CARMANAH TECHNOLOGIES CORPORATION

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018 (Amounts in thousands of U.S. dollars unless otherwise stated)

(Expressed in thousands of U.S. dollars)

	Notes	March 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents	3	88,032	10,775
Trade and other receivables	3	6,360	5,849
Inventories	4	2,836	2,694
Prepaid and other current assets		329	310
Income taxes receivable		51	202
Assets held for sale	12	-	31,699
Non-trade receivables	3	-	488
Total current assets		97,608	52,017
Property and equipment	5	1,293	651
Intangible assets	6	2,456	2,779
Goodwill	6.2	8,157	8,072
Deferred income tax asset		1,550	5,840
Investment tax credits		-	1,234
Other non-current assets		230	244
Total assets		**111,294**	**70,837**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	3	5,893	4,815
Current portion of lease liabilities		262	-
Provisions		779	716
Income taxes payable		740	37
Contract liability		294	1,332
Liabilities held for sale	12	-	2,163
Total current liabilities		7,968	9,063
Other non-current payables	3	960	1,080
Lease liabilities		383	-
Deferred income tax liability		374	735
Total liabilities		**9,685**	**10,878**
Equity			
Share capital	8	65,953	65,953
Equity reserve	9	2,373	2,313
Accumulated other comprehensive gain		(358)	329
Retained earnings/(Deficit)		33,641	(8,636)
Total equity		**101,609**	**59,959**
Total liabilities and equity		**111,294**	**70,837**

Commitments and contingencies – Note 7
Subsequent events – Note 14
Approved and authorized for issue by the Board of Directors on May 09, 2019

"John Simmons" "James Meekison"

John Simmons, Chief Executive Officer

James Meekison, Chair of the Board

CARMANAH TECHNOLOGIES CORPORATION

Interim Consolidated Statements of Income/(Loss) and Total Comprehensive Income/(Loss) (unaudited)
(Expressed in thousands of U.S. dollars, except number of share and per share amounts)

		Three months ended March 31,	
	Notes	2019	2018
Revenues		7,852	7,860
Cost of sales		4,838	4,989
Gross profit	11	**3,014**	**2,871**
Operating expenditures			
Sales and marketing		937	778
Research and development		477	273
General and administrative		1,796	1,902
Total operating expenditures	10	3,210	2,953
Operating loss		**(196)**	**(82)**
Other (income)/expenses			
Loss on disposal of assets		5	5
Other (income)/expenses		(111)	13
Foreign exchange (gain)/loss		543	(9)
Total other expenditures		437	9
Loss before taxes		**(633)**	**(91)**
Income tax recovery		120	3
Net loss from continuing operations		**(513)**	**(88)**
Net income from discontinued operations, net of tax	12	290	562
Gain on disposal of discontinued operations, SPX divestiture	12	42,500	-
Net income attributable to shareholders		**42,277**	**474**
Other comprehensive income			
Items that will not be reclassified subsequently to net income:			
Foreign currency translation adjustments		(262)	882
Items that will be reclassified subsequently to net income:			
Reclassification of foreign currency translation adjustments on disposal, SPX divestiture	12	(425)	-
Total comprehensive income		**41,590**	**1,356**
Net income/(loss) per share			
Basic - Continuing operations		(0.03)	(0.01)
Basic - Discontinued operations		2.27	0.03
Total		**2.24**	**0.02**
Diluted - Continuing operations		(0.03)	(0.01)
Diluted - Discontinued operations		2.22	0.03
Total		**2.19**	**0.02**
Weighted average number of shares outstanding:			
Basic		18,859,877	18,922,210
Diluted		19,306,480	19,255,247

(Unless otherwise stated, expressed in thousands of U.S. dollars)

