CARMANAH TECHNOLOGIES CORPORATION

Consolidated Financial Statements
For the three months ended March 31, 2017 and 2016
(Amounts in thousands of U.S. dollars unless otherwise stated)

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	Notes	March 31, 2017	December 31, 2016
ASSETS			
Cash		21,077	21,921
Trade and other receivables		7,418	6,560
Inventories	4	6,471	6,215
Prepaid and other current assets		618	405
Income taxes receivable		132	148
Total current assets		35,716	35,249
Equipment and leasehold improvements	5	1,247	1,218
Intangible assets	6	7,404	7,531
Goodwill	6.1	18,229	16,838
Deferred income tax asset		7,192	7,165
Investment tax credits		2,251	2,512
Assets held for sale	13	14,889	16,394
Total assets		**86,928**	**86,907**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		5,147	4,612
Bank debt		6,920	7,414
Provisions		732	780
Income taxes payable		94	95
Deferred revenue		986	719
Total current liabilities		13,879	13,620
Deferred income tax liability		1,760	1,714
Liabilities held for sale	13	926	2,782
Total liabilities		**16,565**	**18,116**
Equity			
Share capital	8	86,377	86,376
Equity reserve	9	5,256	5,065
Accumulated other comprehensive loss		(1,398)	(1,676)
Deficit		(19,872)	(20,974)
Total equity		70,363	68,791
Total liabilities and equity		**86,928**	**86,907**

Commitments and contingencies – note 7
Subsequent events – note 15

Approved and authorized for issue by the Board of Directors on May 3, 2017

"John Simmons"
____
John Simmons, Chief Executive Officer

"Michael Sonnenfeldt"
____
Michael Sonnenfeldt, Chair of the Board

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Income and Total Comprehensive Income

(Expressed in thousands of U.S. dollars, except number of share and per share amounts)

	Notes	Three months ended March 31, 2017	2016
Revenues		11,127	11,860
Cost of sales		6,131	6,593
Gross profit	11	4,996	5,267
Operating expenditures			
Sales and marketing		1,103	1,119
Research and development		633	636
General and administrative		2,333	2,344
Total operating expenditures	10	4,069	4,099
Other expenses/(income)			
Loss on disposal of assets		-	(1)
Other expenses		48	197
Foreign exchange gain		(1)	(38)
Total other expenditures		47	158
Income before taxes		880	1,010
Income tax expense		271	229
Net income from continuing operations		609	781
Net income from discontinued operations, net of tax	13	493	919
Net Income attributable to shareholders		1,102	1,700
Other comprehensive loss			
Items that will not be reclassified subsequently to net income:			
Foreign currency translation adjustments		294	993
Foreign currency translation adjustments from discontinued operations		(16)	2
Total comprehensive income		1,380	2,695
Net income per share			
Basic - Continuing operations		*0.02*	*0.03*
Basic - Discontinued operations		*0.02*	*0.04*
Total		**0.04**	**0.07**
Diluted - Continuing operations		*0.02*	*0.03*
Diluted - Discontinued operations		*0.02*	*0.04*
Total		**0.04**	**0.07**
Weighted average number of shares outstanding (note 9)			
Basic		24,602,504	24,626,298
Diluted		25,033,769	25,220,245

