DAY4 ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For Quarter Ended March 31, 2010

May 10, 2009

The following is a discussion of the consolidated financial condition and results of operations of Day4 Energy Inc. ("Day4" or the "Company") for the three months ended March 31, 2010 and 2009 and should be read in conjunction with Day4's audited Consolidated Financial Statements and unaudited Interim Consolidated Financial Statements, and the notes thereof. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the "Caution Regarding Forward-looking Statements" below.

Day4's Consolidated Financial Statements were prepared in accordance with Canadian generally accepted accounting principles. The Consolidated Financial Statements and Management's Discussion and Analysis ("MD&A") were reviewed by Day4's Audit Committee and approved by Day4's Board of Directors. All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of May 10, 2010.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

These forward-looking statements include, among other things, statements relating to our expectations regarding:

- our revenues, expenses, cash flows, and future profitability;
- our expectation that we can execute on our business strategy without raising additional equity through capital markets;
- our expectation as to our manufacturing capacity and our ability to increase manufacturing volumes to that capacity in a short time frame;
- our strategy to explore and develop opportunities into new vertical markets in investor funded photovoltaic ("PV") projects;
- our working capital and available production capacity to meet strategic objectives;
- our intention to expand credit facilities to facilitate operating activities;
- our expectation that a natural hedge on foreign exchange will be in place concurrently with our outsourcing of production to Jabil Circuit Inc. ("Jabil"); and
- our statements under the headings "Significant Developments".

The forward-looking statements contained in this MD&A are based on assumptions, which include, but are not limited to:

- the conditions precedent to the completion of the proposed acquisition of ACI-ecoTec GmbH & Co. KG may not be successfully met and the acquisition may not be completed
- our successful renegotiation of cell purchase commitment volumes and prices;
- our ability to obtain an adequate spread between our module average selling price and cost of raw materials, including PV cells;
- the continued ability of Jabil to successfully manufacture our products;
- our ability to meet and manage demand for our products;
- achieving increased PV cell and PV module efficiencies;
- expanding our existing product line;
- building the Day4 brand, attracting customers, and developing and maintaining customer and supplier relationships;
- continuing our strong relationships with our suppliers;
- effectively managing foreign exchange risks;
- effectively managing credit risks of customers and other counterparties;
- protecting our intellectual property rights and not infringing on the intellectual property rights of third parties;
- timely processing by certification agencies for new products; and
- complying with applicable governmental regulations and standards.

Such forward-looking statements are subject to risks, uncertainties and other factors, including those listed or incorporated by reference under "Risks & Uncertainties", many of which are beyond our control and each of which contributes to the possibility that our forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. These risks, uncertainties and other factors include, but are not limited to:

- the impact of general economic, market or business conditions;
- risks related to the implementation of outsource manufacturing and our dependence on Jabil for the manufacture of our products;
- our dependence on a limited number of PV cell suppliers;
- price fluctuations that may impact relations with existing customers;
- risks relating to the protection of our intellectual property and intellectual property infringement claims by third parties;
- our reliance on a limited number of suppliers;
- government subsidies and economic incentives for PV power could be reduced or eliminated;
- the financial strength of our competitors;
- competition from other forms of renewable energy;
- our ability to manage growth effectively;
- our ability to open up new markets for our products;
- demand for PV modules may reduce;
- technological advances from competitors that may render our products uneconomic or obsolete;
- the impact of global events; and
- other factors, many of which are beyond our control.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon our assessment of all information available at that time.

The forward-looking statements made in this MD&A relate only to events or information as of the date indicated above. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

You should read this MD&A and the documents to which we refer in this MD&A completely and with the understanding that our actual future results may be materially different from what we expect.

1. Business Overview: History, Vision and Strategy, and Core Business

A detailed overview of Day4's business, including summary of our history, business strategy, industry outlook, and core business is provided in our Annual Information Form ("AIF") for the financial year ended December 31, 2009. Our AIF may be found, together with all our public documents, at www.sedar.com.

2. Significant Developments and Overview

The beginning of 2010 in the PV industry was marked by significant increases in overall product demand and intense speculation in regards to the amount of the reduction and timing of changes to the German PV subsidy. Furthermore during the late 2009 and early 2010 the industry has come to the realization that simply making non-differentiated products is not enough to sustainably compete in the new post 2009 environment. While the first two of these factors shaping the industry landscape during the first quarter have certainly had their share of impact on every company in the space, it is the third factor, the rapidly emerging need for competitive differentiation that we believe will have the most profound impact on the overall PV industry going forward.

We have anticipated the emergence of this trend for some time and have taken steps to ensure that our company is well positioned to capitalize on the opportunity that this trend presents. Over the course of the last three years we have completed the industrial scale-up of our proprietary manufacturing process. We have built a strong track record of field performance and quality behind the Day4 product brand. These developments put Day4 in a position to take the final step towards capitalizing on the changes in the industry landscape and making our next generation technology platform available to partners across the industry.

Subsequent to the end of the first quarter 2010 Day4 entered into an agreement in principle to acquire ACI-ecotec GmbH & Co. KG ("ACI"), a privately owned specialized PV equipment design and manufacturing company based in Germany. The combination of the Day4 proprietary and patented technology and ACI's specialized know-how and equipment allows Day4 to immediately launch its turn-key manufacturing technology solution for production of PV cells and PV modules based on proprietary technologies developed by Day4 Energy.

In the near term, the ACI acquisition is expected to be accretive to our business and provide us with an existing and most importantly, financially self-sustaining sales and execution infrastructure required to roll out Day4's manufacturing solutions package. Based on unaudited financial information provided by ACI management, ACI's historical average revenue for 2008 and 2009 fiscal years is approximately $15 million Euro with percentage of earnings before income taxes and depreciation to revenue in the range of 5% to 10%.

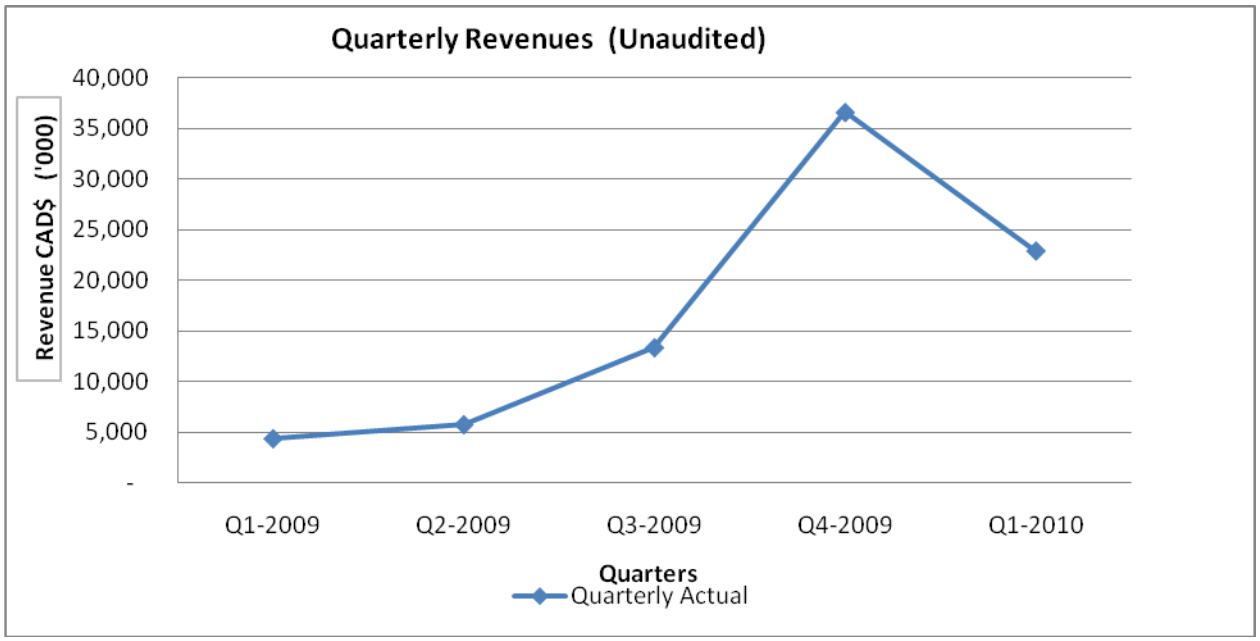
In the medium to long term, we believe that the acquisition of ACI is expected to significantly alter the Company's current business model to a higher profit margin model consisting of manufacturing line, integration services and technology royalty streams. Combined with the revenues from the new product offering, this model will become an increasingly larger component of the Company's revenue mix over time. We also believe that the acquisition and the new product offering will allow us to reduce the working capital intensity of our business model, expand profit margins, achieve full potential of our technology, expand market share and sales volumes, and create an industry standard that would ensure strong position of the company within the PV industry for years to come.

Our fourth quarter of 2009 was the strongest quarter in our history, with revenue of $36.6 million and gross margin of 7%. Demand continued to be strong in the first quarter of 2010. With that we have continued to gradually improve our manufacturing cost structure and were able to maintain the gross margins we have seen in the prior quarter despite the seasonal slowdown that we have historically

experienced in the first quarter of the year due to snowfall in our primary market of southern Germany. In order to meet this strong demand, we operated at full capacity through the first quarter and began the process of increasing our current capacity of 50MW at Jabil with a goal to ultimately bring capacity to 120 MW by the end of the third quarter of 2010. During the course of the quarter and subsequent weeks we have also continued our focus on technology development and marketing and sales, with the announcements of the 60MC-I International Electrotechnical Commission ("IEC") certification, expansion into new markets with the distribution partnership with Regency for Australia and continued efforts in the turnkey project business.