	Notes	Share capital *# of shares*	 Amount	Equity reserve	Accumulated other comprehensive (loss)/gain	Retained earnings/ (Deficit)	Total equity
		(‘000)					
Balance, January 1, 2018		***18,922***	**66,242**	**2,326**	**1,181**	**(9,579)**	**60,170**
Net income		-	-	-	-	474	474
Share-based payments	9	-	-	122	-	-	122
Foreign currency translation adjustments	9	-	-	-	882	-	882
Balance, March 31, 2018		***18,922***	**66,242**	**2,448**	**2,063**	**(9,105)**	**61,648**
Net income		-	-	-	-	469	469
Share-based payments	9	-	-	255	-	-	255
Shares issued on stock option exercise	9	*178*	552	(199)	-	-	353
Shares acquired and cancelled		*(241)*	(841)	(191)	-	-	(1,032)
Reclassification of foreign currency translation adjustments on disposal, On-Grid		-	-	-	423	-	423
Foreign currency translation adjustments		-	-	-	(2,157)	-	(2,157)
Balance, December 31, 2018		***18,859***	**65,953**	**2,313**	**329**	**(8,636)**	**59,959**
Net income		-	-	-	-	42,277	42,277
Share-based payments	9	-	-	60	-	-	60
Reclassification of foreign currency translation adjustments on disposal, SPX divestiture	12	-	-	-	(425)	-	(425)
Foreign currency translation adjustments		-	-	-	(262)	-	(262)
Balance, March 31, 2019		***18,859***	**65,953**	**2,373**	**(358)**	**33,641**	**101,609**

(Expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2019	2018
OPERATING ACTIVITIES			
Net loss from continuing operations		(513)	(88)
Add back (deduct) items not involving cash:			
Amortization		420	249
Write down of intangible assets	13	5	-
Share-based payments	9	60	122
Unrealized foreign exchange loss		66	(12)
Use/(Recognition) of investment tax credits		1,234	(301)
Deferred income tax recovery		(2,141)	(83)
Changes in working capital and other items:			
Trade and other receivables		(511)	(2,758)
Inventories		(253)	82
Prepaids and other current assets		(5)	(315)
Income tax receivable		151	2
Trade and other payables		1,078	211
Other current liabilities		-	112
Provisions		63	17
Contract Liability		(1,038)	(36)
Income tax payable		703	274
Net cash provided/(used) in operating activities		**(681)**	**(2,524)**
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements	5	(61)	(50)
Purchase of intangible assets	6	(140)	(415)
Proceeds from sale of SPX divestiture	12	77,010	-
Escrow payment from sale of Off-Grid		488	-
Net cash provided/(used) in investing activities		**77,297**	**(465)**
FINANCING ACTIVITIES			
Debt repayments		-	(4,000)
Repayment of lease liability		(62)	-
Net cash (used)/provided in financing activities		**(62)**	**(4,000)**
Foreign exchange effect on cash		(378)	108
Increase/(Decrease) in cash from continuing operations		76,176	(6,881)
Cash provided from discontinued operations	12	1,081	3,274
Cash at beginning of period		10,775	11,823
Cash at end of period		**88,032**	**8,216**

Supplemental non-cash disclosure – Note 2.1

1. SUMMARY OF BUSINESS AND BASIS OF PREPARATION

1.1. GENERAL BUSINESS DESCRIPTION

Carmanah Technologies Corporation (the "Company" or "Carmanah") was incorporated under the provisions of the Business Corporations Act (Alberta) on March 26, 1996 and was continued under the provisions of the Business Corporations Act (British Columbia) on August 24, 2009. The Company is in the business of designing, developing and distributing a portfolio of products focused on energy optimized LED solutions for infrastructure.

Carmanah is a publicly-listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under symbol "CMH". The Company's head office is located at 250 Bay Street, Victoria, British Columbia, Canada, V9A 3K5. The Company's registered and records office is located at Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, British Columbia V7X 1T2.

1.2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 – Interim financial reporting, as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2018. These condensed consolidated interim financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

Changes to significant accounting policies are described in Note 2.

These condensed consolidated interim financial statements were authorized for issue by the Company's board of directors on May 9, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied, on a consistent basis, in the preparation of these condensed consolidated interim financial statements are included in the Company's audited consolidated financial statements for the year ended December 31, 2018. Those accounting policies have been used throughout all periods presented in the condensed consolidated interim financial statements, except as noted below.

