CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2014 and 2013
(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	September 30, 2014	December 31, 2013
ASSETS			
Cash		10,700	5,197
Restricted cash		46	45
Trade and other receivables		9,308	5,614
Inventories	3	4,090	2,967
Prepaid and other current assets		795	303
Total current assets		24,939	14,126
Equipment and leasehold improvements	4	670	682
Goodwill	6	5,695	-
Intangible assets	5	1,029	149
Total assets		**32,333**	**14,957**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		7,374	4,763
Provisions	7	958	850
Deferred revenue		533	416
Current liabilities		8,865	6,029
Equity			
Share capital	9	56,539	42,870
Equity reserve	10	3,179	2,966
Accumulated other comprehensive loss		(128)	(76)
Deficit		(36,122)	(36,832)
Total equity		23,468	8,928
Total liabilities and equity		**32,333**	**14,957**

Commitments and contingencies – note 8

Approved and authorized for issue by the Board of Directors on November 12, 2014

John Simmons, Chief Executive Officer

Terry Holland, Director

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Revenues	12	12,168	4,863	30,281	18,147
Cost of sales	12	7,866	3,711	19,733	13,346
Gross profit	12	4,302	1,152	10,548	4,801
Operating expenditures					
Sales and marketing	11	1,589	837	3,593	2,752
Research and development	11	453	404	1,064	1,465
General and administrative	11	1,571	1,358	4,266	4,222
Operating expenditures		3,613	2,599	8,923	8,439
Impairment of intangible assets		-	-	-	(965)
Operating Income/(loss)		689	(1,447)	1,625	(4,603)
Other (expenses)/income					
Gain on disposal of assets		2	-	2	2
Other (expenses)/income	15	(161)	1	(641)	5
Foreign exchange (loss)/gain		(335)	7	(277)	(30)
		(494)	8	(916)	(23)
Income/(loss) before taxes		195	(1,439)	709	(4,626)
Income tax recovery/(expense)		-	(3)	1	(5)
Net income/(loss) attributable to shareholders		195	(1,442)	710	(4,631)
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustments		(56)	26	(52)	(30)
Total comprehensive income/(loss)		139	(1,416)	658	(4,661)
Net income/(loss) per share					
Basic		0.01	(0.29)	0.05	(0.92)
Diluted		0.01	(0.29)	0.05	(0.92)
Weighted average number of shares outstanding					
Basic	9	16,672,960	5,024,771	12,911,424	5,010,933
Diluted	9	16,751,199	5,024,771	12,947,113	5,010,933

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 *# of shares (note 9) ('000)*	Share capital Amount	Equity reserve	Subtotal	Accumulated other comprehensive loss	Deficit	Total equity
Balance, January 1, 2013		*4,787*	36,982	2,982	39,964	-	(31,268)	8,696
Net loss		-	-	-	-	-	(4,631)	(4,631)
Share-based payments		-	-	33	33	-	-	33
Shares issued to acquire Spot Devices Inc.		*222*	607	-	607			607
Shares issued under stock compensation plans		*21*	58	(58)	-	-	-	-
Foreign currency translation adjustments		-	-	-	-	*(30)*	-	*(30)*
Balance, September 30, 2013		*5,030*	37,647	2,957	40,604	(30)	(35,899)	4,675
Net loss		-	-	-	-	-	(933)	(933)
Share-based payments		-	-	13	13	-	-	13
Shares issued under stock compensation plans		*2*	4	(4)	-	-	-	-
Shares issued in rights offering, net of issuance costs of $491	9	*5,029*	5,219	-	5,219	-	-	5,219
Foreign currency translation adjustments		-	-	-	-	(46)	-	(46)
Balance, December 31, 2013		*10,061*	42,870	2,966	45,836	(76)	(36,832)	8,928
Net income		-	-	-	-	-	710	710
Share-based payments	10	-	-	213	213	-	-	213
Shares issued in private placement, net of issuance costs of $40	9	3,160	6,571	-	6,571	-	-	6,571
Sol acquisition	16	3,786	7,098		7,098			7,098
Foreign currency translation adjustments		-	-	-	-	(52)	-	(52)
Balance, September 30, 2014		*16,977*	56,539	3,179	59,718	(128)	(36,122)	23,468

CARMANAH TECHNOLOGIES CORPORATION

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

		Nine months ended September 30,	
	Notes	2014	2013
OPERATING ACTIVITIES			
Net income/(loss)		710	(4,631)
Add back (deduct) items not involving cash:			
Amortization	4,5	264	692
Gain on disposal of assets		(2)	(2)
Impairment of intangible assets		-	965
Share-based payments	10	96	33
Unrealized foreign exchange gain		(331)	(97)
Changes in working capital and other items:			
Restricted cash		(1)	-
Trade and other receivables		(2,869)	861
Inventories		228	767
Prepaids and other current assets		(272)	165
Trade and other payables		1,096	(434)
Provisions		(243)	408
Deferred revenue		(118)	523
Net cash used in operating activities		(898)	(750)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		-	6
Acquisition of Sol, Net cash acquired	16	673	-
Purchase of equipment and leasehold improvements	4	(162)	(149)
Purchase of intangible assets	5	(535)	(61)
Net cash used in investing activities		(24)	(204)
FINANCING ACTIVITIES			
Proceeds from private placement, net of issue costs	9	6,571	(126)
Net cash provided by financing activities		6,571	(126)
Foreign exchange effect on cash		(191)	32
Increase/(decrease) in cash		5,458	(1,048)
Cash at beginning of period		5,242	2,687
Cash at end of period		10,700	1,639

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, 2013. 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.