Currently there is a significant amount of uncertainty surrounding the demand expectations for the second half of 2010 in Germany. While there is no certainty in predicting the exact magnitude of the impact that the proposed changes to the subsidy will have on the German market, we believe that bank lending and overall investor sentiment have recovered sufficiently to support sales of PV systems during the second half of 2010 as long as the industry is capable of reducing the average selling prices for its products and services in line with proposed reductions in the subsidy programs. Much of this has already happened, in view of the fact that PV manufacturing costs had come down sufficiently during 2009 to support such reduction in the average selling prices. Silicon and PV cell prices generally have the strongest impact on the overall cost structure of PV module manufacturing process. Our margins are dependent on our ability to obtain an adequate spread between our module average selling price and cost of raw materials, including PV cells. As a result, timing and magnitude of change in PV cell prices in particular will have a strong influence on our ability to react to any changes in the module prices due to reduction in subsidies.

In the first quarter of 2010, our revenues were $22.9 million compared to revenues of $36.6 million in the prior quarter. The decrease in revenue in the first quarter compared to the previous quarter mainly resulted from seasonality slowdown in our core markets. The first quarter gross margin was 7% compared to gross margin of 7% and gross loss of 11% in the previous quarter and the same period in 2009 respectively. The margin improvements are a direct result of our transition to the outsourced manufacturing cost structure.



In September 2009, we announced the launch of our new product line, 60MC-I modules with Guardian Technology™. We are currently making the necessary changes in our production at Jabil to produce this new 60MC-I product line, in addition to our existing line, the 48MC. The changes are expected to be completed in the second quarter of this year. We have also received IEC certifications for the 60MC-I module. IEC certifications for PV modules are recognized industry standards that verify that the modules have passed the required series of tests and are suitable for long-term operation in a wide range of outdoor climates. These tests examined the important technical requirements for PV modules, namely reliability, durability, efficiency, electrical safety, and performance degradation over time. IEC certification for PV modules is a requirement for sales into the European market. Certification with Underwriters Laboratories ("UL") is expected in the second quarter. UL is a provider of product safety and certification testing services. Products that pass stringent tests become registered with the company and can bear the UL mark. UL certification is a requirement for sales in the United States and Canada.

The Guardian Technology™ lends itself particularly well to the roof-top market since this is where it offers the biggest advantage. Both North American and European legislation is starting to favour this market. This key advancement in our proprietary new module technology minimizes energy losses caused by shading over the modules as well as the effects of debris such as leaves and bird droppings, all of which can dramatically reduce or eliminate electricity production from a standard module. As Day4's 60MC-I modules are able to operate well even when partially shaded, it is possible to arrange them closer together, enabling a larger number of modules to be installed in a smaller area with a greater energy yield, something that is key on a rooftop where space is limited. With up to 25% more energy yield from the installation area due to high installation density, the 60MC-I modules provide a higher energy yield (i.e. kilowatt-hours per year per dollar invested) when compared to standard module designs. Our Guardian Technology™ based products have received a very strong reception from the market and are expected to further advance our technological leadership in the industry.

3. Results of Operations

Revenue

The following table provides segmented and total revenues and gross profit for the first quarter of 2010 and 2009:

Revenues by geographic area	**For the three months ended March 31,**			
($000's) unaudited	**2010**	**% Total Revenue**	**2009**	**% Total Revenue**
Canada	322	1%	282	7%
United States	2	-	1	-
Other	4	-	-	-
Total North America	**328**	**1%**	**283**	**7%**
Germany	19,381	85%	1,099	25%
Italy	2,740	12%	2,962	68%
Other	72	-	-	-
Total Europe	**22,193**	**97%**	**4,061**	**93%**
Other	**403**	**2%**	**1**	**-**
Total Revenue	**22,924**	**100%**	**4,345**	**100%**
Cost of goods sold	21,239	93%	4,808	111%
Gross profit (loss)	**1,685**	**7%**	**(463)**	**(11)%**

Revenue for the first quarter 2010 was $22.9 million, an increase of $18.6 million, or 428%, compared to the same period in 2009. First quarter 2010 revenues decreased by $13.7 million, or 37%, from the fourth

quarter of 2009. Demand continued to be strong in the first quarter of 2010, and we were able to maintain the gross margin we have seen in the prior quarter despite the seasonal slowdown that we have historically experienced in the first quarter of the year due to snowfall in our primary market of southern Germany.

During our first quarter of 2010, 97% of revenue came from Europe where Germany and Italy continue to be our main markets where the availability of government performance-based subsidies and incentives support the development of the PV power industry.

Cost of Goods Sold and Gross Margins

The significant improvement in our margin starting from the second half of 2009 was a direct result of transitioning to the outsourced manufacture cost structure. Gross margin in the first quarter of 2010 was 7% compared to a gross loss of 11% in the same period in 2009 and gross margin of 7% in the fourth quarter of 2009. Cost relating to low capacity utilization was nil in the first quarter of 2010 compared to $0.8 million in the fourth quarter of 2009. We were able to maintain a gross margin of 7% in the first quarter 2010 despite lower sales with declining Euro foreign exchange.

Our cost of goods sold consists primarily of materials costs, including PV cells. We work closely with our material suppliers throughout the year to negotiate raw material price structures that are compatible with our product pricing. Our ability to control these costs is limited by total industry demand for materials, which, in some cases, can cause shortages of supply that could affect our ability to maintain production at our current rates should we not be able to find alternate supply. In 2009, through our outsourcing agreement with Jabil, we shifted production closer to our main European market, providing us with a natural hedge on currency requirements, as well as other benefits of direct cost reduction, reduced working capital requirements, and general lowering of capital requirements for future expansion. However, we still have some exposure to currency risk relating to our non-Euro currency purchases.

General and administrative

General and administration ("G&A") expenses were $2.5 million for the first quarter of 2010, a decrease of $0.5 million from the $3.0 million for the same period in 2009. G&A expenses for the first quarter of 2009 included expenses relating to the workforce reduction plan and the start-up of Jabil offset by a recovery of allowance for doubtful accounts, totalling $0.7 million.

Compared to the previous quarter, our G&A expenses have increased by $1.8 million from $0.7 million. The increase in expenses is primarily attributable to one-time costs relating to the due diligence activities for the acquisition of ACI in the first quarter 2010, and a $1.6 million recovery of bad debts in the fourth quarter 2009 that did not recur in 2010. We expect to incur additional costs in the subsequent months relating to pre- and post-closing on the acquisition of ACI.

Research and development

The gross R&D expenditures, offsetting government funding and the resulting net R&D expenditures for the relevant periods were as follows:

Research and development expense (Unaudited)	**For the three months ended March 31, 2010**	**2009**
Gross R&D Expenses	850,714	515,707
Government assistance	(77,019)	-
Net R&D Expenses	773,695	515,707

A 65% increase in R&D expenses in the first quarter of 2010 compared to the same period in the prior year primarily related to the costs associated with our Burnaby facility which is now used almost exclusively for R&D following the transfer of production to Jabil. Starting in the third quarter of 2009, all production equipment, personnel and facility costs, with the exception of Day4® Electrode wire production, have been repurposed from production to R&D. Compared to the previous quarter, our R&D expenses have decreased by $0.2 million from $1.0 million.

The core of our technological advantage is our proprietary and patented Day4® Electrode technology that is used to inter-connect PV cells and collect the power they generate. This technology represents a fundamental change in the way that PV modules are built. The Day4® Electrode is comprised of a polymer film embedded with a number of specially-coated copper wires. These wires are coated with a proprietary low-temperature melting point alloy and are designed to establish a low-resistance electrical contact with the surface of the PV cell. The Day4® Electrode is a direct replacement of the conventional PV cell soldering process that is currently widely used in the industry.

Our R&D activities and intellectual property portfolio, which includes fourteen granted patents and numerous patent applications, cover both PV cell and PV module designs and processes. We are pursuing a number of new low-cost, high-efficiency mono-crystalline and multi-crystalline PV cell designs enabled by our Day4® Electrode technology. If implemented together with our proprietary PV module technology, we believe these cells, referred to as our Generation II designs, may offer up to 25% cost reduction due to greater average efficiency and production cost saving on a per rated watt basis compared to conventional module performance and costs. The ultimate goal of our R&D program is to design technologies that lower the non-subsidized cost of PV power generation to levels equal or lower than those associated with conventional electrical power generation technologies.

Government assistance in the first quarter 2010 of $77,019 related to amounts received or receivable from the National Research Council (“NRC”) at March 31, 2010. In the third quarter of 2009, the NRC approved funding of $0.5 million to support Day4’s activities to develop and commercialize a set of key cell manufacturing technologies that increase efficiency and lower production costs at both the cell and module levels. Day4 received the funding through the Industrial Research Assistance Program (“IRAP”), a division of NRC that supports small- and medium-sized enterprises in communities across Canada by providing financial, technological and networking assistance. Government funding is recognized as a reduction in R&D expenses when collection is reasonably assured. During the first quarter of 2010, we have received funding of $28,152 and had a balance of $105,181 as a receivable from IRAP-NRC at March 31, 2010.