2.1 ADOPTION OF NEW ACCOUNTING STANDARDS

a) IFRS 16, Leases ("IFRS 16") replaces IAS 17, Leases ("IAS 17") and related interpretations. Under IFRS 16, a lease exists when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases require an asset and liability to be recognized on the Statement of Financial Position at inception. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has adopted IFRS 16 using the modified retrospective approach and has applied the following practical expedients permitted by the standard:

- the use of the modified retrospective approach with no restatement of prior periods. For contracts previously classified as operating leases, the Company has elected for the right-of-use asset to equal the lease liability, adjusted for any prepaid amount; and
- the election not to recognize leases for which the underlying asset is of low value.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. Right of use assets are subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. The right of use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

On transition to IFRS 16, the Company recognized a right of use asset and lease liability of $0.7 million. The recognition of the right of use asset and lease liability are considered non-cash items within the statement of cash flows. When measuring operating lease commitments, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.67%.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

The following table reconciles the Company's operating lease commitments as at December 31, 2018 as previously disclosed in the Company's annual audited financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

Operating lease commitments as at December 31, 2018	830
Effect of discounting using the incremental borrowing rate at January 01, 2019	(49)
Recognition exemption for leases of low-value assets	(68)
Renewal options reasonably certain to be exercised	165
Non-lease components included within operating lease commitments	(164)
Lease liability recognized as at January 01, 2019	714

The current portion of the lease liability recognized at January 1, 2019 is $ 0.3 million.

b) In 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax treatments ("IFRIC 23" or "the Interpretation"). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

-an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and

-if it is not probable the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. The Company has retrospectively adopted the new interpretations with no impact on the interim consolidated finance statements.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

3. FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING VALUE

The following table summarizes information regarding the classification and carrying values of the Company's financial instruments:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	March 31, 2019
Financial Assets				
Cash and cash equivalents	88,032	-	-	88,032
Trade and other receivables	6,360	-	-	6,360
Financial Liabilities				
Trade and other payables	-	(5,847)	(46)	(5,893)
Non-current payables	-	(960)	-	(960)

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	December 31, 2018
Financial Assets				
Cash and cash equivalents	10,775	-	-	10,775
Trade and other receivables	5,849	-	-	5,849
Non-trade receivables	488	-	-	488
Financial Liabilities				
Trade and other payables	-	(4,734)	(81)	(4,815)
Non-current payables	-	(1,080)	-	(1,080)

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

4. INVENTORIES

	March 31, 2019	December 31, 2018
Finished goods	929	865
Raw materials	1,963	1,893
Provision for obsolescence	(56)	(64)
Net inventories	**2,836**	**2,694**

For the three months ended March 31, 2019, inventory recognized as an expense in cost of sales amounted to $4.5 million (March 31, 2018 - $4.3 million). Included in the above amounts were inventory write downs of $nil (March 31, 2018 - $0.02 million). There were no reversals of previously recorded inventory write downs. As at March 31, 2019, the Company anticipates the net inventory will be realized within one year.

Carmanah has agreements with contract manufacturers to build and supply its manufactured products. Under these agreements, the Company will be liable for inventory and outstanding committed purchase orders. At present, Carmanah is dealing with two significant contract manufacturers. Under the terms of the contract manufacturing agreements, Carmanah is required to purchase excess raw material inventory which arises in situations where the Company's demand forecasts for a product are less than actual use or sales in each period. At March 31, 2019, the contract manufacturers held approximately $1.5 million (December 31, 2018 - $1.0 million) in inventory and $1.3 million (December 31, 2018 - $1.0 million) in outstanding committed purchase orders.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

5. PROPERTY AND EQUIPMENT

The Company's property, equipment and leasehold improvements are broken down as follows:

	Computer hardware	Land and building	Leasehold improvements	Office equipment	Production equipment	Research and tradeshow equipment	Vehicle	Right of Use Asset	Total
Cost									
Balance January 1, 2018	**457**	**2,275**	**877**	**312**	**1,621**	**432**	**8**	**-**	**5,982**
Additions	19	-	61	12	267	10	-	-	369
Disposals	(125)	(2,042)	(2)	(76)	(223)	(8)	(8)	-	(2,484)
Write-down of property and equipment	-	(125)	-	-	-	-	-	-	(125)
Reclassification held for sale	-	-	(254)	(45)	(882)	(3)	-	-	(1,184)
Foreign exchange adjustments	(2)	(108)	(11)	(8)	(62)	-	-	-	(191)
Balance at December 31, 2018	**349**	**-**	**671**	**195**	**721**	**431**	**-**	**-**	**2,367**
Adoption of IFRS 16	-	-	-	-	-	-	-	714	714
Additions	-	-	25	(1)	37	-	-	-	61
Foreign exchange adjustments	-	-	-	(2)	(15)	-	-	-	(17)
Balance at March 31, 2019	**349**	**-**	**696**	**192**	**743**	**431**	**-**	**714**	**3,125**
Accumulated amortization									
Balance January 1, 2018	**279**	**25**	**741**	**119**	**781**	**396**	**1**	**-**	**2,342**
Amortization for the period	56	-	86	33	234	8	1	-	418
Disposals	(85)	(23)	(1)	(12)	(56)	(7)	(1)	-	(185)
Reclassification held for sale	-	-	(175)	(29)	(607)	(3)	-	-	(814)
Foreign exchange adjustments	(1)	(2)	(7)	(4)	(30)	-	(1)	-	(45)
Balance December 31, 2018	**249**	**-**	**644**	**107**	**322**	**394**	**-**	**-**	**1,716**
Amortization for the period	13	-	4	6	30	2	-	65	120
Foreign exchange adjustments	-	-	-	(1)	(8)	-	-	5	(4)
Balance March 31, 2019	**262**	**-**	**648**	**112**	**344**	**396**	**-**	**70**	**1,832**
Carrying amounts									
At December 31, 2018	100	-	27	88	399	37	-	-	651
At March 31, 2019	87	-	48	80	399	35	-	644	1,293

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

6. INTANGIBLE ASSETS

The Company's intangible assets are broken down as follows:

	Patents and trademarks	Software	Customer lists	Product development	Brand and domain name	Backlog	Total
Cost							
Balance January 1, 2018	**736**	**1,373**	**5,799**	**4,351**	**2,327**	**973**	**15,559**
Acquisition	**-**	**-**	**-**	32	-	-	32
Additions	2,463	124	-	-	-	-	2,587
Disposals	-	(86)	-	-	-	-	(86)
Reclassification held for sale	-	(38)	(5,210)	(2,720)	(2,174)	(310)	(10,452)
Foreign exchange adjustments	-	(7)	(258)	(180)	(102)	(43)	(590)
Balance December 31, 2018	**3,199**	**1,366**	**331**	**1,483**	**51**	**620**	**7,050**
Additions	-	20	-	-	-	-	20
Disposals	(32)	(34)	-	-	-	-	(66)
Foreign exchange adjustments	-	(2)	(6)	(22)	-	(12)	(42)
Balance March 31, 2019	**3,167**	**1,350**	**325**	**1,461**	**51**	**608**	**6,962**
Accumulated amortization							
Balance January 1, 2018	**726**	**756**	**1,566**	**1,468**	-	**973**	**5,489**
Amortization for the period	519	297	538	807	-	-	2,161
Disposals	-	(86)	-	-	-	-	(86)
Reclassification held for sale	-	(20)	(1,684)	(1,070)	-	(310)	(3,084)
Foreign exchange adjustments	-	(4)	(89)	(73)	-	(43)	(209)
Balance December 31, 2018	**1,245**	**943**	**331**	**1,132**	**-**	**620**	**4,271**
Amortization for the period	154	74	-	70	-	-	298
Disposals	(27)	-	-	-	-	-	(27)
Foreign exchange adjustments	-	(2)	(6)	(16)	-	(12)	(36)
Balance March 31, 2019	**1,372**	**1,015**	**325**	**1,186**	-	**608**	**4,506**
Carrying amounts							
At December 31, 2018	1,954	423	-	351	51	-	2,779
At March 31, 2019	1,795	335	-	275	51	-	2,456

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

6.1 PURCHASE OF INTANGIBLE ASSETS

Intangible assets purchased in prior periods and included in Trade and other payables and Other non-current payables at March 31, 2019 amounts to $1.4 million (2018: $1.9) (Note 7.2(a))

6.2 GOODWILL

	Illumination	Signals	Offshore	Total
Balance, December 31, 2018	5,746	859	1,467	8,072
Adjustment to purchase price allocation (Note 13)	-	111	-	111
Foreign exchange adjustment	-	-	(26)	(26)
Balance, March 31, 2019	5,746	970	1,441	8,157

7. COMMITMENTS AND CONTINGENCIES

7.1. COMMITMENTS

See Note 4 Inventories.

