CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2015 and 2014
(Amounts in thousands of U.S. dollars unless otherwise stated)
(Unaudited)

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	June 30, 2015	December 31, 2014
ASSETS			
Cash		38,939	8,707
Restricted cash		-	45
Trade and other receivables	15.1	14,893	10,983
Inventories	3	6,558	5,556
Prepaid and other current assets		1,004	412
Total current assets		61,394	25,703
Equipment and leasehold improvements	4	703	660
Intangible assets	5	947	975
Goodwill		5,746	5,746
Investment tax credits	16	4,320	-
Deferred income tax asset	16	6,413	283
Total assets		**79,523**	**33,367**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		8,680	8,095
Bank debt	7	10,000	-
Provisions	8	767	1,165
Income taxes payable		65	-
Deferred revenue		317	294
Total current liabilities		19,829	9,554
Equity			
Share capital		81,515	56,539
Equity reserve		3,932	3,292
Accumulated other comprehensive loss		(277)	(180)
Deficit		(25,476)	(35,838)
Total equity		59,694	23,813
Total liabilities and equity		**79,523**	**33,367**

Commitments and contingencies – note 6
Subsequent event – note 18

Approved and authorized for issue by the Board of Directors on August 7, 2015

"John Simmons"
John Simmons, Chief Executive Officer

"Michael Sonnenfeldt"
Michael Sonnenfeldt, Chair of the Board

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenues	12	15,715	8,994	27,029	18,113
Cost of sales	12	10,303	5,733	17,648	11,867
Gross profit	12	5,412	3,261	9,381	6,246
Operating expenditures					
Sales and marketing	11	1,223	1,011	2,505	2,004
Research and development	11	475	307	925	611
General and administrative	11	1,558	1,528	2,835	2,695
		3,256	2,846	6,265	5,310
Other inventory write downs	11	132	-	442	-
Investment tax credits recognized	16	(4,320)	-	(4,320)	-
Restructuring expenses/(recovery)	14	-	(122)	74	(122)
Total operating expenditures/(recovery)		(932)	2,724	2,461	5,188
Operating Income		6,344	537	6,920	1,058
Other expenses					
Gain/(loss) on disposal of assets		27	-	(11)	-
Other expenses	17	(726)	(327)	(791)	(602)
Foreign exchange (loss)/gain		(818)	228	(1,261)	58
		(1,517)	(99)	(2,063)	(544)
Income before taxes		4,827	438	4,857	514
Income tax recovery		5,505	-	5,505	1
Net income attributable to shareholders		10,332	438	10,362	515
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustments		(2)	30	(97)	4
Total comprehensive income		10,330	468	10,265	519
Net income per share					
Basic		0.48	0.04	0.54	0.05
Diluted		0.47	0.04	0.53	0.05
Weighted average number of shares outstanding:					
Basic		21,384,945	11,927,574	19,193,360	10,999,543
Diluted		22,025,030	11,964,121	19,695,503	11,004,193

CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in thousands of U.S. dollars, except number of share and per share amounts)
(Unaudited)

	Notes	Share capital		Equity reserve	Subtotal	Accumulated other comprehensive loss	Deficit	Total equity
		# of shares *('000)*	Amount					
Balance, January 1, 2014		*10,061*	42,870	2,966	45,836	(76)	(36,832)	8,928
Net income		-	-	-	-	-	515	515
Share-based payments		-	-	101	101	-	-	101
Shares issued in private placement, net of issuance costs of $31		*1,930*	3,790	-	3,790	-	-	3,790
Foreign currency translation adjustments		-	-	-	-	4	-	4
Balance, June 30, 2014		*10,061*	46,660	3,067	49,727	(72)	(36,317)	13,338
Net income		-	-	-	-	-	479	479
Share-based payments		-	-	225	225	-	-	225
Shares issued in private placement, net of issuance costs of $9		*1,200*	2,781	-	2,781	-	-	2,781
Sol acquisition		3,786	7,098	-	7,098	-	-	7,098
Foreign currency translation adjustments		-	-	-	-	(108)	-	(108)
Balance, December 31, 2014		*16,977*	56,539	3,292	59,831	(180)	(35,838)	23,813
Net income		-	-	-	-	-	10,362	10,362
Share-based payments	10	-	-	291	291	-	-	291
Shares issued on stock option exercise	10	*1*	2	(1)	1	-	-	1
Shares issued under bought deal, net of issuance costs of $2,230 offset by tax of $560	9	*6,400*	24,900	370	25,270	-	-	25,270
Shares issued from warrant exercise	9	*13*	74	(20)	54	-	-	54
Foreign currency translation adjustments		-	-	-	-	(97)	-	(97)
Balance, June 30, 2015		*23,391*	81,515	3,932	85,447	(277)	(25,476)	59,694

