company may be halted at other times for other reasons also.

Dilution

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change, key management is subject to potential material payout provisions on defined changes of control and subscribers may suffer dilution of their investment.

Directors and Officers

The directors and officers of the Company may not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management

The Company is relying solely on the past business success of its directors and officers to identify an asset or business acquisition or transaction of merit or to obtain dilutive and non-dilutive financings that may or may not result in dilution to existing shareholders. The success of the Company is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

Critical Accounting Estimates, Judgements and Assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the year. Actual results could differ from these estimates

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) the recoverability of receivables which are included in the consolidated statements of financial position;
- b) the carrying value of inventories, which are included in the consolidated statements of financial position;
- c) the estimated useful lives of equipment which are included in the consolidated statements of financial position and the related depreciation included in profit or loss;
- d) the estimated useful lives and recoverability of intangible assets which are included in the consolidated statements of financial position and the related depreciation included in profit or loss;
- e) the fair values of financial instruments and share based payments.
- f) realizable value of deferred income tax assets.
- g) potential provision for restoration, rehabilitation and environmental costs.

Significant Accounting Policies

Accounting Policies Adopted Effective January 1, 2014

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation (“IAS 32”)

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off’;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

IAS 36 – Impairment of Assets (“IAS 36”)

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments should be applied retrospectively.

IFRIC 21 – Levies (“IFRIC 21”)

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 8 – Operating Segments:

Amended to require disclosure of the judgments made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Effective for annual periods commencing on or after July 1, 2014.

IFRS 9 – Financial Instruments (“IFRS 9”)

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. In July 2013, the IASB tentatively decided to defer the mandatory effective date until finalization of the impairment, classification and measurement requirements, with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its consolidated financial statements when issued.

Capital Management

The Company’s capital structure consists of items in shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk is primarily associated with trade and other receivables due to uncertainties as to the timing and amount of collectability of trade and other receivables; however, it also arises on cash and cash equivalents and derivative assets. To mitigate exposure to credit risk on financial assets, the Company has established policies to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable credit worthiness and to ensure liquidity of available funds.

The credit risk on cash is limited because the Company invests its cash in reputable financial institutions.

The amounts disclosed in the consolidated statement of financial position with respect to trade receivables are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. As at June 30, 2014, trade receivables are current. The Company mitigates credit risk through credit and reference checks.

The value-added tax ("VAT") pool recorded as other receivables in the consolidated statement of financial position represents the excess of the 17% VAT input paid on its purchases over the 17% VAT output charged on sales to domestic customers in China. This excess amount is available for future deduction of VAT output realized on sales.

The value-added tax ("VAT") pool recorded as other receivables in the consolidated statement of financial position in Europe represents either input tax credits receivable or sales taxes payable of the 19% VAT input tax paid or charged to domestic supplies or customers in Europe.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2014, the Company had cash balances of \$1,126,055 (December 31, 2013 - \$2,550,546) and trade and other VAT receivables of \$774,994 (December 31, 2013 - \$588,276), totalling short term deemed liquid assets of \$1,901,049 (December 31, 2013 - \$3,138,822) and current liabilities of \$679,545 (December 31, 2013 - \$1,422,676).

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend upon equity capital and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing market conditions.

Interest rate risk

The Company's convertible debentures bear a fixed rate of 10% and therefore is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Foreign currency risk

The Company holds foreign balances of payables, receivables, and cash and is therefore exposed to foreign currency risk. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash, receivables, accounts payable and accrued liabilities and accounts payable to related parties are held in several currencies and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The effect on net loss of a 1% change in GBP foreign exchange rates, based on current operations, is not significant.

The RMB is not a freely convertible currency. The People's Republic of China State Administration for Foreign Exchange, under the authority of the People's bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company's cash denominated in RMB amounted to approximately \$211,701 and \$112,000 as of June 30, 2014 and December 31, 2013 respectively.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be significantly affected by credit risk, liquidity risk, interest rate risk, foreign exchange risk.