Depreciation and Amortization

Depreciation and amortization expense was $0.7 million for the first quarter in 2010 compared to $0.4 million for the same period in 2009. This relates primarily to equipment in production and R&D.

Sales and Marketing

Sales and marketing expenses were $0.8 million for the first quarter 2010 compared to $1.0 million in the previous quarter and $0.7 million in the same period in 2009. The greater expenses in the previous quarter primarily reflect seasonal tradeshow activity during the period.

In the second half of 2009, we expanded our sales force to meet expectations of the growing European markets with a goal to strengthen the team with the addition of seasoned management experience and leadership. This focused and dedicated effort is a key requirement to address the rapidly expanding field of opportunities in each of our core markets. This expansion contributed to the increased sales and

marketing expenses in the first quarter 2010 when compared to the same period expenses in 2009. Staffing levels in sales and marketing was seventeen at March 31, 2010 compared to thirteen at March 31, 2009.

Net Loss

The net loss for the first quarter of 2010 was $1.9 million ($0.05 per share), compared to a net income of $0.6 million ($0.02 per share) for the previous quarter and net loss of $2.6 million ($0.07 per share) for the first quarter of 2009.

Higher net loss in the first quarter 2010 compared to the previous quarter was mainly attributed to a recovery for doubtful accounts of $1.6 million in the previous quarter. Lower net loss in the first quarter 2010 compared to the same period in 2009 was mainly attributed to the improved gross margin in first quarter 2010.

Capital Expenditures

Capital expenditures for the first quarter were $0.5 million, compared to $0.3 million in the previous quarter and $1.6 million in the same period 2009. Capital expenditures in the first quarter of 2009 were focussed on core research and development activities, production capacity expansion and the completion of leasehold improvements related to the Company's new consolidated facility in Burnaby, while in 2010 the majority of the capital expenditures related to production machinery and equipment upgrades relating to the launching of our new product, Day4 60MC-I modules.

4. Summary of Quarterly Results

(Unaudited, '000 except loss per share data)	For the quarter ended							
	2010 Mar 31	2009 Dec 31	Sep 30	Jun 30	Mar 31	2008 Dec 31	Sep 30	Jun 30
Total Revenues	22,924	36,627	13,342	5,730	4,345	16,613	31,692	15,038
Net Loss	(1,865)	555	(4,227)	(14,087)	(2,624)	(28,982)	(1,692)	(2,467)
Net Loss per share	(0.05)	0.02	(0.12)	(0.38)	(0.07)	(0.79)	(0.05)	(0.07)
Average shares outstanding[1]	36,739	36,688	36,679	36,679	36,679	36,679	36,679	36,640

Our sales revenues are typically subject to seasonal variations, particularly those in our core markets of Germany and other northern geographic areas. Typically, the fourth and first quarters of each year experience lower demands due to inclement weather which hinders or halts the installation of PV systems in those specific markets.

The PV market is somewhat dependent on the availability of government performance-based subsidies and incentives that support the development of the PV power industry. These subsidies and incentives can create market volatility, including rapid changes in demand and hence pricing. These government

[1] Average share outstanding means the weighted average number of common shares outstanding used in basic and diluted loss per share

subsidies and programs are at risk of change or elimination, subject to various factors including the political situation of the country providing the subsidy. In the past, we have experienced an increase in market demand during the periods immediately before the subsidies reduction effective date (typically at the beginning of the year) in the geographical regions affected; however, the increase in demand may be off-set by adverse weather in Northern Europe that normally halt product deliveries or installation of PV systems.

Net losses have fluctuated from quarter to quarter in 2008, mainly due to significant losses through impairment charges of $8.7 million, write-downs of inventory of $5.2 million, and allowances for doubtful accounts of $6.3 million in the fourth quarter of 2008. Other macro-economic factors such as the global recession and financial crisis in the fourth quarter of 2008 have also impacted our sales and our net losses, with rapid slowdown in demand and declining average selling prices.

In the first half of 2009, the global economic recession continued to impact the Company, resulting in higher inventory levels, excess production capacity and the rapid deterioration of the average selling price across the solar sector. As a result, the Company recorded inventory write-downs of $9.5 million and period costs relating to fixed overhead charges from Jabil due to low capacity utilization of $2.4 million in the second quarter of 2009. As market prices of modules and raw materials stabilized in the third quarter 2009, there was no further write-down on inventory during the period. In the third quarter 2009 we continued to incur period costs of approximately $0.9 million; however, these costs are expected to decrease proportionally as the production capacity increases with demand.

Our fourth quarter of 2009 was our strongest quarter in our history with revenue of $36.6 million and gross margin of 7%. The improvement in sales was largely due to management's efforts in new market opportunities, as well as the milder winter condition in late 2009 as compared to 2008 in our core market of Germany.

Demand continues to be strong in the first quarter of 2010, and we were able to maintain the gross margins we saw in the prior quarter despite unfavourable foreign exchange impact and the typical seasonal slowdown that we have historically experienced in the first quarter of the year due to snowfall in our primary market of southern Germany. In order to meet this strong demand we operated at full capacity through the first quarter and began the process of increasing our capacity at Jabil with a goal to ultimately bring capacity to 120 MW by the third quarter 2010.

There was no write-down on inventory during the first quarter of 2010 as the market price of modules and raw materials remain stable over the period. During the first quarter of 2010, we operated at full capacity at our production plant at Jabil and hence, did not incur any period costs relating to low capacity utilization.

5. Liquidity and Capital Resources

Financial Position

(Unaudited) ('000)	As at March 31, 2010	As at December 31, 2009
Cash and cash equivalents	7,120	17,805
Restricted cash	185	335
Short-term investments	9,038	9,067
Inventory	18,409	11,078
Other current assets	13,275	13,211
Property, plant and equipment	19,635	21,679
	67,662	**73,175**
Current liabilities	16,609	15,617
Long-term liabilities	-	-
Shareholder's equity	51, 053	57,558
	67,662	**73,175**

We made the strategic decision at the beginning of the year to build up inventory during the first two months of the year in order to take advantage of the anticipated demand in the subsequent months. The demand strength was confirmed in the later months as the weather conditions improved in our core markets. Working capital at the end of the first quarter 2010 was $31.4 million compared to $35.9 million at the end of the previous quarter. Cash and cash equivalents including restricted cash and short-term investments were $16.3 million at March 31, 2010, a decrease of $10.9 million from $27.2 million at December 31, 2009. Cash and cash equivalents have decreased since December 31, 2009 primarily due to the build up of inventory from $11.1 million to $18.4 million at March 31, 2010.

The restricted cash of $0.3 million at December 31, 2009 was held at two Canadian banks as collateral against the Company's foreign currency contractual facility and as collateral for retaining the services of a consulting company. The amount has decreased to $0.2 million at March 31, 2010 as we discontinued the foreign currency contractual facility since we reduced our need for foreign exchange credit facilities following the implementation of our natural hedging strategy through our outsourced Jabil facility for European sales. By outsourcing to Jabil, the Company has the ability to reduce the currency risk by operating within a single currency within the geographic markets in which it operates. However, we still have some exposure to currency risk relating to our non-Euro currency purchases.

Current liabilities have increased over the prior quarter as we increased our purchase of raw materials to meet production volume as demanded by our sales orders.

Changes in Cash Flow

(Unaudited) ('000)	For the three months ended March 31, 2010	2009
Cash outflow from operating activities	(9,875)	(10,546)
Cash inflow (outflow) from investing activities	(377)	8,637
Cash inflow from financing activities	-	-
Effects of foreign exchange on cash and cash equivalents	(433)	133
Increase (decrease) in cash	(10,685)	(1,775)

The lower use of cash in operating activities during the first quarter of 2010 relative to the same period in 2009 was primarily due to decreases in accounts receivable and increase in accounts payable.

The cash outflow from investing activities in the first quarter of 2010 compared to the inflow in the same period in 2009 was primarily due to the $8.2 million proceeds from the sale of production equipment to Jabil in January 2009 as a part of the outsource agreement. The cash outflow in the first quarter of 2010 primarily consisted of property, plant and equipment purchases.

There were no financing activities in the first quarter of 2010 and 2009.

Capital Resources

Since incorporation, we have financed our operations through the issuance of equity and funding received from government research and development financing programs and tax credits. At March 31, 2010 cash and short term investments were $16.3 million, compared to $27.2 million at December 31, 2009. Included in cash and short term investments at March 31, 2010 was $0.2 million of restricted cash, a cash deposit held as collateral for retaining the services of a consulting company.

At March 31, 2010, the Company has a debt of approximately $1.2 million, compared to $1.1 million at December 31, 2009. This debt relates to a previously received government funding from IRAP-TPC. The interest on this debt is compounded monthly and is based on the Government of Canada prescribed rate of interest owing from vendors (bank prime plus 3%) which fluctuates on a monthly basis.

As the economy recovers from the challenging conditions of global economic recession and financial crisis, we continue to focus our efforts in managing working capital and preserving cash. There is no assurance that the Company is able to raise additional financing through equity markets or debt markets in the future.