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

	Notes	Share capital *# of shares*	Share capital Amount	Equity reserve	Accumulated other comprehensive loss	Deficit	Total equity
		('000)					
Balance, January 1, 2016		*24,616*	$86,118	$4,487	$(814)	$(25,158)	$64,633
Net income		-	-	-	-	1,702	1,702
Share-based payments	9	-	-	269	-	-	269
Shares issued on stock option exercise	9	27	80	(29)	-	-	51
Shares issued from warrant exercise		240	1,186	(262)	-	-	924
Foreign currency translation adjustments		-	-	-	995	-	995
Balance, March 31, 2016		*24,883*	87,384	4,465	181	(23,456)	68,574
Net income			-	-	-	2,482	2,482
Share-based payments	9		-	499	-	-	499
Shares issued on stock option exercise	9	*49*	138	(42)	-	-	96
Shares acquired and cancelled		*(330)*	(1,146)	143	-	-	(1,003)
Foreign currency translation adjustments			-	-	(1,857)	-	(1,857)
Balance, December 31, 2016		*24,602*	86,376	5,065	(1,676)	(20,974)	68,791
Net income		-	-	-	-	1,102	1,102
Share-based payments	9	-	-	191	-	-	191
Shares issued on stock option exercise		-	1	-	-	-	1
Foreign currency translation adjustments		-	-	-	278	-	278
Balance, March 31, 2017		*24,602*	86,377	5,256	(1,398)	(19,872)	70,363

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2017	2016
OPERATING ACTIVITIES			
Net income		609	781
Add back (deduct) items not involving cash:			
Amortization		387	377
Gain on disposal of assets		-	(1)
Share-based payments	9	177	269
Unrealized foreign exchange loss/(gain)		89	(117)
Use of investment tax credits		261	380
Deferred income tax expense		61	-
Changes in working capital and other items:			
Trade and other receivables		(858)	(68)
Inventories		(256)	(378)
Prepaids and other current assets		(213)	(64)
Income tax receivable		16	-
Trade and other payables		535	(1,958)
Provisions		(48)	21
Deferred revenue		267	(227)
Income tax payable		(1)	148
Net cash provided/(used) in operating activities		1,026	(837)
INVESTING ACTIVITIES			
Acquisitions, net of cash	14	(1,412)	-
Purchase of equipment and leasehold improvements	5	(110)	(51)
Purchase of intangible assets	6	(49)	(86)
Net cash used in investing activities		(1,571)	(137)
FINANCING ACTIVITIES			
Proceeds from exercised warrants		-	924
Proceeds from exercised stock options	9	1	51
Debt repayments		(494)	(456)
Net cash (used)/provided by financing activities		(493)	519
Foreign exchange effect on cash		54	231
Decrease in cash from continuing operations		(984)	(224)
Cash provided from discontinued operations	13	140	1,316
Cash at beginning of period		21,921	14,880
Cash at end of period		21,077	15,972

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated 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.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that will become effective in future accounting periods. The following is a summary of significant standards that may have an impact on the Company's future financial statements.

- IFRS 9, Financial Instruments ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. It is anticipated that these changes would be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.
- IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. It is anticipated this change will be effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- IFRS 16, Leases ("IFRS 16"). IFRS 16 replaces IAS 17. Under IFRS 16, a lease will exist 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 will require an asset and liability to be recognized on the Statement of Financial Position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The extent of the impact of adoption of the standard has not yet been determined.

The Company is assessing the impact that these standards will have on the Company's consolidated financial statements and does not intend to early adopt the standards.

(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 Carmanah's financial instruments:

	March 31, 2017	December 31, 2016
Loans and receivables		
Cash	21,077	21,921
Trade and other receivables	7,418	6,560
Other financial liabilities		
Trade and other payables	5,147	4,612
Bank Debt	6,920	7,414

4. INVENTORIES

	March 31, 2017	December 31, 2016
Finished goods	2,660	1,548
Work in progress	746	668
Raw materials	3,429	4,370
Provision for obsolescence	(364)	(371)
Net inventories	6,471	6,215

For the three months ended March 31, 2017, inventory recognized as an expense in cost of sales amounted to $5.3 million (March 31, 2016 - $5.8 million). Included in the above amounts were inventory write downs of $0.1 million (March 31, 2016 - $0.1 million). There were no reversals of previously recorded inventory write downs. As at March 31, 2017, the Company anticipates the net inventory will be realized within one year.