Fair value hierarchy

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

Outlook

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

Management's Responsibility for the Financial Statements

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Consolidated Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Contingencies and Claims

Claim by Stockhouse and Counterclaim by QSolar

In February 2012, the Company received a Statement of Claim by Stockhouse Publishing Ltd. (the “Plaintiff”) alleging breach of contract for unpaid amounts under an Agreement for an internet advertising program (“Top Campaign Package”). The Plaintiff alleges that the price under the Agreement was \$115,372 plus HST, payable monthly in instalments. The Plaintiff alleges that the purchase price under the Agreement was due in its entirety on the date of signing the Agreement, and the Plaintiff offered the Company (the “Defendant”) the option of a monthly payment as a convenience only. The Plaintiff also alleges that it fulfilled all of its obligations under the Agreement and is requesting a claim for judgement of \$101,125 plus interest and costs.

The Company served written termination notice to terminate the Agreement to the Defendant approximately September 15, 2011. The Company responded to the Statement of Claim by filing both a Defence Response (“Response”) and Counterclaim in March 2012. The Counterclaim seeks damages for the failures under the advertising agreement and repeats the entirety of the allegations the Company has made to the Plaintiff under Part 1 of the Response to the Civil Claim. The Company alleges the Plaintiff failed to perform the services to which the Company was promised; the Company did not receive any actual benefit for the payment that it had paid the Plaintiff and the Plaintiff has been unjustly enriched thereby; and the Company has suffered damages caused by the Plaintiff's misrepresentations and failure to perform the services promised by the Representations as well as by the Plaintiff having prevented a private placement. The company is seeking damages of \$123,768 plus interest and asks that the lawsuit be dismissed with costs. On October 10, 2013, the Company received from the Plaintiff's counsel, the Plaintiff's Notice of Intention to Proceed which was filed October 4, 2013. There have been no further material developments that have occurred to date.

As such, management has not recorded any provision for loss in these financial statements.

Claim by Lazarus and Statement of Defence and Statement of Claim or Counterclaim by QSolar

The Company received on December 13, 2012 a copy of statement of claim filed with the court in Ontario, but as at the 2012 year end not served on the Company, from a former accountant, Russell Lazarus Professional Corporation and Russell Lazarus (“Lazarus”), claiming non-payment for services rendered of \$28,250, claiming a non-payment amount for alleged services rendered, reimbursement of a travel expense of \$477, alleging breach of contract and punitive damages of specified amounts, and requesting reinstatement of cancelled stock options and issuance of a second set of stock options previously not issued. QSolar agreed to service of the statement of claim in Ontario approximately February 19, 2013. QSolar, after further review filed a statement of defence approximately March 20, 2013 and filed a claim as described below in Alberta against the parties.

On July 23, 2013, the Company filed a Statement of Claim in Alberta on Russell Lazarus and Russell Lazarus Professional Corporation (collectively “Lazarus”) claiming certain breaches on a joint and several basis: damages for fees incurred as a result of breach of Agreement of \$259,875, damages for loss of capital that would have been secured but for the breach of Agreement for \$3,000,000, and interest and costs of the Action. To date no response has been filed by Lazarus, other than a filing of an application November 22, 2013 by Lazarus' legal counsel to challenge jurisdiction and seek to stay the proceedings in Alberta in favour of the Ontario action above. A special chamber hearing on the jurisdiction issue and a ruling on staying the proceedings was held April 2, 2014. Subsequent to this date, the Alberta court ruled in favour of QSolar on jurisdiction and ruled that due to similarities of aspects and the source of the actions of Lazarus and QSolar arising out of each respective suits that the courts interest would be best served to stay the proceedings in Alberta, but allow QSolar to file a counter suit in Ontario. QSolar intends to proceed with this course of action in Ontario. There have been no further material developments that have occurred to date.

Management has not recorded any provision for gain in these financial statements.

Statement of Claim by Fanti Raoul Against QSolar Ltd.

The Company acknowledged service of a statement of claim on September 27, 2013 filed by Fanti Raoul on QSolar Ltd. in the High Court of Justice Queen's Bench Division, London Mercantile Court in London, England issued September 12, 2013. In summary form, alleging product purchased by Fanti Raoul from QSolar Ltd. did not meet particular Italian certification standards. QSolar has provided notice of filing and service of defence that it is defending this claim on the basis it made no representations and warranties regarding the particular Italian certifications. QSolar filed the statement of defence in the High Court of Justice Queen's Bench Division, London Mercantile Court in London, England on November 11, 2013. Under the rules of the British court, a case management conference and application must be undertaken by the plaintiff. Fanti's counsel failed to make the applicable applications within the time frames specified. After receiving permission from the courts for Fanti to proceed, with no objection from QSolar, a case management conference had been scheduled with the London courts for April 29, 2014. On April 28, 2014, QSolar received confirmation from its UK counsel, that the London Court advised that the case management conference scheduled for April 29, 2014 was vacated. QSolar has been advised by UK counsel for QSolar that it has agreed with Fanti's solicitor to stay the proceedings until October 14, 2014 to allow for potential mediation in the litigation process. There have been no further material developments that have occurred to date.