Credit Facilities

At December 31, 2009, the Company had $0.2 million cash deposit in a Canadian bank as collateral against the Company's foreign currency contractual facility for the purposes of hedging the Company's exposure to foreign exchange fluctuations. We reduced our hedging facility in 2009, following the natural foreign currency hedge that now exists from matching outsourced European product manufacturing at Jabil with our European product sales. However, we still have some exposure to currency risk relating to our non-Euro currency purchases.

In the first quarter 2010, the Company has discontinued this foreign currency contractual facility.

Off-Balance Sheet Arrangements and Contractual Obligations

We have no material off-balance sheet arrangements other than those disclosed in this section.

In 2008 we began to use forward foreign exchange contracts to manage our foreign exchange risk. As at March 31, 2010, there were no open forward contracts. We discontinued the foreign currency contractual facility in the first quarter 2010 as we reduced our need for foreign exchange credit facilities following the implementation of our natural hedging strategy through our outsourced Jabil facility for European sales. By outsourcing to Jabil, the Company has the ability to reduce the currency risk by operating within a single currency within the geographic markets in which it operates. However, we still have some exposure to currency risk relating to our non-Euro currency purchases.

The following table lists our contractual obligations at March 31, 2010:

(Unaudited $000's)		Payments due by fiscal years			
	Total	Within 2010	2-3 years	4-5 years	After 5 years
Premises leases	11,351	1,460	3,279	2,210	4,402
Operating leases	68	31	36	1	-
Purchase obligations – minimum	109,542	63,831	45,711	-	-
Purchase obligations – optional	18,670	13,591	5,079	-	-
Total contractual obligations	139,631	78,913	54,105	2,211	4,402

Our primary purchase obligations relate to our PV cell supplier contracts.

The most significant effect on our industry since the financial markets and general economic conditions deteriorated in the fall of 2008 was a dramatic change from a seller's market to a buyer's market. A key change in this environment has been the upstream price reduction for silicon wafers and PV cells as other module makers cancel orders and turn down their manufacturing operations. Our approach during these volatile markets has been to remain in fluid negotiations with our key suppliers, our PV cell providers.

At December 31, 2009, the Company had contracted volumes, valued at the December 31, 2009 foreign exchange rate and market prices in effect at the time, of $241 million to the end of 2011. During the first quarter of 2010, the Company and one of the contracted cell suppliers had mutually agreed to terminate the supply contract, resulting in a reduction of approximately $91 million to the total purchase obligations. The Company currently has contracted volumes, valued at market prices in effect at the date of this report and the March 31, 2010 foreign exchange rate, of $128 million to the end of 2011. $110 million of these commitments are minimum purchase obligations and the balance is at our option. For the remainder of 2010, this represents $64 million of minimum purchase obligations. These contracts were entered into during 2006 and 2007 when there was an industry-wide shortage of silicon, the main component of PV cells. During the fourth quarter of 2008, a significant softening in demand for PV cells from module manufacturers started a reduction in PV cell pricing which has continued into 2009.

We are continuing negotiations with the suppliers on the pricing and contracted volumes in the face of extraordinary and volatile market conditions in the solar PV industry. In the first quarter 2010, we have notified one of our suppliers that we will not be continuing our contract beyond 2010. We continue to work with our suppliers to reduce committed volumes, reduce pricing to reflect current market conditions, extend payment terms, and re-schedule shipments to match our demand requirements. While we have been successful in renegotiating some of the purchasing and payment terms with our suppliers, there is no guarantee that we will be able to continue to renegotiate reductions to prices that would provide us with positive gross margins and/or significantly reduce the minimum volume of our commitments under these supply agreements if our sales volumes drop below the minimum volume. *See section 10, Risks and Uncertainties.*

Financial Instruments and Other Instruments

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides descriptions and measurement of the significant risks as at March 31, 2010:

a) Credit risk exposure

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents, deposits on machinery and equipment on order and accounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality (credit rating of A+ or better) financial institutions. The Company limits its exposure to deposits on machinery by contracting with suppliers where the Company has an established and on-going relationship. The Company's accounts receivable are primarily from photovoltaic system integrators located within Germany and Italy. Concentration of credit risk with respect to accounts receivable is considered to be limited as, where possible, credit evaluations of customers are performed and the majority of revenues are from recurring customers. As at March 31, 2010 three customers accounted for 10% or more of total trade accounts receivable. To limit its exposure to credit risk, the Company has taken a variety of measures, including establishing accounts receivable insurance policies, increasing cash sales relative to credit sales, and obtaining advances deposits on most sales. The maximum amount of credit risk exposure is limited to carrying amounts of these balances in the consolidated financial statements.

The following table provides information regarding the aging of financial assets that are past due but which are not impaired.

	Carrying value on balance sheet	Neither past due nor impaired	31 – 60 days	61 – 90 days	91 days +
Trade accounts receivable, net	5,010,416	4,638,488	355,403	(63,528)	80,053

The definition of items that are past due is based on credit terms agreed with each customer. None of the amounts above have been challenged by the respective customer(s).

The Company reviews financial assets, including past due accounts, on an ongoing basis with the objective of identifying potential events or circumstance which could delay or prevent the collection of funds on a timely basis. As at March 31, 2010, the Company has a provision of $3,579,468 against accounts receivable, the collection of which are considered doubtful.

Reconciliation of changes in allowance for doubtful accounts:

	March 31, 2010	December 31, 2009
Balance - Beginning of year	3,908,570	6,256,195
Effect of foreign exchange	(329,102)	(667,502)
Collection of bad debts previously provided for	-	(1,657,494)
Increase in allowance for doubtful accounts	-	-
Accounts written off	-	(22,629)
Balance - End of year	3,579,468	3,908,570

b) Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its restricted cash holdings at March 31, 2010, for which the interest rates earned fluctuate based on the bank prime rate. The Company's objectives of managing its cash and cash equivalents are to ensure sufficient funds are maintained on hand at all times to meet day-to-day requirements and to place any amounts which are considered in excess of day-to-day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents on short-term deposit, the Company only uses high quality commercial banks and ensures that access to the amounts placed can be obtained on short notice.

The total balance of the Company's assets held at floating rates and subject to interest rate risk exposure is in restricted cash held at floating rates based on the bank prime rate as at March 31, 2010 of $185,000. Changes in interest rates on the restricted cash balances would not have a material impact on the Company's financial results.

The Company is also exposed to interest rate risk on the IRAP - TPC loan for which the interest rate charged fluctuates based on the bank prime rate. The total principal balance of the IRAP - TPC loan held at floating rates as at March 31, 2010 was $1,143,521. Changes in interest rate on this loan would not have a material impact on the Company's financial results.

c) Currency risk

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on its cash and cash equivalents, restricted cash, short-term investments, accounts receivable balances, other receivables, and accounts payable balances.

The Company's raw material purchases are predominantly in US dollars, and are converted to Euros at the time of purchase. In contrast, most of the Company's sales are in Euros. The Company's current time lag between raw materials purchases and collection on sales of finished products further exposes it to additional currency risk. The Company monitors forecasted cash flows in all significant currencies in which it operates and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held or by entering into foreign exchange forward contracts with Canadian chartered banks as hedges against the sales and purchases denominated in foreign currencies. The Company has not adopted hedge accounting. The Company also has the ability to reduce currency risk by providing natural hedges by operating within a single currency within the geographic markets in which it operates. This objective is being pursued through the Company's strategy to outsource the costs of future production within the same currency jurisdiction to the Company's primary markets. However, we still have some exposure to currency risk relating to our non-Euro currency purchases.

The Company does not have a formal policy to mitigate the risks arising from changes in foreign currency rates. Foreign exchange contracts are only entered into for purposes of managing foreign exchange risk and not for speculative purposes. Balances in foreign currencies at March 31, 2010 are as follows:

	US Dollars	Canadian Dollars	Polish Zlotys
Cash and cash equivalents	160,782	345,171	5,009,945
Restricted cash	-	185,000	-
Short term investments	-	9,037,534	-
Accounts receivable	417,925	554	-
Other receivable	530,838	1,192,959	11,797,502
Accounts payable	(4,858,085)	(694,437)	-
Net identifiable assets and liabilities	(3,748,540)	10,066,781	16,807,447

Based on the balances as at March 31, 2010, fluctuations in the Canadian dollar, US dollar, and Zloty exchange rates could have a potentially significant impact on the Company's results from operations. If the Canadian dollar to Euro exchange rate were to increase (decrease) by 10% relative to the rate for the three month period ended March 31, 2010, loss for the period would be $732,822 lesser (greater). If the U.S. dollar to Euro exchange rate were to increase (decrease) by 10% relative to the rate for the three month period ended March 31, 2010, loss and comprehensive loss for the period would be $277,191 greater (lesser). If the Zloty to Euro exchange rate were to increase (decrease) by 10% relative to the rate for the three month period ended March 31, 2010, loss and comprehensive loss for the period would be $435,327 lesser (greater).

d) Liquidity risk

The Company manages its liquidity needs through the regular assessment of its short-term requirements through cash management procedures and near term requirements through weekly cash flow forecasts for the next two quarters. A longer term multi-year forecast model is maintained to project operating results and financing requirements. This model is regularly updated for changes in the operating environment and planned initiatives that may change forecast results from time to time. Management reviews and assesses these monitoring and forecast tools, and the results thereof, to plan the timing of future financing initiatives and suitability of various financing options and operating initiatives available to the Company. While at this time the Company does not have immediate liquidity requirements, the Company may need additional financing to meet its future growth plan objectives and maintain sufficient capital to meet its liquidity requirements in the future. There is no assurance that the Company is able to raise additional financing through equity markets or debt markets in the future.