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

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	Computer hardware	Leasehold improvements	Office equipment	Production equipment	Research and tradeshow equipment	Total
Cost						
Balance January 1, 2016	**335**	**799**	**227**	**1,068**	**427**	**2,856**
Additions	103	167	8	246	23	547
Disposals	(42)	-	(4)	(70)	(15)	(131)
Reclassification held for sale	(35)	(78)	(19)	(60)	(14)	(206)
Foreign exchange adjustments	-	(2)	(5)	(19)	-	(26)
Balance at December 31, 2016	**361**	**886**	**207**	**1,165**	**421**	**3,040**
Additions	62	-	12	36	-	110
Disposals	-	(13)	-	-	-	(13)
Acquisition	-	-	13	8	-	21
Foreign exchange adjustments	3	3	2	12	-	20
Balance at March 31, 2017	**426**	**876**	**234**	**1,221**	**421**	**3,178**
Accumulated amortization						
Balance January 1, 2016	**172**	**564**	**54**	**324**	**405**	**1,519**
Amortization for the period	83	129	27	225	9	473
Disposals	(30)	-	(1)	(50)	(15)	(96)
Reclassification held for sale	(10)	(19)	(4)	(10)	(6)	(49)
Foreign exchange adjustments	(9)	(1)	(2)	(11)	(2)	(25)
Balance December 31, 2016	**206**	**673**	**74**	**478**	**391**	**1,822**
Amortization for the period	23	11	6	58	2	100
Foreign exchange adjustments	2	1	-	4	2	9
Balance March 31, 2017	**231**	**685**	**80**	**540**	**395**	**1,931**
Carrying amounts						
At December 31, 2016	155	213	133	687	30	1,218
At March 31, 2017	195	191	154	681	26	1,247

(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, 2016	**739**	**2,529**	**4,728**	**1,826**	**2,020**	**886**	**12,728**
Additions	-	268	-	-	-	-	268
Disposals	-	(1,539)	-	-	-	-	(1,539)
Reclassification held for sale	-	(32)	-	-	-	-	(32)
Foreign exchange adjustments	-	-	(169)	(56)	(71)	(32)	(328)
Balance December 31, 2016	**739**	**1,226**	**4,559**	**1,770**	**1,949**	**854**	**11,097**
Additions	-	49	-	-	-	-	49
Disposals	-	-	-	-	-	-	-
Foreign exchange adjustments	-	5	72	24	31	14	146
Balance March 31, 2017	**739**	**1,280**	**4,631**	**1,794**	**1,980**	**868**	**11,292**
Accumulated amortization							
Balance January 1, 2016	**681**	**1,834**	**281**	**346**	**-**	**886**	**4,028**
Amortization for the year	29	196	542	368	-	-	1,135
Disposals	-	(1,539)	-	-	-	-	(1,539)
Reclassification held for sale	-	(9)	-	-	-	-	(9)
Foreign exchange adjustments	-	-	(11)	(6)	-	(32)	(49)
Balance December 31, 2016	**710**	**482**	**812**	**708**	-	**854**	**3,566**
Amortization for the year	7	65	138	77	-	-	287
Foreign exchange adjustments	-	1	15	5	-	14	35
Balance March 31, 2017	**717**	**548**	**965**	**790**	-	**868**	**3,888**
Carrying amounts							
At December 31, 2016	29	744	3,747	1,062	1,949	-	7,531
At March 31, 2017	22	732	3,666	1,004	1,980	-	7,404

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

6.1. Goodwill

	Illumination	Signals	Total
Balance, December 31, 2016	5,746	11,092	16,838
EKTA asset purchase (note 14)	-	1,203	1,203
Foreign exchange adjustment	-	188	188
Balance, March 31, 2017	5,746	12,483	18,229

7. COMMITMENTS AND CONTINGENCIES

7.1. Commitments

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, 2017, the contract manufacturers held approximately $2.5 million (December 31, 2016 - $2.4 million) in inventory and $0.7 million (December 31, 2016 - $0.7 million) in outstanding committed purchase orders.