CARMANAH TECHNOLOGIES CORPORATION

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

		Six months ended June 30,	
	Notes	2015	2014
OPERATING ACTIVITIES			
Net income		10,362	515
Add back (deduct) items not involving cash:			
Amortization	4,5	301	171
Loss on disposal of assets		11	-
Share-based payments	10	291	101
Restructuring		-	(122)
Recognition of investment tax credits		(4,320)	-
Deferred income tax		(5,570)	-
Unrealized foreign exchange loss/(gain)		332	(126)
Changes in working capital and other items:			
Trade and other receivables		(3,910)	(1,406)
Inventories		(1,002)	910
Prepaids and other current assets		(592)	(386)
Trade and other payables		585	306
Provisions		(398)	-
Deferred revenue		23	(157)
Income tax payable		65	-
Net cash (used)/provided by operating activities		(3,822)	(194)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		54	-
Change in restricted cash		45	-
Purchase of equipment and leasehold improvements	4	(236)	(110)
Purchase of intangible assets	5	(170)	(309)
Net cash used in investing activities		(307)	(419)
FINANCING ACTIVITIES			
Proceeds from bought deal offering, net of issue costs	9	24,710	-
Proceeds from exercised warrants	9	54	-
Proceeds from exercised stock options	10	1	-
Proceeds from credit facility draw	7	10,000	-
Proceeds from private placement, net of issue costs		-	3,790
Net cash provided by financing activities		34,765	3,790
Foreign exchange effect on cash		(404)	85
Increase in cash		30,232	3,262
Cash at beginning of period		8,707	5,197
Cash at end of period		38,939	8,504

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 developing and distributing renewable and energy-efficient technologies, including solar-power LED lighting, and solar powered systems and equipment.

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"). 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 consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim financial reporting* (International Account Standard) which is in accordance with International Financial Reporting Standards ("IFRS"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2014. 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.

There have been no significant changes to the Company's accounting policies from those disclosed in the consolidated financial statements for the years ended December 31, 2014 and 2013. Other than the recognition of the tax assets as outlined in note 16. There have also been no significant changes in judgements or estimates from those disclosed in the consolidated financial statements for the years ended December 31, 2014 and 2013.

2. NEW ACCOUNTING STANDARDS

2.1. Future Accounting standards

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.
- IFRS 15, Revenue from Contracts with Customers ("IFRS15"). 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, 2017, although this was tentatively pushed back to January 1, 2018.

The Company is assessing the impact that these standards will have on the Company's consolidated financial statements.

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

3. INVENTORIES

	June 30, 2015	December 31, 2014
Finished goods	4,555	4,628
Raw materials	2,518	2,383
Provision for obsolescence	(515)	(1,455)
Net inventories	6,558	5,556

For the three months ended June 30, 2015, inventory recognized as an expense amounted to $9.8 million (2014 - $5.3 million). Included in the above amounts were inventory write downs of $0.1 million (2014 – $0.1 million). There were no reversals of previously recorded inventory write downs. As at June 30, 2015, the Company anticipates the net inventory will be realized within one year.