The following table provides the due date information for the Company's significant financial liabilities and commitments:

	Due within a year	2 to 3 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	14,215,661	-	-	-
IRAP - TPC Loan	1,152,858	-	-	-
Equipment leases	31,384	35,527	732	-
Premises leases	1,459,821	3,278,732	2,209,986	4,401,849
Purchase obligations – minimum	63,830,768	45,711,000	-	-
Total contractual obligations	80,690,492	49,025,259	2,210,718	4,401,849

The Company currently has minimum purchase obligations for PV cells, valued at market prices in effect at the date of this report and the March 31, 2010 foreign exchange rate, of $110 million to the end of 2011. These contracts were entered into during 2006 and 2007 when there was an industry-wide shortage of silicon, the main component of PV cells. Based on current market conditions and the Company efforts to manage these significant financial commitments, the Company has terminated one of these supply contracts which has resulted in a reduction of current year minimum purchase obligations by $55 million.

We are continuing negotiations with each supplier on the pricing and contracted volumes in the face of extraordinary and volatile market conditions in the solar PV industry. We continue to work with our suppliers to reduce committed volumes, reduce pricing to reflect current market conditions, extend payment terms, and re-schedule shipments to match our demand requirements. While we have been successful in renegotiating some of the purchasing and payment terms with our suppliers, there is no guarantee that we will be able to continue to renegotiate reductions to prices that would provide us with positive gross margins and/or significantly reduce the minimum volume of our commitments under these supply agreements if our sales volumes drop below the minimum volume. *See section11, Risks and Uncertainties.*

e) Fair values

The carrying value of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other receivables and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of the IRAP – TPC loan is an approximation of the fair value due to its variable interest rate.

Capital Disclosure

The Company's objectives when managing capital are:

i) to maintain its ability to continue as a going concern in order to provide long-term returns for shareholders and benefits for other stakeholders;

ii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

iii) to manage capital in a manner which balances the interests of equity and debt holders.

The Company includes shareholders' equity and long-term debt in the definition of capital.

	March 31, 2010	December 31, 2009
Shareholders' equity	51, 052,936	57,557,794
Long term debt	-	-

The Company monitors its capital structure and may make adjustments to it in light of changes in the Company's operating performance, changes in economic conditions and the risk characteristics of the underlying assets. When adjustments to the capital structure are considered appropriate, such changes may include the issuance of new shares, issuance of new debt, or re-purchasing of shares for cancellation.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three month period ended March 31, 2010.

Subsequent to March 31, 2010, the Company entered into an agreement in principle to acquire 100% of ACI in an all stock transaction of up to 10.8 million shares of Day4, subject to post closing adjustment, completion of definitive documentation, and other required approvals.

6. Transactions with Related Parties

A senior manager of the Company is also a principal shareholder and a consultant of a supplier company that provided certain manufacturing equipment. During the three month period ended March 31, 2010, the Company purchased manufacturing equipment with a total cost of $397,564 (December 31, 2009 - $668,904) from the supplier company. The senior manager was paid $64,032 (€40,800) during the three month period ended March 31, 2010, for reimbursement of expenses and for consulting services provided during the period (2009 - $54,489 (€33,600)). During the three month period ended March 31, 2010 the Company paid the supplier company $25,025 (€15,946) for an office lease as well as fees for assistance regarding logistics and administrative services (2009 - $29,972 (€18,482)).

7. Changes in Accounting Policies Including Initial Adoption

Change in functional currency

The functional currency for a company is the currency of the primary economic environment in which the company operates. Up to December 1, 2009, the Company's functional currency was the Canadian dollar. Transactions in other currencies were recorded at exchange rates prevailing at the date of the transaction. The carrying value of monetary assets and liabilities were translated at the rate of exchange prevailing at the balance sheet date. Translation gains and losses were included in the statement of operations.

The Company's subsidiaries are considered to be integrated operations. Up to December 1, 2009, the operational currency of the Company differed from that of its subsidiaries, therefore the subsidiaries' operations were required to be translated to the Canadian dollar. For integrated foreign operations, monetary items are translated at the exchange rates prevailing at the balance sheet date; non-monetary items are translated at the historical exchange rate; and revenue and expenses are translated using the average rates for the period, except for depreciation and amortization which is translated at the historical exchange rates. Translation gains and losses are included in the statement of operations.

During the fourth quarter of 2009, several significant events occurred which changed the economic environment in which the Company operates. As a result of these changes, the Company undertook a review of the functional currency risks and exposures of its operations and concluded that the currency risk exposure changed during the month of November 2009 from being primarily based on the Canadian dollar to the Euro.

These significant events occurring in the fourth quarter included the increased reliance on the outsourced manufacturer for the supply of finished goods inventory, the development of the PV projects market including the Company's first construction project initiated and completed during the fourth quarter, and confirmation of the trend of European market revenues continuing to significantly exceed North American market volumes.

As a result of these changes management concluded that during November 2009, the Company's functional currency changed from the Canadian dollar to the Euro. We applied this change on a prospective basis with an effective date of December 1, 2009. To give effect to the change in functional currency, the Canadian dollar assets, liabilities, equity, and year to date income statement amounts were converted to Euros at a fixed exchange rate on the date of the change of €1: CAD$1.5854.

Presentation currency

The presentation currency for a company is the currency in which the company chooses to present its financial statements. Despite the change in the functional currency, the Company has not changed its presentation currency for financial reporting which remains the Canadian dollar.

After December 1, 2009, the Company is now required to translate its financial statements from the functional currency to the presentation currency. In accordance with GAAP, this translation is performed using the current rate method which requires all assets and liabilities to be translated at the exchange rates prevailing at the balance sheet date and all revenue and expenses are translated using the average exchange rates for the period, as an approximation for the rates in effect at the date of the transactions.

Recent Canadian GAAP announcements

a) CICA Handbook Sections 1601 – Consolidated Financial Statements, and 1602 – Non-controlling Interests

   In January 2008, the CICA issued Handbook Sections 1601 – Consolidated Financial Statements and 1602 – Non-Controlling Interests. These sections replace the former CICA Handbook Section 1600 – Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IAS 27, Consolidated and Separate Financial Statements.

   CICA 1601 and CICA 1602 apply to the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

   Management is currently in the process of determining the impact of these standards on the Company's consolidated financial statements.

b) CICA Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests

In January 2008, the CICA issued Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Under Section 1582, the Company has expensed certain costs incurred during the quarter which were direct costs of a business combination which would not have been incurred without the business combination. Previously, under Section 1581 these costs would have been capitalized and allocated to the purchase price of the acquired business. As a result of early adopting Section 1582, the Company has expensed $450,000 in the current quarter resulting in an equivalent increase in the loss for the period and an increase in loss per share of $0.01.

International Financial Reporting Standards (IFRS) changeover plan

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. Starting in the first quarter of 2011, we will provide consolidated financial information in accordance with IFRS including comparative figures for 2010.

In 2009, the Company established a project team that is led by finance management to plan and achieve a smooth transition to IFRS. We have completed the delivery of training to all employees with responsibilities in the conversion process. Training for all other employees who will be impacted by our conversion to IFRS is underway. Our training efforts focused on updating those individuals whose roles and responsibilities are directly impacted by the changes being implemented and providing general training to employees on the impacts that the transition to IFRS will have on the Company. We regularly report progress to the audit committee on the status of IFRS implementation.

The Company's IFRS project plan comprises four stages: awareness, assessment, design, and implementation. The awareness stage has been completed and the Company is currently in the assessing and designing stages. The assessment on the impact of the conversion on our business activities includes the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. Our analysis of IFRS and comparison with currently applied accounting principles, GAAP, has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position. However, there may be significant changes resulting from the implementation of IFRS on certain areas. As the International Accounting Standard Board ("IASB") will continue to issue new accounting standards during the conversion period, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known. At this time we do not anticipate that the transition to IFRS will have significant impact on our information systems or internal controls.

Following our assessment on the impact of the conversion on our business activities and our analysis of IFRS in comparison with GAAP, we developed IFRS accounting policies. These policies have been approved by senior management and the Audit Committee, however, such approval is contingent upon the realization of our expectations regarding the IFRS standards that will be effective at the time of transition. Consequently, we are unable to make a final determination of the full impact of conversion until all of the IFRS standards applicable at the conversion date are known. As we determine significant impacts on our financial reporting, including our systems and processes, and other areas of our business, we intend to disclose such impacts in our future MD&As.

Set out below are the key areas where changes in accounting policies are expected to impact the Company's consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from transition to IFRS and are intended to highlight those areas we believe to be most significant. Furthermore, the International Accounting Standards Board ("IASB") has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Consequently, our analysis of changes and policy decisions have been made based on our expectations regarding the accounting standards that we anticipate will be effective at the time of transition. The future impact of IFRS will also depend on the particular circumstances prevailing in those years. Adjustments required on transition to IFRS, if any, will be made retrospectively and/or in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards" guidelines as outlined below, against opening retained earnings as at January 1, 2010. The differences described below are those existing based on Canadian GAAP and IFRS as at March 31, 2010.