7.2. Contingent liabilities

From time to time, provisions are set up to cover potential legal settlements. There are no legal provisions recorded at March 31, 2017 or December 31, 2016. No settlement amounts were paid out in the periods ended March 31, 2017 or December 31, 2016.

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 with respect to Carmanah's solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions were taken in regards to this matter, including a successful application to have the underlying patents reexamined by the U.S patent office which resulted in many aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that action, the original court proceedings have been stayed.

In early March 2015, the Company filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada ("RSA") and Integro (Canada) Ltd. ("Integro") operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of the Company's insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs incurred by the Company. The lawsuit seeks to recover legal expenses and damages. In late April 2016, the Company reached a settlement with the defendants during mediation. Under the settlement, the Company received CAD $0.5 million for past defense costs and damages. These funds were received and recognized in late July 2016 once all of the terms of the settlement agreement were finalized. Per the agreement, RSA has agreed to cover 70% of future defense costs incurred on a go forward basis. However, if the underlying action proceeds to trial and a verdict is rendered, a reallocation of the go-forward defense costs may occur.

In June 2016, the Company was named in another lawsuit filed in a United States District Court filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. alleging additional patent infringement of a new patent that was granted in September of 2015. The outcome of this and the previous case are not certain and management intends to continue to defend the Company and file additional responses to the Court as required. In early 2017, this case was stayed pending a Reissue Patent Application associated with the new patent involved in the second case. At March 31, 2017, no provision has been made as Management has concluded the probability of outflow is low.

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

7.3. Credit facilities

Sabik Oy has access to an operating line and a loan with Nordea (the "Nordea Facility"), a Finnish financial institution. The loan and operating line is secured by Carmanah through a letter of credit drawn from the CIBC credit facility noted above and is repayable on demand. At March 31, 2017, Sabik Oy had drawn €0.4 million (USD $0.4 million) from the operating line for short-term working capital needs. It carries and interest rate of EURIBOR plus 1.35% and was drawn upon for short term working capital needs.

7.4. 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.

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 these share-based payment plans are outlined in the table below:

Three months ended March 31,	2017	2016
Stock options	177	269

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, 2017:

Available shares (10% of outstanding shares at March 31, 2017)	2,460,250
Less:	
Stock options outstanding at March 31, 2017	(1,928,710)
Number of shares issuable under stock-based compensation plans	531,540

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

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

9.1. Stock Options

The following is a reconciliation of stock options outstanding between January 1, 2016 through March 31, 2017. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2016	2,052,620	$3.76
Forfeited	(26,028)	$5.29
Exercised	(26,724)	$2.54
Balance, March 31, 2016	1,999,868	$3.76
Granted	200,000	$3.93
Exercised	(49,477)	$2.61
Expired	(6,000)	$4.59
Forfeited	(201,406)	$5.30
Balance, December 31, 2016	1,942,985	$3.72
Expired	(14,275)	$3.68
Balance, March 31, 2017	1,928,710	$3.72

The following table summarizes the stock options outstanding and exercisable at March 31, 2017 and December 31, 2016. 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, 2016						
$1.45 to $1.45	300,000	3.9	$1.45	225,000	3.9	$1.45
$1.46 to $2.50	502,807	7.3	$2.50	233,113	7.3	$2.50
$2.51 to $2.90	281,965	7.2	$2.72	156,675	6.6	$2.74
$2.91 to $6.39	858,213	8.7	$5.55	167,977	8.5	$5.98
	1,942,985	7.4	$3.72	782,765	6.4	$2.99
At March 31, 2017						
$1.45 to $1.45	300,000	3.6	$1.45	225,000	3.6	$1.45
$1.46 to $2.50	500,533	7.0	$2.50	233,113	7.0	$2.50
$2.51 to $2.90	281,964	6.9	$2.72	156,674	6.4	$2.74
$2.91 to $6.39	846,213	8.5	$5.57	171,053	8.2	$5.94
	1,928,710	7.1	$3.72	785,840	6.2	$2.99

1 - WA – weighted average

2 - Life in years

There were no options granted during the three months ended March 31, 2017 or 2016.