7.2. CONTINGENT LIABILITIES

a) On July 18, 2013, the Company was named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (collectively the “Plaintiffs”) alleging patent infringement with respect to a specific flash pattern used in our solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. On March 20, 2018, the Company purchased the patents in question from R.D. Jones for a total price of $2.4 million to be paid over a 4-year period. The unpaid portion of this payable has been treated as a non-cash transaction in the Company’s Consolidated Statement of Cash Flows. As a result of this purchase, this matter is considered closed with no further obligations by either party.

b) In June 2017, the Company was named in an Ontario Supreme Court claim filed by Ameico Enterprise under the Construction Lien Act stating a breach of trust for failure to pay contracts for change orders in the amount of $0.7 million. The lawsuit seeks to recover legal expenses, interest on amounts owing and damages. As at March 31, 2019, the Company has recorded a provision of $0.3 million (December 31, 2018 - $0.3 million) as this represents the Company’s best estimate as to the likely amount that will be paid in order to settle this claim, including legal costs.

c) In August 2018, the Company was served with a legal claim in which it was named as a defendant in a case filed in the Circuit Court of Cook County, Illinois by the administrator of the estate of an individual who was killed in a boating accident in 2016. The plaintiff alleges, among other things, that the Company was negligent in the design, manufacture or sale of a marine lantern that was installed near the site of the accident. The Company denies any liability and is defending the case in cooperation with its insurers. The Company has concluded no provision is required as at March 31, 2019

d) In the ordinary course of our business, we may become involved in various claims and legal proceedings seeking monetary damages and other relief in addition to those matters outlined above. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Based on information currently available, and following consultation with our legal advisors and insurance providers and management's assessment of the merits of the claims and legal proceedings pending at March 31, 2019, management believes that the ultimate resolution of these claims and legal proceedings is not likely to have a material and negative effect on our financial statements or operations. No provision is or will be included in the Company's financial statements for such claims and legal proceedings until such time as management determines that it is probable that a claim will result in an outflow of economic resources.

7.3. INDEMNIFICATIONS IN CONTRACTS

The Company has entered agreements with third parties that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party claims or damages arising from these transactions. The maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial and product liability insurance. This insurance limits the Company's exposure and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and the Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

8. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. All shares are fully paid common shares which have no par value.

9. SHARE-BASED PAYMENTS

The total compensation expense for continuing operations for share-based payment plans are outlined in the table below:

Three months ended March 31,	2019	2018
Stock options	60	119

Currently, all outstanding awards issued under these plans are equity settled, although the plans do allow for cash settlement if elected by the Board of Directors. The following table provides a reconciliation of the maximum shares issuable under stock-based compensation plans as at March 31, 2018:

Available shares (10% of outstanding shares at March 31, 2019)	1,885,987
Less:	
Stock options outstanding at March 31, 2019	(1,485,294)
Number of shares issuable under stock-based compensation plans	400,693

The details on how these compensation costs were calculated are outlined in the respective sections below.

9.1. STOCK OPTIONS

The following is a reconciliation of stock options outstanding between January 1, 2018 through March 31, 2019. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2018	**1,686,129**	**$4.09**
Cancelled/Forfeited	(6,076)	$4.26
Balance, March 31, 2018	**1,680,053**	**$4.09**
Exercised	(178,259)	$2.60
Expired vested	(1,500)	$3.83
Cancelled/Forfeited	(9,000)	$4.12
Balance, December 31, 2018	**1,491,294**	**$4.27**
Cancelled/Forfeited	(6,000)	$4.83
Balance, March 31, 2019	**1,485,294**	**$4.27**

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

The following table summarizes the stock options outstanding and exercisable at March 31, 2019 and December 31, 2018. The weighted average exercise price is stated in Canadian dollars:

	Options outstanding			Options exercisable		
Range (exercise price)	Number	WA[1] remaining life[2]	WA[1] exercise price	Number	WA[1] remaining life[2]	WA[1] exercise price
At December 31, 2018						
$1.45 to $1.45	200,000	1.9	$1.45	200,000	1.9	$1.45
$1.46 to $2.50	115,061	5.3	$2.50	115,061	5.3	$2.50
$2.51 to $2.90	218,383	5.9	$2.70	218,383	5.9	$2.70
$2.91 to $6.39	957,850	7.1	$5.43	600,513	6.8	$5.72
	1,491,294	6.1	$4.20	1,133,957	5.6	$4.06
At March 31, 2019						
$1.45 to $1.45	200,000	1.7	$1.45	200,000	1.7	$1.45
$1.46 to $2.50	115,061	5.0	$2.50	115,061	5.0	$2.50
$2.51 to $2.90	218,383	5.7	$2.70	218,383	5.7	$2.70
$2.91 to $6.39	951,850	6.9	$5.43	600,513	6.5	$5.72
	1,485,294	5.9	$4.27	1,133,957	5.3	$4.06

1 – WA – weighted average

2- Life in years

There were no options granted during the three months ended March 31, 2019.

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

10. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Three months ended March 31,	
	2019	2018
Salaries, commissions and other direct compensation	1,965	1,861
Professional fees, insurance and public company costs	269	305
Amortization	417	241
Telecom and IT expenses	159	166
Travel and related expenses	82	107
Occupancy costs	75	131
Bank Charges	23	20
Marketing, advertising and other related expenses	11	61
Development expenses/(recoveries)	59	(147)
Other expenses	90	86
Share-based payments	60	119
Bad debts/(recoveries)	-	3
Total operating expenditures	3,210	2,953

The amortization expense as noted in the statement of cash flows includes amortization classified under cost of sales.

11. SEGMENTED INFORMATION

Due to the identification of the Marine, Aviation and Airfield Ground Lighting businesses as discontinued operations in 2018, the Company determined that its Offshore business (Sabik Offshore GmbH) now meets the definition of a reportable segment in accordance with IFRS 8. A new reportable segment was therefore recognized within continued operations as presented at December 31, 2018. The Company's reportable segments are now broken into "Offshore", "Signals" and "Illumination". The following table provides an overview of these segments and underlying verticals.

Reporting Segment and Underlying Products/Verticals **Products offered/Markets served**	
Signals	
Traffic	Solar LED flashing beacons for various roadway applications, mainly focused on the North American market.
Telematics	Telematics is currently focused on designing and manufacturing devices to enable remote monitoring of assets.
Marine*	A complete range of marine lighting solutions sold worldwide, including a variety of products manufactured by Sabik and Vega which are subsidiaries of Carmanah.
Airfield ground lighting*	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
Aviation/Obstruction*	LED obstruction lighting sold worldwide - the Company offers self-contained obstruction marking lights which provide a range of solutions for marking towers and other obstruction to aerial and ground navigation.
Offshore	
Offshore	Aid to navigation solutions on Offshore wind farms for temporary and permanent marking. These products are sold under Sabik Offshore GmbH which is a wholly owned subsidiary of Carmanah. Sales are mainly focused on the European market.
Illumination	
Outdoor Lighting	LED lighting systems for off-grid lighting applications, including street, parking lot, park, and pathway applications. Products are sold worldwide using a variety of distribution models.

* Discontinued Operations

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

Management evaluates each segment's performance based on gross margin which factors in directly attributable segment revenues, cost of goods sold, and gross margins. Segment profit represents profits without allocation of operating expenses as these costs are not included in the measures that the chief operating decision marker uses to evaluate and assess segment performance. Operating expenditures such as sales and marketing, research, engineering and development as well as general and administrative expenses, which cannot accurately be attributed between various segments, have not been allocated between segments.

	Offshore	Signals	Illumination	Total
For the three months ended March 31, 2019				
Revenue	2,913	3,280	1,659	7,852
Gross margin	903	1,447	664	3,014
Gross margin %	31.0%	44.1%	40.0%	38.4%
Total operating expenses				(3,210)
Other expenses				(437)
Income before taxes				(633)
For the three months ended March 31, 2018				
Revenue	4,113	2,352	1,395	7,860
Gross margin	1,170	1,051	650	2,871
Gross margin %	28.4%	44.7%	46.6%	36.5%
Total operating expenses				(2,953)
Other expenses				(9)
Income before taxes				(91)

GEOGRAPHIC

For geographical reporting, revenues are attributed to the geographic location in which the customer is located:

	Three months ended	March 31,
	2019	2018
North America	4,912	3,286
Europe	2,833	4,112
South America	3	80
Middle East and Africa	-	357
Asia Pacific	104	25
Total revenues	7,852	7,860

For geographical reporting, property and equipment and inventory balances for the geographic locations are located at:

	March 31, 2019	December 31, 2018
North America	2,415	2,059
Europe	1,714	1,286
Total equipment and inventories	**4,129**	**3,345**

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

12. DISCONTINUED OPERATIONS

During the fourth quarter of 2018, management announced and entered into a purchase agreement regarding the sale of a significant portion of the assets of the Company including all of the issued and outstanding equity interests of Sabik Oy, Sabik Ou, Sabik PTE Ltd and their respective assets (collectively, "Carmanah's Marine business"), the business and assets of the Company's Airfield Ground Lighting business, its Aviation Obstruction Lighting business as well as some miscellaneous business assets that support the businesses to be sold

Effect of the disposal of Carmanah's Marine, Aviation and Airfield Ground Lighting business (Collectively, "SPX Divestiture")

On February 01, 2019, the Company completed the sale of the equity interests and assets of its Marine, Aviation and Airfield Ground Lighting business. The net proceeds of the sale were $77.0 million. The Company is currently in the process of finalizing the working capital balances and expects to finalize these balances prior to December 31, 2019.

The gain on the disposal of the Marine, Aviation and Airfield Ground lighting business on February 01, 2019 (subject to working capital changes), is as follows:

	March 31, 2019
Cash Proceeds	77,010
Accounts receivable	(4,512)
Inventories	(5,257)
Deposits and prepaid expenses	(1,691)
Property and equipment	(384)
Intangible assets	(7,308)
Goodwill	(10,773)
Other assets	(106)
Accounts payable and accrued liabilities	2,073
Net assets disposed	(27,958)
Professional fees and other	(875)
Working capital adjustment	(32)
Reclassification of foreign currency translation adjustments on disposal	425
Gain on disposal of discontinued operations before tax	48,570
Tax expense	6,070
Gain on disposal of discontinued operations	42,500

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

RESULTS OF DISCONTINUED OPERATIONS

	Three months ended March 31,	
	2019	**2018**
Revenues	2,646	7,130
Cost of sales	1,530	3,617
Gross profit	**1,116**	**3,513**
Operating expenditures	605	2,160
Other expenditures	188	536
Income before taxes	**323**	**817**
Tax expense	33	255
Net income from discontinued operations, before gain on disposal	**290**	**562**
Income from gain on disposal of discontinued operations, SPX divestiture	42,500	-
Net income and total comprehensive income from discontinued operations, net of tax	**42,790**	**562**

CASH FLOW FROM (USED IN) DISCONTINUED OPERATION

	Three months ended March 31,	
	2019	**2018**
Cash provided by operating activities	1,081	3,274
Net cash flow from discontinued operations	1,081	3,274

(Unless otherwise noted expressed in thousands of U.S. dollars, except number of share and per share amounts)

13. ACQUISITIONS

IDC ACQUISITION

On October 2, 2018, the Company acquired the shares of Information Display Company (“IDC”). IDC is a U.S. manufacturer of radar speed signs and other speed displays. The purchase price totaled $1.5 million and IDC’s results have been included within the Company’s Signals segment.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations. The below purchase price allocation for the transaction at March 31, 2019 represents management’s best estimates of these values.

	Preliminary Allocation
Cash consideration	1,521
Working capital adjustments	(14)
Total consideration	**1,507**
Identifiable assets acquired and liabilities assumed	
Cash	24
Trade and other receivables	469
Inventories	142
Other assets	32
Intangible assets	33
Trade and other payables	(163)
Goodwill	970
Total	**1,507**

14. SUBSEQUENT EVENTS

As announced in a press release dated May 07, 2019, the company received a non-binding offer from entities controlled by two directors of the Company to purchase all outstanding Carmanah shares, not already owned by these directors, at a price of $7.35 Canadian dollars per share, payable in cash. The Company has established a special committee to consider the offer and until this committee completes its work and analysis, there can be no certainty that a definitive transaction will be agreed or, if any such transaction is agreed, what the terms of the transaction will contain. These interim consolidated financial statements have not been adjusted to reflect the possible outcome of this transaction.