First-Time Adoption of International Financial Reporting Standards ("IFRS 1")

Our adoption of IFRS will require the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The significant optional exemptions available under IFRS 1 that we expect to apply in preparing our first financial statements under IFRS are as follows:

Optional exemptions	**Company's action items**
Business Combinations	We expect to elect to not restate any Business Combinations that have occurred prior to January 1, 2010.
Fixed Assets	We expect to take an exemption on applying IAS 16 retrospectively for previously impaired assets and adopt GAAP revaluation as deemed cost at transition.

Business Combinations

The Company has made prior acquisitions and under IFRS, the Company is required to comply with and follow IFRS 3 (revised) retrospectively. However, there is an exemption under IFRS 1 for business combinations prior to the date of transition wherein a first time adopter may elect not to apply IFRS 3 (revised) retrospectively to past business combinations (business combinations that occurred before January 1, 2010). The Company expects to use this exemption regarding historical business combinations.

Property, Plant and Equipment

Property, plant and equipment (PPE) as defined by IAS 16 (and to some extent by IAS 23 (revised), "Borrowing Costs") under IFRS and Canadian GAAP generally converge, except that IFRS permits the revaluation of PPE to fair value and requires the capitalization of borrowing costs. The cost method, as used by the Company under Canadian GAAP, is also acceptable under IFRS other than the aforementioned requirement to capitalize borrowing costs and some other differences that do not apply to the Company. Upon adoption of IFRS, the Company must make an accounting policy choice in how to account for fixed assets (a) upon transition to IFRS and (b) on a continuing basis. The Company expects to use the cost method on transition to IFRS as well as on a continuing basis.

On transition to IFRS, IFRS 1 allows the Company to take an exemption on applying IAS 16 retrospectively by adopting a recent GAAP revaluation as deemed cost at the date of transition and provided the revaluation is comparable to fair value. The Company expects to elect this exemption for previously impaired assets as deemed cost.

Foreign Exchange - Functional Currency

Canadian GAAP does not provide guidance as to the determination of functional currency for a reporting domestic entity. It generally assumes that the functional currency of Canadian entities to be the Canadian dollar unless there are significantly strong indicators that another currency is more appropriate. Professional judgment is required to make such a determination and is based on a variety of factors including, but not limited to:

i) the currency of the sales price of the Company's products or services and whether such prices are determined more by local competition and local government regulations or more by worldwide competition and international prices
ii) the sales market for the Company's products and services is primarily outside the Company's country or within it
iii) the country and currency in which the Company's labour, materials and other costs are incurred
iv) the currency in which the Company obtains financing or borrowings

Unlike Canadian GAAP, IAS 21, "The Effects of Changes in Foreign Exchange rates", more explicitly defines a Company's functional currency as the currency of the primary economic environment in which the entity operates. Each individual entity must determine its functional currency and measure its results and financial position in that currency. IAS 21 established a set of guidelines in determining the functional currency of an entity. The following factors must be considered:

1) Primary indicators
   i) economic environment,
   ii) sales and cash inflows,
   iii) expenses and cash outflows and
2) Secondary indicators
   i) financing activities and
   ii) retention of operating income.

The Company completed an analysis on both standards and does not expect any material differences with respect to the determination of the functional currency of each of the entities of the group. In addition, on transition to IFRS, IFRS 1 allows the Company to take an exemption on applying IAS 21 retrospectively by clearing all past cumulative translation adjustments to zero through retained earnings. The Company is currently assessing whether this exemption should be taken.

Provisions

IAS 37, "Provision, Contingent Liabilities and Contingent Assets", requires a provision to be recognized when all of the following conditions have been satisfied: (1) there is a present obligation as a result of a past transaction or event; and (2) it is probable that an outflow of resources will be required to settle the obligation; and (3) a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold than "probable". Therefore, it is possible that there may be some contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end of the range), and there is a requirement under IFRS for provisions to be discounted where material.

IASB is currently working on new guidance on how to recognize and measure liabilities, with a new standard currently expected to be completed in 2010.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standard (IAS) 36, "Impairment of Assets", uses a one-step approach testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in additional impairment where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

However, the extent of any new write-down may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. Also, under Canadian GAAP, impairment testing on goodwill is done by reporting unit. Under IAS 36, impairment testing is performed at the cash generating unit level. A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. This lower level grouping could result in identification of impairment more frequently under IFRS, but of potentially smaller amounts.

The information above is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the resulting possible effects on, for example, our financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations.

The Company is monitoring the International Accounting Standards Board's active projects (i.e., financial instruments, revenue, income taxes and leases and liabilities) and all changes to IFRS pronouncements prior to January 1, 2011 will be incorporated as required.

8. Outstanding Share Data

Common Shares Outstanding

Our authorized share capital consists of an unlimited number of common shares, of which 36,739,366 common shares were issued and outstanding as at the date of this report.

The average number of common shares outstanding increased for the quarter ended March 31, 2010 compared to the prior period from the issuance of 60,000 common shares from stock-based awards during fiscal 2009.

Stock Options and Warrants Outstanding

As at March 31, 2010 there were 3,635,000 stock options outstanding of which 2,343,000, or approximately 64% were exercisable at exercise prices ranging from $0.25 to $3.00. These outstanding stock options represent approximately 10% of total shares outstanding at March 31, 2010. Of exercisable options, the weighted average exercise price at March 31, 2010 was $1.10. The Company's shareholders have approved stock option plans that reserve up to 5,200,000 common shares to be granted as stock options.

As at March 31, 2010 there were 527,492 warrants outstanding, as part of the September 2007 debenture units converted at our IPO in December 2007. These warrants have an exercise price of $7.98 each and expire December 6, 2010. The Company has the right to accelerate the expiry of these warrants if the trading price of the Company's common shares exceeds 135% of the exercise price for 20 consecutive trading days.

9. Internal Controls and Procedures

There have been no significant changes in our internal control that occurred during the period beginning January 1, 2010 and ending March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

10. Risks & Uncertainties

The Company is subject to a number of risks and uncertainties that can significantly affect its financial condition and future financial performance. There is a comprehensive planning process in place to identify and mitigate risk, wherever possible. Key risks are outlined below. In addition, a detailed explanation of the risk factors which we face is provided in our Annual Information Form for the year ended December 31, 2009 under the section entitled "Risk Factors", which is incorporated by reference herein. The Annual Information Form is available at www.sedar.com.

The Acquisition of ACI ecoTec GmbH & Co. KG May Not Complete

The acquisition of ACI ecoTec GmbH & Co. KG is subject to the completion of definitive documentation, approval of these documents by Day4's directors and obtaining all required consents and approvals, including the approval of the Toronto Stock Exchange to the issue of the Day4 shares that are the purchase consideration for the acquisition. If the acquisition does not complete our plans to license third parties to manufacture Day4 products may be negatively impacted as we will not have control over the manufacturer of proprietary equipment necessary for the production of Day4's products. In addition

certain intellectual property in the production process for Day4's products will remain with a third party exposing Day4 to a risk of our intellectual property being undermined.

We experience risks related to our outsource manufacturing

We have transferred the majority of our module manufacturing to Jabil under a long-term manufacturing supply agreement whereby Jabil manufactures and supplies our PV modules using our proprietary electrode technology. If Jabil cannot meet our product demand or specifications, our results of operations would be harmed. If Jabil cannot implement product changes in a timely manner, we would not be able to fulfill customer orders and our results of operations would be harmed. Jabil is our sole source manufacturer other than our remaining in-house manufacturing capability. Jabil's inability to successfully manufacture our PV modules would harm our results of operations. Having transferred our manufacturing operations to Jabil we may be unsuccessful in reducing our infrastructure costs or achieving manufacturing economies of scale which would lead to higher operating costs. Transferring our manufacturing to a third party may also weaken our protection of our intellectual property.

If our projected sales volumes do not materialize, or cannot be priced profitably, and we cannot renegotiate committed volumes and prices from our key suppliers we may become insolvent.

In the past few years, a shortage of PV silicon supply, in particular, encouraged most PV module manufacturers to have firm multi-year PV cell supply commitments to match projected growth in module sales. In the fourth quarter of 2008 the industry moved from a seller's market to a buyer's market through the double barrelled effect of adverse weather in Northern Europe halting product deliveries, combined with significant worldwide financial instability in markets eroding PV markets elsewhere. As such, if we are unable to renegotiate our supply contracts with fixed price and volume commitments in the face of declines in our PV module average selling price or declines in projected volumes, suppliers enforcing their contracts with us could cause a significant financial obligation that we are unable to meet. Without the ability to raise additional financing, such as we face at the time of this report, we may become insolvent.

Our inability to price our purchase order contracts may cause significant fluctuations or declines in our revenue.