The Company completed a share consolidation in August 2014. All share information, including stock options and per share amounts have been adjusted to reflect the share consolidation for all periods presented.

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, 2013 and 2012. Other than changes in the provisions outlined in note 7, 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, 2013 and 2012.

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

2. NEW ACCOUNTING STANDARDS

2.1. Accounting standards adopted in 2014

In May 2013, the IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event (“obligating event”) described in the relevant legislation that triggers the payment of the levy. IFRIC 21 was effective January 1, 2014 and was applied retrospectively. The adoption of this interpretation did not have a significant impact on the Company’s condensed interim consolidated financial statements.

2.2. Future Accounting standards

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company’s consolidated financial statements.

3. INVENTORIES

	September 30, 2014	December 31, 2013
Finished goods	2,740	2,830
Raw materials	2,166	1,123
Provision for obsolescence	(816)	(986)
Inventories	4,090	2,967

For the nine months ended September 30, 2014, inventory recognized as an expense in cost of sales amounted to $19.1 million (September 30, 2013 - $12.2 million). Included in the above amounts were inventory write downs of $0.3 million for the nine months ended September 30, 2014 (September 30, 2013 – $0.4 million). There were no reversals of previously recognized inventory write downs. As at September 30, 2014, the Company anticipates all inventory will be realized within one year.

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

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	Computer hardware	Leasehold improvements	Office equipment and other	Production equipment	Research and tradeshow equipment	Total
Cost						
Balance at January 1, 2013	982	621	108	768	525	3,004
Additions	12	-	8	184	-	204
Disposals	(480)	(22)	(37)	-	(56)	(595)
Balance at December 31, 2013	**514**	**599**	**79**	**952**	**469**	**2,613**
Additions	125	3	8	25	1	162
Sol acquisition (note 16)	-	-	25	10	-	35
Disposals	(75)	-	-	-	-	(75)
Balance at September 30, 2014	**564**	**602**	**112**	**987**	**470**	**2,735**
Accumulated amortization						
Balance at January 1, 2013	852	170	56	441	387	1,906
Amortization for the year	58	124	12	159	94	447
Impairment loss recognized	-	-	-	158	-	158
Disposals	(477)	(21)	(32)	-	(50)	(580)
Balance at December 31, 2013	**433**	**273**	**36**	**758**	**431**	**1,931**
Amortization for the period	42	90	9	43	25	209
Disposals	(75)	-	-	-	-	(75)
Balance at September 30, 2014	**400**	**363**	**45**	**801**	**456**	**2,065**
Carrying amounts						
At December 31, 2013	81	326	43	194	38	682
At September 30, 2014	164	239	67	186	14	670

(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	Acquired intangibles and License rights	Total
Cost				
Balance at January 1, 2013	729	2,160	450	3,339
Additions	72	12	623	707
Disposals	-	(394)	-	(394)
Balance at December 31, 2013	**801**	**1,778**	**1,073**	**3,652**
Additions	28	507	400	935
Disposals	-	(4)	-	(4)
Balance at September 30, 2014	**829**	**2,281**	**1,473**	**4,583**
Accumulated amortization				
Balance at January 1, 2013	450	1,578	63	2,091
Impairment losses recognized	140	212	965	1,317
Disposals	-	(394)	-	(394)
Amortization for the year	81	363	45	489
Balance at December 31, 2013	**671**	**1,759**	**1,073**	**3,503**
Amortization for the period	44	11	-	55
Disposals	-	(4)	-	(4)
Balance at September 30, 2014	**715**	**1,766**	**1,073**	**3,554**
Carrying amounts				
At December 31, 2013	130	19	-	149
At September 30, 2014	114	515	400	1,029

The Company recognized a technology asset on the acquisition of Sol Inc. as described in note 16. The purchase price allocation surrounding the acquisition is still preliminary, as such the value of this intangible may be adjusted in subsequent periods. This asset is associated with Sol's current product offering and the Company is currently determining the estimated useful life of this asset.

6. GOODWILL

	Total
Balance at January 1, 2014	-
Sol acquisition (note 16)	5,695
Balance at September 30, 2014	5,695

The Company recognized goodwill on the acquisition of Sol Inc. as described in note 16. The purchase price allocation surrounding the acquisition is still preliminary, as such the value of goodwill may be adjusted in subsequent periods. Goodwill will be tested for impairment annually or whenever events and circumstances indicate that the goodwill may be impaired.