Management has not recorded any provision for loss in these financial statements.

Statement of Claim by Ecosystem S.A.S. Against QSolar Ltd.

The Company acknowledged service of a statement of claim received at QSolar's registered office in Calgary on or about May 27, 2014 filed by Ecosystem S.A.S., Italy, under the jurisdiction of the Italian Courts on QSolar Ltd. for the approximate amount of Euro \$35,000. In summary form, although not clear, the Italian court filing appears to be pursuant to a purchase order contract for product purchase by Ecosystem. Pursuant to discussions with counsel, due to the nature and issues of the court filing, jurisdiction and amounts, QSolar Ltd. does not intend to pursue any further work on this issue at this time.

Management has not recorded any provision for loss in these financial statements.

Subsequent Events

Extension of European Investor Relations Contract and Grant of Stock Options

On July 4, 2014 QSolar announced that it had extended the contract of *public eye CONSULTING* ("*public eye*") in consideration of the investor relations services provided and to be provided for Europe, QSolar will pay a monthly fee of €5,000 and has granted Mr. Busche stock options to acquire up to a total of 200,000 common shares of QSolar. The contract may be terminated at any time by QSolar with 30 days' written notice. The options will vest as to 50,000 immediately and the balance of 50,000 options each vesting October 1, 2014, January 1, 2015 and April 1, 2015 respectively. The options are exercisable at any time up until the close of business on July 3, 2015, subject to a 30 day exercise provision on termination for those options that have vested as stipulated in Mr. Busche's stock option agreement and subject to the Corporation's stock option plan. The stock options have an exercise price of \$0.40 per share.

Results of July 16, 2014 AGM

On July 17, 2014, QSolar announced the results of the Corporation's annual general meeting ("AGM") held on July 16, 2014. A total of 43,848,531 common shares, representing 59.46 per cent of the votes attached to all outstanding shares as at the record date for the meeting, were represented at the AGM. This demonstrates a high level of shareholder participation and evidences strong support for the re-election of the board's nominees as directors.

All of the matters submitted to the shareholders for approval as set out in QSolar's notice of meeting and information circular, both dated June 4, 2014, were approved by the requisite majority of votes cast at the AGM. The details of the voting results for the election of directors are set out in the attached table.

Director	Votes for		Withheld votes	
	Number	%	Number	%
Andreas Tapakoudes	43,796,931	99.88	51,600	0.12
Preston Maddin	43,796,931	99.88	51,600	0.12
Mark Ferguson	43,796,931	99.88	51,600	0.12
Dr. Zijian Zhou	43,796,931	99.88	51,600	0.12

Shareholders also approved the reappointment of Davidson & Company LLP as auditor of the Corporation for the ensuing year at the remuneration to be fixed by the directors.

Results of QLX desert-ready Pilot Testing

On July 24, 2014, QSolar reported that it had now received the technical report from TUV SUD Certification and Testing (China) Co., Ltd. on the completed tests in the Dubai pilot installation, pursuant to its November 12, 2013, December 11, 2013 and May 27, 2014 news releases. The Corporation's non-certified QLX desert-ready 250 watt solar panels outperformed, under identical and extreme desert conditions, the certified solar panels of two tier 1 solar panel manufacturers, known as manufacturer A and manufacturer B, by 23.36% and 11.28% respectively. This represents a significant performance advantage of QSolar's heat sink technology ("HST") designs and confirms the Corporation's previous laboratory results.