We currently sell a substantial portion of our PV modules to customers that are mainly PV system integrators and PV system operators. To date, sales to our customers are typically made through non-exclusive contracts that cover a time period of at least one year and automatically renew for an additional one year period unless terminated by either party to the contract. Our prices under these contracts are determined annually and have to be agreed upon to the full satisfaction of both parties in order for the contract to continue. With the recent financial market crisis our industry has experienced a dramatic reduction in prices, and with continued price volatility we are not likely to have any long term pricing arrangements with existing or future customers. We cannot be certain that our existing customers will generate significant revenue for us in the future or that these customer relationships will continue beyond the time frames specified in the existing contracts. Consequently, any one of the following events may cause material fluctuations or declines in our revenue: reduction, delay or cancellation of orders from one or more of our significant customers' adjustment of previously agreed upon prices and/or volumes in response to unforeseen market fluctuations; our customers choosing to terminate their contractual obligations after each contract year; our inability to negotiate a mutually acceptable pricing for deliveries scheduled to take place in 2010, which may result in contract termination by either ourselves or our customers; loss of one or more of our significant customers and our failure to identify additional or replacement customers; failure of any of our significant customers to make timely payment for our

products or a deterioration of a major customer's creditworthiness may require us to increase our allowance for doubtful accounts.

Evaluating our business, operations and prospects may be difficult because of our limited history.

There is limited historical information available about us upon which you can base your evaluation of our business, operations and prospects. We began business operations in 2002 and shipped our first PV module products in our third quarter 2006. We had no commercial sales or manufacturing operations prior to our third quarter 2006. You should consider our business, operations and prospects in light of the risks, expenses and challenges that we will face as an early-stage company seeking to develop and manufacture products in a growing market.

We have no history of profit and no foreseeable earnings.

We have no history of profit. We incurred net losses in each the financial years ended December 31, 2005, 2006, 2007, 2008 and 2009. We may continue to incur losses in the near future, and there can be no assurance that we will be profitable. Our ability to reach and sustain profitability depends on a number of factors, including the growth rate of the PV industry, the market acceptance of PV modules, the competitiveness of our PV products and our ability to increase production volumes. Overall prices of PV modules, including our own products, are beginning to decline due to increased supplies and reduced manufacturing costs. This reduction is accompanied by a similar trend in the pricing of PV cells, which account for the single largest portion of PV module manufacturing costs, but we cannot guarantee that this will continue or decline in a manner sufficient to maintain sufficient gross margins for profitability.

We may fail to protect or obtain protection of our intellectual property. In addition, we may be exposed to infringement, misappropriation or other claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

If we develop and bring to market new technologies and products, we may need to increase our expenses to protect our intellectual property. Our failure to protect our intellectual property rights may undermine our competitive position. We currently use patents, trademarks, contractual arrangements with employees and suppliers including outsourcers, and trade secret protections to protect our intellectual property. Our existing and future patents could be challenged, invalidated, circumvented, or rendered unenforceable. Our pending patent applications may not result in issued patents, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technology. Patents offer only limited protection, and the actions we take to protect our intellectual property rights may not be adequate.

Our dependence on a limited number of PV cell suppliers could prevent us from timely delivery of our products to our customers in the required quantities, which could result in purchase order cancellations and decreased revenue.

We purchase PV cells from a limited number of third-party suppliers. These suppliers may not be able to meet the specified minimum levels set forth in the supply agreements. If we fail to develop or maintain our relationships with these suppliers, we may not be able to secure a supply of PV cells at cost-effective prices, or at all. If that were to occur, we may be unable to manufacture our products in a timely manner or our products may be manufactured only at a higher cost, and we could be prevented from delivering our products to our customers in the required quantities and at prices that are profitable to us. Problems of this kind could cause us to experience order cancellations, loss of market share and harm our reputation. The failure of a supplier to supply PV cells that meet our quality, quantity and cost requirements in a

timely manner could impair our ability to manufacture our products or increase our costs, particularly if we are unable to obtain these PV cells from alternative sources on a timely basis or on commercially reasonable terms.

The reduction or elimination of government subsidies and economic incentives for PV power could cause demand for our products and our revenues and margins to decline.

We believe that the near-term growth of the PV power generation market, particularly for on-grid applications, depends in large part on the availability, quantity and type of government subsidies and economic incentives. Many of these government incentives may expire, phase out over time, exhaust their allocated funding, or require renewal by applicable authorities. Because a substantial portion of our sales is made to consumers serving the on-grid market, the reduction, elimination or expiration of government subsidies and economic incentives may adversely hinder the growth of the PV power generation market or result in increased price competition, which could cause our revenue to decline.

We may be unable to achieve higher PV module efficiencies or replicate laboratory results in a commercially available product.

Our ability to achieve higher PV module efficiencies is primarily a function of transferring technology that we have demonstrated in the laboratory into high throughput PV mono-crystalline cell production and arranging for suppliers to design a production line to produce those cells and have a supply of mono-crystalline silicon feedstock. If we cannot arrange with suppliers for a new design for the production line, or the suppliers do not have a supply of mono-crystalline silicon feedstock, we may not be able to produce modules with a higher efficiency.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory and economic barriers to the purchase and use of PV products, which may significantly reduce demand for our products.

The market for electricity generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In a number of countries, these regulations and policies have been modified and may continue to be modified. Customer purchases of, or further investment in the research and development of, alternative energy sources, including PV power technology, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our products. For example, without a regulatory mandated exception for PV power systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost to our customers of using our PV modules and make them less desirable, thereby harming our business, prospects, results of operations, and financial condition. In addition, pricing regulations and policies may place limits on our ability to increase the price of our PV module products in response to increases in our PV cell.

Because the markets in which we compete are highly competitive and many of our competitors have greater resources than us, we may not be able to compete successfully and we may lose or be unable to gain market share.

We compete with a large number of competitors in the PV module market, and we may face increasing competition in the future. The greater name recognition of some of our competitors may make it difficult for us to compete if and when this transition occurs. Our competitors may develop and produce products

based on new PV technologies that may have competitive advantages over our products, including greater conversion efficiency or lower production costs. We may also face competition from semiconductor manufacturers and semiconductor equipment manufacturers, or their customers, several of which have already announced their intention to start production of PV products. While the historical scarcity of silicon feedstock, supply chain management and access to financing were the main entry barriers, with the recent silicon feedstock capacity increases and reduction in demand, these barriers may no longer exist and many new competitors may enter into the industry, resulting in rapid industry fragmentation and loss of our market share.

The PV power industry competes with other sources of renewable and non-renewable power generation.

The PV power industry in general competes with other sources of renewable energy and conventional power generation. If we are unable to bring our prices closer to parity for these sources of power generation, prices for conventional and other renewable energy resources decline, or if these resources enjoy greater policy support than PV power in the future, the PV power market could suffer.

We may not be able to manage our expansion of operations effectively.

We expect to continue to significantly expand our business to meet the growth in demand for our products, as well as to capture new market opportunities. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures. To manage the potential growth of our operations, we will be required to improve our operational and financial systems and procedures and controls. Our growth to date has strained our resources and made it difficult to maintain and update our internal procedures and controls as necessary to meet the expansion of our overall business. We are in the process of increasing production output with new third party suppliers, and expanding and managing the geographical markets to which we sell into. Our management will also be required to maintain and expand our relationships with customers, suppliers and third parties, as well as attract new customers and suppliers. We expect that our sales and marketing costs will increase as we grow our product lines and as we increase our sales efforts in new and existing markets. We have conducted very limited advertising in the past and cannot assure you that we will be able to make that transition successfully.

There is no assurance that our current and planned operations, personnel, systems, and internal procedures and controls will be adequate to support our future growth. Our ability to increase our productive capacity has been constrained by the timely availability of qualified labour and sufficient production equipment and raw materials. We expect that our general and administrative costs will increase as our operations grow to meet exiting sales orders for our products and for future growth as we increase our sales efforts in new and existing markets.

Our business may be harmed if we do not continue to penetrate markets and continue to grow.

If we fail to further penetrate our core markets and existing geographic markets, or to successfully expand our business into new markets, including seasonal diversity of markets which match to our ability to adjust production levels, or through the right sales channels, the growth in sales of our products, along with our operating results, could be negatively impacted. Some of our competitors are larger and better capitalized than we are and as a result they may be better able to expand more quickly and through more sales channels. Some of our competitors provide end-to-end solutions. We cannot be assured that our efforts to increase market penetration in our core markets and existing geographic markets will be

successful. Our failure to do so could have an adverse effect on our business, financial condition and results or operations.

If PV power technology is not suitable for widespread adoption, or if sufficient demand for PV modules does not develop or takes longer to develop than we anticipate, our revenues may not continue to increase or may even decline, and we may be unable to become profitable.

The PV power market is at a relatively early stage of development, and the extent of acceptance of PV module products is uncertain. If PV power technology proves unsuitable for widespread adoption or if demand for PV module products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for PV module products in our targeted markets, including Germany, Italy, the United States, and Canada, may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of PV power technology and demand for PV module products, including: cost-effectiveness, performance and reliability of PV power products compared to conventional and other renewable energy sources and products; availability of government subsidies and incentives to support the development of the PV power industry; success of other alternative energy generation technologies, such as fuel cells, wind power, hydroelectric power and biomass; fluctuations in economic and market conditions that affect the viability of renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels; and deregulation of the electric power industry and broader energy industry.

Technological changes in the PV power industry could render our products uncompetitive or obsolete, which could reduce our market share and cause our revenues and profit to decline.