(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,	
	2017	2016
Salaries, commissions and other direct compensation	2,235	2,120
Professional fees, insurance and public company costs	313	412
Amortization	365	330
Telecom and IT expenses	206	178
Travel and related expenses	180	174
Occupancy costs	302	226
Bank charges	37	42
Marketing, advertising and other related expenses	182	160
Development expenses	34	170
Other expenses	58	19
Share-based payments	177	269
Bad debts	(20)	(1)
Total operating expenditures	4,069	4,099

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

11. SEGMENTED INFORMATION

The Company's reportable segments are broken into "Signals", "Illumination" and "Power". 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.
Marine	A complete range of marine lighting solutions sold worldwide, including a variety of products manufactured by Sabik which is a subsidiary 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	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.
Telematics	Telematics is currently focused on designing and manufacturing devices to enable remote monitoring of assets.

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
Power*	
Off-Grid	Mobile power solutions for the North American market sold under the Go Power! brand. Built for the hard demands of RV, utility, and fleet vehicles, as well as marine applications, Go Power!'s complete line of solar chargers, inverters, regulators and power accessories deliver electricity where grid-power is inaccessible or unavailable.
On-Grid	The design, procurement and construction of grid-connected solar power systems in the Canadian industrial market. Previously referred to as Solar EPC Services.

*Discontinued Operations

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.

	Signals	Illumination	Total
For the year ended March 31, 2017			
Revenue	9,597	1,530	11,127
Gross margin	4,551	445	4,996
Gross margin %	47.4%	29.1%	44.9%
Total operating expenses			(4,069)
Other expenses			(47)
Income before taxes			880
For the year ended March 31, 2016			
Revenue	10,400	1,460	11,860
Gross margin	4,735	532	5,267
Gross margin %	45.5%	36.4%	44.4%
Total operating expenses			(4,099)
Other expenses			(158)
Income before taxes			1,010

Geographic

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

	Three months ended March 31,	
	2017	2016
North America	4,667	5,264
Europe	5,714	5,884
South America	106	52
Middle East and Africa	398	296
Asia Pacific	242	364
Total revenues	11,127	11,860

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

As at March 31, 2017, substantially all the assets related to the Company's operations were located in Canada except for inventory on hand in the United States of $1.5 million (December 31, 2016 - $1.6 million), and $4.2 million (December 31, 2016 - $3.8 million) of assets related to the Sabik entities which is mainly split between Germany and Finland.

12. RELATED PARTY TRANSACTIONS

During the quarter the company settled an outstanding receivable of $0.08 million from a director of the company which originally arose from a warranty indemnity related to the acquisition of Sol Inc. The settlement resulted in the write-off in the amount of $0.04 million of the receivable balance, with the remaining $0.04 million collected on April 24, 2017.

13. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the third quarter of 2016, management committed to a plan to sell its Power segment to focus on the Company's Signals and Illumination segments. Sales efforts began in September 2016 and it is anticipated that the sale will occur in 2017. At March 31, 2017, the disposal group was stated at the lower of carrying amount and fair value less costs to sell. The comparative Consolidated Statement of Income and Total Comprehensive Income has been restated to show the discontinued operations separately from continuing operations.