The QSolar desert-ready panel confirms that any improvement in efficiency of the output of the solar panel translates into significant improvements in the economics and yields of a solar installation, especially in these extreme desert conditions. In general terms, for approximately every degree Celsius that the solar cells are cooled, this translates into 0.43% increase in overall performance. As an example, management estimates in a typically planned 100 megawatt ("MW") installation in the region, the QLX desert-ready panels would produce an equivalent approximate output of an extra 10 gigawatt hours a year, assuming a price of \$0.10 per kilowatt hour, producing approximate additional revenue of \$1 million a year, each year over 25 years, which is the estimated lifetime of the plant. Therefore, QSolar HST would produce an approximate \$25 million in additional revenue under this example. This additional production from the HST when compared to existing glass panels in the region assumes the additional production efficiency over only 6 months during the summer when the temperature is extremely high.

QSolar's laboratory results provided indications of slower heating of the desert photovoltaic ("PV") panel in higher heat conditions than standard competitor's glass PV solar panels. QSolar was testing its QLX desert-ready solar panels, which utilize its proprietary polymer, Spraytek99®, non-glass QSS substrate, and newly developed HST to compare their performance and durability against standard glass solar panels, under extreme desert conditions. QSolar HST has been incorporated in a solar panel for the first time, and both laboratory results as well as field tests in the Dubai pilot tests confirmed the superior performance characteristics of the HST when solar panels have a cooling mechanism that prevents the cells from overheating.

As a result of this desert pilot testing, QSolar is now further positioned to enter the multi-billion dollar Middle East and North Africa (collectively “MENA” countries) market with a distinct advantage, and a guaranteed solution to the problems associated with typical glass solar installations in these extreme desert conditions. GTM Research and the Emirates Solar Industry Association predict an annual volume of 3.5 gigawatts (“GW”) in the MENA region’s solar market by 2015. By 2017, the demand is expected to exceed 10 GW (1 GW = 1,000 MW = 1,000,000 KW). QSolar now has a documented advantage in extreme heat and sand conditions for a very desirable market where the objective is to have an effective solution for efficiency, durability and extreme ultra-violet issues that currently degrade and discolor other manufacturers’ glass solar panels subjected to extreme heat conditions.

Development, Testing and Introduction of Solar Golf Car Accessory Kit (“QDrive”)

On July 30, 2014, the Corporation announced the successful development, testing and introduction of its first specialized solar product solution for the golf cart industry, the QDRIVE solar golf cart accessory kit (“QDRIVE”). QSolar has taken its proprietary technology and designed an easily installable kit that compliments electric outlet charging of golf cart batteries and developed a working solar after-market product solution that allows the golf cart, under typical use, to run fully autonomously on solar power without the use of an electric mains charger. QDRIVE will potentially save the end-user significant amounts otherwise spent on an electric battery charger and electrical charging costs estimated at USD \$350 annually per golf cart. In addition, the overall battery life cycle will be extended resulting in savings of additional amounts of money over a number of years. By reducing the amount of deep discharge cycles to a battery, an owner can expect less frequent costly battery swaps or change-outs on their vehicles that typically cost well over USD \$1,000 per battery change-out. The amount of savings alone in the frequency of the battery change-outs fully supports the value proposition of the QDRIVE in addition to the electrical cost savings and potential U.S. tax credits. As no down time is required for electric mains charging, QDRIVE increases the immediate use of the golf carts availability to nearly 100%. The QDRIVE kit has been developed from QSolar’s photovoltaic (“PV”) proprietary polymer non-glass technology. It is extremely efficient, lightweight, durable, easy to install and will allow electric golf carts and utility vehicles to drive on solar power alone without having to plug in.

QDrive has now been tested for over six months in Arizona, U.S. as well as in Asia, in extreme summer heat conditions with temperatures up to 45° Celsius. QSolar’s test vehicles have achieved well over 10 additional miles per day (16 kilometers) and over 70 miles per week (112 kilometers), in Arizona, on a continuous solar charge, even on cloudy days. To date, over the span of 7 days in Arizona, QSolar’s test vehicle has also been able to drive 86 miles (138 kilometers) off a single charge. QSolar expects to introduce and have initial product available in the US for September 2014, and commence selling through an Arizona based non-exclusive distributor. It is anticipated that a distributorship will be set up in the U.S. and managed by a U.S. based sales manager. It is intended that distributor, wholesale and retail prices of the QDRIVE kit will be priced at up to 30% less than that of other solar accessory kits being offered with partial solutions on performance. The QDRIVE kit is anticipated to be retail priced at USD \$950.

Dated August 26, 2014