4. 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, 2014	514	599	79	952	469	2,613
Additions	163	3	15	29	3	213
Sol acquisition	1	-	25	15	-	41
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**600**	**602**	**119**	**996**	**472**	**2,789**
Additions	50	89	33	60	4	236
Disposals	(210)	-	(38)	(563)	(55)	(866)
Balance at June 30, 2015	**440**	**691**	**114**	**493**	**421**	**2,159**
Accumulated amortization						
Balance January 1, 2014	**433**	**273**	**36**	**758**	**431**	**1,931**
Amortization for the year	62	120	11	55	28	276
Disposals	(78)	-	-	-	-	(78)
Balance December 31, 2014	**417**	**393**	**47**	**813**	**459**	**2,129**
Amortization for the period	43	65	7	26	3	144
Disposals	(201)	-	(17)	(545)	(54)	(817)
Balance June 30, 2015	**259**	**458**	**37**	**294**	**408**	**1,456**
Carrying amounts						
At December 31, 2014	183	209	72	183	13	660
At June 30, 2015	181	233	77	199	13	703

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

5. INTANGIBLE ASSETS

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

	Patents and trademarks	Software	License rights	Acquired intangibles	Total
Cost					
Balance January 1, 2014	**801**	**1,778**	**450**	**623**	**3,652**
Additions	32	654	-	-	686
Sol acquisition	-	-	-	300	300
Disposals	-	(4)	-	-	(4)
Balance December 31, 2014	**833**	**2,428**	**450**	**923**	**4,634**
Additions	2	168	-	-	170
Disposals	(38)	(67)	-	-	(105)
Balance June 30, 2015	**797**	**2,529**	**450**	**923**	**4,699**
Accumulated amortization					
Balance January 1, 2014	**671**	**1,759**	**450**	**623**	**3,503**
Amortization for the year	58	40	-	62	160
Impairment losses recognized	-	(4)	-	-	(4)
Balance December 31, 2014	**729**	**1,795**	**450**	**685**	**3,659**
Amortization for the period	21	74	-	62	157
Impairment losses recognized	(21)	(43)	-	-	(64)
Balance June 30, 2015	**729**	**1,826**	**450**	**747**	**3,752**
Carrying amounts					
At December 31, 2014	104	633	-	238	975
At June 30, 2015	68	703	-	176	947

6. COMMITMENTS AND CONTINGENCIES

6.1. 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, the Company is dealing with two significant contract manufacturers, Flextronics and Creation Technologies Corporation, although the relationship with Flextronics is winding down. 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 particular product is less than actual use or sales in a given period. At June 30, 2015, the contract manufacturers held approximately $2.6 million (December 31, 2014 - $1.8 million) in inventory and $0.9 million (December 31, 2014 - $1.2 million) in outstanding committed purchase orders.

6.2. Contingent liabilities

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. (all of which are related parties – 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 have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent held by the Company. In early 2014, the Company's application to re-examine a number of aspects of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review the court proceedings have been stayed. The outcome of this case is not certain and the Company intends to continue to defend itself and file additional responses to the Court as required to do so. As the outcome of these matters is not currently determinable, no provision has been made at June 30, 2015. The Company has been pursuing its insurance company for coverage of associated defense costs.

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

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. To date, the Company has been unsuccessful in negotiating a settlement and it is expect that the matter will go to trial in early 2017.

7. CREDIT FACILITY / DEBT

In early 2015, the Company signed a new credit facility (the "Facility") with the Canadian Imperial Bank of Commerce ("CIBC"). The multifaceted Facility provides credit up to $25.75 million through (1) a $10 million 364-Day Revolving Credit, (2) a $10 million term acquisition credit, (3) $3.75 million credit of Letters of Credit, and (4) $2 million for trading room and other liabilities. The Company's ability to draw on the 364-Day revolving credit, the credit for the letters of credit, and credit for trading room contingent liabilities is subject to certain covenants.