Our failure to further refine our technology, and develop and introduce new PV modules, could cause our products to become uncompetitive or obsolete. We believe we will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the PV module industry and effectively compete in the future. In addition, if we are unable to manage product transitions, our business and results of operations would be adversely affected. Research and development activities are inherently uncertain, and we could encounter practical difficulties in commercializing our research results. Our significant expenditures on research and development may not produce corresponding benefits. Other companies are developing a variety of competing PV technologies that could produce PV modules that prove more cost-effective of have better performance than our PV modules. As a result, our PV modules may be rendered obsolete by the technological advances of others, which could reduce our revenues and market share.

Our business depends substantially on the continuing efforts of our executive officers, and our business may be severely disrupted if we lose their services. In addition, if we are unable to attract, train and retain technical personnel our business may be materially and adversely affected.

Our future success depends substantially on the continued services of our executive officers, especially Dr. John MacDonald, our Chairman and Chief Executive Officer, George Rubin, our President, Neil Lang, our Chief Operating Officer, Leonid Rubin, our Vice President and Chief Technical Officer, John Stonier, our Vice President Strategic Planning and Treasurer and Jacob Brown, our Vice President Business Development. If one or more of our executive officers are unable or unwilling to continue being employed by us, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers, in particular those with a significant mix of international PV power industry experience as many of our current officers have. In addition, if any of our executives joins a competitor or forms a competing company, whether in violation of their agreements with us or otherwise, we may lose some of our customers. This situation

may further result in loss of intellectual property (such as know-how) as well as unauthorized disclosure of confidential proprietary information that may hinder our technological advantage and, ultimately, ability to compete.

Recruiting and retaining capable personnel, particularly those with technical expertise in the PV power industry are vital to our success. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain technical personnel. If we are unable to retain and attract qualified employees, our business may be materially and adversely affected

We face risks associated with the marketing, distribution and sale of our PV modules internationally. If we are unable to effectively manage these risks they could impair our ability to expand our business abroad.

A significant portion of our product shipments are to customers located outside of Canada. The marketing, distribution and sale of our PV modules in the international markets expose us to a number of risks, including: difficulties in enforcing agreements in foreign jurisdictions; fluctuations in the currency exchange rates of the euro, the US dollar and the Canadian dollar; difficulty in engaging and retaining distributors who are knowledgeable about and, can function effectively in, overseas markets; increased costs associated with maintaining marketing efforts in various countries; difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products; cultural, language and logistical barriers to working with customers in different countries; and trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

Problems with product quality or product performance, including defects in our products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share.

Our products are warrantied and designed to last over long periods of time, exceeding 25 years. They may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios. These defects could cause us to incur significant costs, including but not limited to product replacement under the terms of our product warranties, divert the attention of our personnel from product development efforts and significantly affect our customer relations and business reputation. If we deliver PV modules with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sales of our PV module products could be harmed. If defects are discovered in our products, we cannot guarantee that the corrective actions and procedures we take will be adequate to prevent further incidents of the same problem or to protect against future errors or defects.

In addition, because we obtain the PV cells that we use in our products from third parties, we have limited control over the quality of the PV cells we incorporate into our PV modules. Unlike PV modules, which are subject to certain uniform international standards, PV cells generally do not have uniform international standards, and it is often difficult to determine whether PV module defects are a result of the PV cells or other components or reasons. We also rely on third party suppliers for other components that we use in our products, such as glass, frame and backing for our PV modules. Furthermore, the PV cells and other components that we purchase from third party suppliers are typically sold to us without any, or with only limited, warranty. The possibility of future product failures could cause us to incur substantial expense to repair or replace defective products. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our revenues to decline.

Since we cannot test our products for the duration of our standard warranty periods, we may be subject to unexpected warranty expense.

Our standard PV modules are typically sold with a five year warranty for defects in materials and workmanship and 10 and 25 year warranties against declines of more than 10% and 20%, respectively, of the designated minimum power generation capacity. We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. Although we conduct quality testing and inspection of our PV modules and believe that they are free of defects, our PV modules have not been exposed to real-world conditioning for a sufficient time to allow us to draw conclusions regarding their ability to fulfil our warranty obligations in an environment. As a result, we may be subject to unanticipated warranty expense and associated harm to our financial results as long as 25 years after the sale of our products. A small number of warranty claims for defects in materials and workmanship have been received to date representing an immaterial value. The Company has an accrued warranty liability of approximately $93,000 as at March 31, 2010. To date no power generation capacity claims have been received by the company but the reader should take into consideration that the oldest PV modules are only now approaching four years since manufacture. In future, we may need to increase the provision for warranty claim should our claim experience rise.

Fluctuations in exchange rates could adversely affect our business.

Historically, a major portion of our sales were denominated in Euros, with the remainder in US dollars. The major portion of our costs and expenses are denominated in US dollars or Euros. We also incur a portion of our costs and expenses in Canadian dollars, primarily related to Canadian based labour and overheads. Therefore, fluctuations in currency exchange rates could have a material adverse effect on our financial condition and results of operations. Fluctuations in exchange rates, particularly among the US dollar, the euro, and the Canadian dollar affect our gross and net profit margins and could result in fluctuations in foreign exchange and operating gains and losses. We cannot predict the impact of future exchange rate fluctuations on our results of operations and we may incur net foreign currency losses in the future. Our exposure to currency gains or losses resulting from timing differences between signing of the purchase contracts and settling of these contracts creates additional foreign exchange risk.

Our quarterly operating results may fluctuate from period to period.

Our quarterly operating results may fluctuate from period to period based on the seasonality of consumer spending and industry demand for PV products. In addition, purchases of products tends to decrease during the winter months in our key markets, such as Germany, due to adverse weather conditions that can complicate the installation of PV systems. As a result, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

We may lose sales, or sales may be delayed, due to the long sales and implementation cycle for our products.

The customers for our PV modules, whether direct or indirect, typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase our PV modules. Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take months after our first contact with at customer before a sale can actually be completed. We may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for

implementation of our PV modules varies among our customers and may last several months, depending on our customers' needs, the resources they apply to a project, and the quantity of PV modules deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example: purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty; we or our competitors may announce or introduce new products; or the customer's own budget and purchasing priorities may change.

If these events were to occur, sales of our PV modules may be cancelled or delayed, which would reduce our revenue.

Product liability claims against us could result in adverse publicity and potentially significant monetary damages.

As with other PV module manufacturers, we are exposed to risks associated with product liability claims if the use of our PV modules results in injury or property damage. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. Because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. Although we carry what we believe to be adequate product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if the product liability claims against us are determined in our favour, we may suffer significant damage to our reputation and incur substantial legal costs.

Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages, fines and suspensions of our business operations.

We are required to comply with all national and local regulations regarding protection of the environment in the jurisdictions in which we sell our PV modules. Such environmental laws and regulations include those governing discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the cleanup of contaminated sites and occupational health and safety. We have incurred and will continue to incur costs and capital expenditures in complying with these laws and regulations. We believe that our manufacturing processes do not generate any material levels of noise, waste water, gaseous wastes or other industrial wastes and that we are in full compliance with present environmental protection requirements and have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease manufacturing operations. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines, suspensions of our business operations or criminal proceedings.

We may be subject to challenges by taxing authorities that may adversely affect our business.

Although we are of the view that all expenses and tax credits claimed by us, including Canadian research and development expense and related tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the taxation authorities will agree. If the taxation authorities

successfully challenge such expense or the correctness of such income tax credits claims, our operating results could be adversely affected. In Canada, if the taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, our operating results will be adversely affected.

We do not currently intend to pay any cash dividends on our common shares in the foreseeable future and therefore our shareholders may not be able to receive a return on their shares unless they sell them.

Our current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in our business. Therefore, we do not anticipate paying cash dividends in the foreseeable future. Our dividend policy will be reviewed from time to time by the Board of Directors in the context of our earnings, financial condition and other relevant factors. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on our common shares unless they sell them.

We may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to us.

If we are not able to achieve profitability, we may require additional equity or debt financing. There can be no assurances that we will be able to obtain additional financial resources on favourable commercial terms or at all. Failure to obtain such financial resources could affect our plans for growth, or result in us being unable to satisfy our obligations as they become due, either of which could have a material adverse effect on our business and our financial condition.

The impact of geopolitical and other global or local events may have a significant effect on our operations.

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of our normal operations and may disrupt the domestic and international travel of our sales and other personnel. Any disruption in the ability of our personnel to travel could have a material adverse effect on our business, results of operations and financial condition. In addition, these events or the perceived threat of these events may require us to reorganize our day-to-day operations to minimize the associated risk. Any expense related to the reorganization of our day-to-day operations, even on a short-term basis, could also have a material adverse effect on our business, results of operations and financial condition.

11. Subsequent Events

Subsequent to March 31, 2010, the Company has entered into an agreement in principle to acquire ACI, a privately owned specialized photovoltaic (PV) equipment design and manufacturing company based in Germany. The Company will acquire 100% of ACI in an all stock transaction of up to 10.8 million shares subject to post closing adjustment. The acquisition is subject to the completion of definitive documentation, approval of these documents by the Company's directors and obtaining all required consents and approvals, including the approval of the Toronto Stock Exchange to the issue of the Company's shares.

12. Additional Information

Additional information relating to Day4, including Day4's Annual Information Form, is available on SEDAR at www.sedar.com.