Results of discontinued operations

	Three months ended March 31,	
	2017	2016
Revenues	5,936	7,589
Cost of sales	4,168	6,053
Gross profit	1,768	1,536
Operating expenditures	(975)	(919)
Other income (expense)	(127)	625
Income before taxes	666	1,242
Tax expense	(173)	(323)
Net income from discontinued operations	493	919
Other comprehensive income (loss)	(16)	2
Total comprehensive income	477	921

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

Effect of disposal on the financial position of the company

As part of management's plan to sell the Company's Power segment, assets and liabilities associated with the segment have been presented as held for sale. The following are the associated details:

	March 31, 2017	December 31, 2016
Trade and other receivables	7,174	6,172
Unbilled receivables	2,658	4,472
Cost of uncompleted projects	540	-
Inventories	3,389	4,917
Prepaid and other current assets	883	588
Capital and intangible assets	178	178
Deferred tax assets	67	67
Assets classified as held for sale	14,889	16,394
Deferred revenue	-	9
Trade and other payables	627	2,455
Cost of uncompleted contracts	41	60
Provisions	258	258
Liabilities classified as held for sale	926	2,782

Cash flow from (used in) discontinued operation

	Three months ended March 31, 2017	2016
Cash provided by (used in) operating activities	140	1,316
Net cash flow from discontinued operations	140	1,316

14. ACQUISITIONS

EKTA asset purchase

On January 2, 2017, the Company acquired the Intellectual rights to a Marine aids to navigation product line marketed under the EKTA brand from Cybernetica AS ("Cybernetica"), an Estonian company, which includes assignments to a number of sales and employment contracts, and some manufacturing assets. The purchase price totaled €1.35 million (USD $1.42 million), with €1.0 million paid on closing and a further €0.35 million to be paid on the first anniversary of the closing date. The additional payment may be reduced in the event of a breach of certain warranties made within the agreement.

A new legal entity, Sabik OÜ, was incorporated in Estonia to complete the acquisition. The rational for the acquisition was to strengthen our (1) worldwide product portfolio and to allow us to provide more comprehensive single-source solutions to our marine customers, and (2) increase our market presence in Europe through the acquired/assigned sales contracts.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations, with the results of operations consolidated with those of the Company effective January 2, 2017 and has contributed incremental revenues of approximately $0.1 million and a net loss of approximately $0.1 million. The total cost related to this related acquisition was approximately $0.2 million, with the expenses included under the caption "Other expenses".

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

The below purchase price allocation is preliminary and is based on the best estimates of fair values of the assets acquired and liabilities assumed and taking into consideration all relevant information available to date.

	Preliminary Allocation
Consideration	
Cash	1,052
Deferred consideration	368
Total consideration	**1,420**
Identifiable assets acquired and liabilities assumed	
Inventories	203
Equipment and other similar assets	21
Trade and other payables	(7)
Goodwill	1,203
Total	**1,420**

15. SUBSEQUENT EVENTS

On April 3, 2017, Carmanah announced the sale of the assets of Carmanah Solar Power Corp. ("CSPC") which held the Company's solar power engineering, procurement and construction business. The proceeds of the asset sale were $2.0 million and is subject to final adjustments.

In addition to these proceeds, CSPC will retain responsibility for four solar power construction portfolios that are at, or close to substantially complete. It is expected that these portfolios will achieve final completion before the end of 2017. While most of the revenue related to these portfolios has been recognized, CSPC retained approximately $5.4 million of accounts and notes receivable, due on final completion, of which $0.7 million has since been collected. Once the requirements of the remaining portfolios are complete, CSPC will permanently cease its solar power EPC business.

As announced, the Company's wholly owned subsidiary, Carmanah Solar Power Corp ("CSPC"), contracted with Hydro Ottawa for the design and build of eight solar power projects totaling $4.8 million. These contracts were largely completed and invoiced when on January 3, 2017 Hydro Ottawa served notice to terminate the contract citing project delays. Subsequently, on April 20, 2017, Hydro Ottawa provided notice that it will incur costs of between $0.07 million and $0.2 million per project to fully complete the contracts. CSPC is disputing these amounts. CSPC believes that the work required to complete and test the projects is inconsequential. As of March 31, 2017, CSPC has $2.9 million in outstanding receivables related to these projects. At this time, CSPC is unable to estimate when this matter will be resolved and what, if any, costs will be incurred.