On June 25, 2015, the Company obtained approval from CIBC to draw on the term acquisition credit for the acquisition outlined in note 18. On June 30, 2015, a total of $10 million was drawn on the facility in anticipation of closure of the acquisition. The associated debt is repayable on a monthly basis over a 5 year term and is broken into two $5 million tranches both of which are repayable on demand. The first tranche is supported by a 100% guarantee from Export Development Canada ("EDC") and carries an interest rate of US LIBOR plus 1.5%. The EDC fees associated with their guarantee is approximately 4.5% per annum on the outstanding balance. The second tranche carries an interest rate of US LIBOR plus 3.5%.

The Facility is secured by a General Security Agreement and share pledges of the Company's subsidiaries. The Company is also subject to financial covenants and reporting requirements typical of a facility of this nature.

8. PROVISIONS

	June 30, 2015	December 31, 2014
Warranty provisions	669	952
Provision relating to Spot Devices Inc. acquisition	55	110
Provision relating to Sol, Inc acquisition (note 13)	43	103
	767	1,165

9. SHARE CAPITAL

On April 28, 2015, the Company completed a "bought deal" financing (the "Financing") which raised gross proceeds of $32 million CAD. The financing was backed by a syndicate of underwriters led by Cormark Securities Inc. and including Canaccord Genuity Corp., GMP Securities LP and Salman Partners Inc. (collectively, the "Underwriters") who agreed to buy and sell to the public 5,650,000 common shares ("Common Shares") of the Company at a price of $5.00 (CAD) per Common Share. The Underwriters also had an option, exercisable in whole or in part at any time up to 15 days after the closing of the Offering, to purchase up to an additional 750,000 Common Shares of the Company at the same price. The main part of the Offering closed on April 28, 2015 with 5,650,000 shares issued from treasury. On May 1, 2015, the Underwriters exercised their option to acquire the additional 750,000 shares. Proceeds from this offering will largely be used for future mergers and acquisitions. See the short form prospectus, filed on April 23, 2015 for further details.

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

As a part of the Offering, the Company also issued a total of 332,750 broker warrants (the "Warrants") which allow the holder to acquire one additional Common Share of the Company at a price of $5.00 (CAD) per share. These Warrants expire after one year from issuance and were valued under the Black-Scholes pricing model. The weighted average fair value of these warrants were $1.34 CAD per share. The following assumptions were utilized in determining this fair value: a risk-free interest rate of 0.67%, an expected dividend yield of 0%, an expected life of 1 year, and a stock price volatility of 67.31%. The total fair value of these Warrants was determined to be $0.37 million and it was recorded as a reduction to share capital with an offset to the equity reserve account. 13,310 of these Warrants were exercised in the period resulting in additional share capital of $0.05 million. The table below is a reconciliation of the outstanding Warrants. The weighted average exercise price is stated in Canadian dollars.

	# of Warrants	Weighted average exercise price
Balance, January 1, 2015	-	-
Granted	332,750	$5.00
Exercised	(13,310)	$5.00
Balance, June 30, 2015	319,440	$5.00

10. SHARE-BASED PAYMENTS

The total compensation expense associated with share-based payment plans are outlined in the table below:

Six months ended June 30,	2015	2014
Stock options	291	101
Share units	-	-
Total compensation expense	291	101

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 June 30, 2015:

Available shares (10% of outstanding shares at June 30, 2015)	2,339,081
Less:	
Stock options outstanding at June 30, 2015	(2,006,608)
Number of shares issuable under stock-based compensation plans	332,473

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

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

10.1. Stock options

The following is a reconciliation of stock options outstanding from January 1, 2014 through June 30, 2015. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2014	411,400	$2.10
Granted	662,950	$2.50
Forfeited	(37,400)	$4.53
Balance, June 30, 2014	1,036,950	$2.36
Granted	358,096	$2.66
Forfeited	(59,349)	$2.59
Balance, December 31, 2014	1,335,697	$2.36
Granted	700,000	$6.07
Exercised	(501)	$2.90
Forfeited	(28,588)	$2.58
Balance, June 30, 2015	2,006,608	$2.36

The following table summarizes the stock options outstanding and exercisable at June 30, 2015 and December 31, 2014. 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, 2014						
$1.45 to $1.45	300,000	5.9	$1.45	75,000	5.9	$1.45
$1.46 to $2.50	682,950	9.3	$2.50	-	-	-
$2.51 to $2.90	335,947	8.9	$2.73	25,537	3.2	$2.90
$2.91 to $5.30	16,800	1.0	$5.30	16,800	1.0	$5.30
	1,335,697	8.3	$2.36	117,337	4.6	$2.32
At June 30, 2015						
$1.45 to $1.45	300,000	5.4	$1.45	75,000	5.4	$1.45
$1.46 to $2.50	656,626	8.8	$2.50	147,720	8.8	$2.50
$2.51 to $2.90	333,782	8.5	$2.73	32,712	2.7	$2.90
$2.91 to $6.20	716,200	9.7	$6.06	16,200	0.5	$5.30
	2,006,608	8.6	$3.65	271,632	6.6	$2.43

1 - WA – weighted average / 2 – Life in years

Using the Black-Scholes option pricing model, the weighted average fair value of the options granted during the six months ended June 30, 2015 was $3.19 CAD per share ($1.20 CAD per share for the same period in 2014). The option valuations were determined using the following weighted average assumptions:

	Six months ended June 30, 2015	2014
Risk-free interest rate	1.15%	1.67%
Expected dividend yield	0%	0%
Forfeiture rate	17.5%	23.9%
Stock price volatility	55.0%	59.6%
Expected life of options	6.3 years	5.4 years

Stock price volatility was determined solely using the historical volatility of the Company’s share price using the same period as the expected life of the options.

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

11. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Salaries, commissions and other direct compensation	1,984	1,434	3,831	2,971
Share-based payments	155	84	291	101
Marketing, advertising and other related expenses	136	149	302	229
Development expenses	149	42	279	58
Travel and related expenses	140	117	294	205
Occupancy costs	115	85	245	172
Telecom and IT expenses	175	148	411	274
Professional fees, insurance and public company costs	217	446	377	842
Amortization	109	72	214	148
Bank charges and bad debts	37	129	61	154
Other expenses	171	18	476	34
Investment tax credits recognized	(4,320)	-	(4,320)	-
Total operating expenditures/(recovery)	(932)	2,724	2,461	5,188

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

The $4.3 million investment tax credit recognized during the second quarter is as per note 16.

Other charges include $0.5 million of inventory write offs associated with the integration of Sol and closure of their manufacturing facilities. Normally it is the Company's policy to classify inventory write downs within cost of sales. However, a departure from this practice was deemed appropriate by management to ensure this adjustment was sufficiently highlighted due to the unusual nature of the charge.

12. 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 under a partnership arrangement.
Aviation	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
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.
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.

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. In addition, the segments share certain inventory and other assets, therefore the Company cannot disclose assets on a segmented basis.

	Signals	Illumination	Power	Total
For the three months ended June 30, 2015				
Revenue	5,421	2,514	7,780	15,715
Gross margin	2,370	1,107	1,935	5,412
Gross margin %	43.7%	44.0%	24.9%	34.4%
Total operating expenses/(recovery)				932
Other expenses				(1,517)
Income before taxes				4,827
For the three months ended June 30, 2014				
Revenue	3,825	1,253	3,916	8,994
Gross margin	1,904	311	1,046	3,261
Gross margin %	49.8%	24.8%	26.7%	36.3%
Total operating expenses				(2,724)
Other expenses				(99)
Income before taxes				438
For the six months ended June 30, 2015				
Revenue	10,247	4,603	12,179	27,029
Gross margin	4,465	1,712	3,204	9,381
Gross margin %	43.6%	37.2%	26.3%	34.7%
Total operating expenses				(2,461)
Other expenses				(2,063)
Income before taxes				4,857
For the six months ended June 30, 2014				
Revenue	7,883	3,026	7,204	18,113
Gross margin	3,470	808	1,968	6,246
Gross margin %	44.0%	26.7%	27.3%	34.5%
Total operating expenses				(5,188)
Other expenses				(544)
Income before taxes				514

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

Geographic

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
North America	13,046	6,864	23,043	13,432
South America	520	717	990	1,207
Europe	166	1,312	343	3,109
Middle East and Africa	1,692	31	2,210	163
Asia Pacific	292	70	444	202
Total revenues	15,715	8,994	27,029	18,113

As at June 30, 2015, substantially all of the assets related to the Company's operations were located in Canada except for inventory on hand in the United States of $3.5 million (December 31, 2014 - $2.6 million).

13. ACQUISITION

On July 2, 2014, the Company completed the acquisition of Sol, Inc. ("Sol"), a competitor in the Company's Illumination business segment. Sol is a manufacturer of solar powered outdoor lights and is based in Palm City, Florida. The primary driver behind the acquisition was to gain economies of scale in the solar outdoor lighting market.

The Company acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Mr. Sonnenfeldt. Consideration paid upon close included the issuance of 3,785,860 common shares of Carmanah issued from treasury, and a $0.06 million cash payment to certain minority shareholders of Sol. The aggregate value of the shares issued on July 2, 2014 amounted to approximately $7.1 million based on the closing share price of $2.00 CAD (post consolidation) and a US/CAD exchange rate of 0.938. The agreement also provides an earn-out of 3% of certain revenues received by Carmanah and is available to electing former shareholders of Sol. This earn-out applies to specifically identified prospective sales opportunities brought forth by Sol and is subject to various conditions. Most significantly, each of these projects must result in revenues of at least $5.0 million and the sales order must be received and accepted by Carmanah prior to December 31, 2015, although cash and delivery can occur after that date. Mr. Sonnenfeldt and certain of his affiliates have elected to waive their right to receive all earn-out payments should they accrue. Accordingly any earn-out payment will be payable to the remaining Sol shareholders on a proportional basis. As of the date of these financial statements, no amount has been allocated to the consideration associated with this earn-out due to substantial uncertainty surrounding the Company's ability to secure the underlying contracts.

The acquisition was determined to be a business combination and was accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations. The total consideration for the acquisition and the final purchase price allocation in accordance with *IFRS 3 – Business Combinations* is as follows:

Consideration	
Shares issued	7,098
Cash	56
Contingent consideration based on certain future revenues	-
Total consideration	**7,154**
Identifiable assets acquired and liabilities assumed	
Cash	729
Receivables	825
Inventory	1,291

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

Other assets	220
Equipment	41
Deferred income taxes	206
Indemnification asset	40
Trade and other payables	(1,515)
Provisions	(494)
Deferred revenue	(235)
Intangibles	300
Goodwill	5,746
Total	**7,154**

The goodwill recognized primarily reflects the potential incremental cash flows management expects to generate through efficiencies obtain through combined operation and growth in sales to existing and new customers through cross selling opportunities. The goodwill is not tax deductible.

14. RESTRUCTURING CHARGES

Sol restructuring

With the acquisition of Sol, as described in note 13, a restructuring plan was developed in the latter half of 2014 to complete the integration of the two companies. Under this plan, the company will eliminate Sol's administrative, back office, and manufacturing functions and will close its manufacturing facility. The following table summarizes the costs incurred and balances outstanding with respects to restructuring.

	Severance and related benefits
Balance at January 1, 2014	-
Charges	304
Cash payments	(141)
Balance at December 31, 2014	163
Charges	74
Cash payments	(201)
Balance at June 30, 2015	36

A total of 15 employees are to be terminated under this plan, 6 of which occurred prior or on December 31, 2014, another 9 were terminated during the first and second quarters of 2015.

15. FINANCIAL INSTRUMENTS

Classification and carrying value

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

	June 30, 2015	December 31, 2014
Loans and receivables		
Cash and restricted cash	38,939	8,752
Trade and other receivables	14,893	10,983
Other financial liabilities		
Trade and other payables	8,680	8,095
Debt	10,000	-

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

Fair value
The following fair value measurement hierarchy is used for financial instruments that are measured in the statement of financial position at fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying value of cash and restricted cash, trade and other receivables, and trade and other payables approximates their fair value due to the relatively short-term maturity of these financial instruments.

The Company does not have any financial instruments, other than those listed above, reported at fair value at June 30, 2015 or December 31, 2014. Unbilled receivables arise

15.1. Unbilled receivables

Included in the Trade and other recevables amounts are unbilled receivables in the amount of $7.5 million. Unbilled receivables arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms.

16. INVESTMENT TAX CREDITS AND DEFERRED TAXES

Temporary differences give rise to the following deferred income tax assets and liabilities as at:

	June 30, 2015	December 31, 2014
Deferred income tax assets		
Scientific research & experimental development expenditures	2,406	-
Losses available for future periods	1,729	15
Tangible assets	1,641	20
Warranty and other provisions	316	342
Intangibles	359	-
Eligible capital expenditures for tax	241	-
Share issuance costs	499	-
Other	-	15
	7,191	392
Deferred income tax liabilities		
Intangibles	60	109
Investment tax credits	718	
	778	109
Net deferred income tax asset	**6,413**	**283**

The Company has recorded deferred income tax assets to the extent that it is probable that the benefits of these assets will be realized. Unrealized tax assets will be recognized once the probability of usage is higher which should occur once a trend of profitability has been established.

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

The following table is a summary of the recognized deductible temporary differences, unused tax losses and unused tax credits:

	June 30, 2015	December 31, 2014
Temporary differences and unused tax losses available to reduce taxable income		
Scientific research & experimental development expenditures	9,255	9,827
Losses available for future periods	6,259	9,566
Equipment and leasehold improvements	6,314	5,998
Warranty and other provisions	1,125	777
Intangible assets	1,381	1,629
Eligible capital expenditures for tax	927	961
Share issuance costs	1,918	294
	27,179	29,051
Tax credits available to reduce taxes payable		
Investment tax credits	4,320	4,205

The Investment tax credits expire between 2025 and 2033. The losses available for future periods are non-capital in nature and expire between 2027 and 2033. All other tax deductible temporary differences do not have an expiry date.

17. OTHER EXPENSES

Other expenses relate to merger and acquisition activities, and include legal, due diligence costs, and other related expenditures.

18. SUBSEQUENT EVENT

Acquisition of Sabik

On July 2, 2015, the Company completed an acquisition of the Sabik Group of Companies (“Sabik” or the “Group”). The acquired group consists of the following companies: Sabik Oy, based in Finland, Sabik GmbH, based in Germany, Sabik PTE Ltd based in Singapore, and Sabik Ltd and Sabik Offshore Ltd, both of which are based in the United Kingdom. Sabik is a leading manufacturer in the worldwide marine aids to navigation market, with whom the Company has had a collaborative sales, marketing and development partnership with since 2010. Sabik also partakes in the provisioning of sophisticated lighting and monitoring solutions for the offshore wind industry. The offshore wind industry will be a new business endeavor for Carmanah. The acquisition was announced on June 10, 2015 with the signing of a Share Purchase Agreement (the “Agreement”). Under the Agreement, the Company acquired 100% of the shares of each of the companies within the group, with the exception of Sabik Ltd and Sabik Offshore Ltd, of which the company has acquired 81% and 80% respectively. Of the entities acquired, approximately 90% of the revenues are generated by Sabik Oy and Sabik GmbH. The purchase price consisted of €17.2 million in cash and the issuance of 1,180,414 shares of Carmanah, for a total purchase price of €21.5 million.

This acquisition is considered a business combination. Customary covenants, representations and warranties exist under the Agreement. As of the issuance of these consolidated interim financial statements, amounts for each major asset class acquired and liabilities assumed, including a qualitative description of the factors that make up goodwill, acquisition related costs have not yet been determined. Management has estimated the associated consideration for the acquisition as follows:

Consideration	
Cash	19,044
Shares issued	6,378
Total consideration	**25,422**

The primary driver behind the acquisition is to gain economies of scale in the worldwide marine aids to navigation market and to gain a foothold in the offshore wind market.