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

7. PROVISIONS

	September 30, 2014	December 31, 2013
Warranty provision	480	550
Provisions relating to Spot Devices Inc. acquisition	110	300
Warranty provision related to Sol	368	-
	958	850

The Company's warranty provision was reduced by $0.1 million in the third quarter of 2014 as a result of a continued downward trend on warranty costs incurred. Warranty costs in the nine months ended September 30, 2014 amount to $0.1 million. Total warranty costs in 2013 was $0.2 million. During the third quarter, the Company also reduced provisions relating to the Spot Devices Inc. acquisition based on a substantial reduction in actual costs incurred over the past few quarter. The remaining $0.1 million in the Spot Devices provision primarily relates to estimated costs associated with monitoring services incurred over a 18 month period. The provision also includes $0.4 million of warranty provisions associated with Sol.

8. COMMITMENTS AND CONTINGENCIES

8.1. 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. Carmanah's largest contract manufacturer, Flextronics, requires Carmanah to purchase excess raw 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 September 30, 2014, the contract manufacturer held approximately $1.3 million (December 31, 2013 - $0.9 million) in inventory and had $1.3 million (December 31, 2013 - $1.8 million) in outstanding purchase orders to acquire additional materials and inventory.

8.2. 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 matter has been stayed by the courts pending a final review of patent re-examination and appeals. 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 September 30, 2014.

9. SHARE CAPITAL

All shares are fully paid common shares which have no par value.

9.1. Share consolidation

On July 18, 2014, the Company announced its intention to complete a consolidation of its common shares on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares (the “Consolidation”). The Consolidation received approval from the TSX in early August and the post-consolidation shares began trading on the Toronto Stock Exchanges on August 14, 2014. Prior to the consolidation the Company had 169,770,617 shares outstanding. Fractional shares that might have been created by the consolidation were rounded down and as a result the total post consolidation shares outstanding on August 14, 2014 was 16,977,000. All outstanding stock options and share amounts in these condensed consolidated interim financial statements have been adjusted to reflect this consolidation.

9.2. Private placements

On April 3, 2014, the Company closed a private placement which raised approximately $4.2 million CDN from the issuance of 1,930,000 post consolidated shares at a price of $2.20 a share. 1,000,000 of these were purchased by insiders of the Company. Insiders who participated in this placement with holdings around or above 10% are noted below:

- Michael Sonnenfeldt, Carmanah’s largest shareholder and Chairman of the Board, subscribed for 350,000 shares under the private placement through MUUS Lending Inc., an entity that is beneficially owned by Mr. Sonnenfeldt. Subsequent to the private placement, Mr. Sonnenfeldt beneficially held 2,803,777 common shares, representing approximately 23.4% of Carmanah’s issued and outstanding common shares at that time.
- Jim Meekison, a member of the Board of Directors of the Company, subscribed for 300,000 shares under the private placement through JDM Investment Holdings Inc., an entity that is beneficially owned by Mr. Meekison. Subsequent to the private placement, Mr. Meekison beneficially held 1,317,800 common shares, representing approximately 11.0% of Carmanah’s issued and outstanding common shares at that time.

Issuance costs for this private placement were approximately $0.03 million.

On July 17, 2014 the Company closed a further private placement which raised approximately $3.0 million CDN from the issuance of 1,200,000 post consolidated shares at a price of $2.50 a share. The private placement was subscribed by insiders of the Company as noted below:

- Jim Meekison, a member of the Board of Directors of the Company, subscribed for 1,000,000 shares under the private placement through JDM Investment Holdings Inc., an entity that is beneficially owned by Mr. Meekison. Subsequent to the private placement, Mr. Meekison held 2,317,800 common shares, representing approximately 13.6% of the Company’s issued and outstanding common shares.
- Terry Holland, a member of the Board of Directors of the Company, subscribed for 200,000 shares under the private placement through TMH Capital Corporation, an entity controlled by Terry Holland. Subsequent to the private placement, Mr. Holland held 467,900 common shares, representing approximately 2.75% of Company’s issued and outstanding common shares.

Issuance costs for this private placement were approximately $0.01 million.

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

9.3. Diluted share reconciliation

The following is a reconciliation between basic and diluted weighted average shares for the periods:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Basic weighted average shares outstanding	16,672,960	5,024,771	12,911,424	5,010,933
Effect of dilutive securities:				
Stock options	78,239	-	35,689	-
Diluted weighted average shares outstanding	16,751,199	5,024,771	12,947,113	5,010,933

For both the three and nine months ended September 30, 2014, 809,600 stock options were determined to be anti-dilutive because the exercise price of those options were higher than the estimated average market price of the commons shares during the periods.

10. SHARE-BASED PAYMENTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Stock options	112	(73)	213	(1)
Share units	-	(2)	-	34
Total compensation expense	112	(75)	213	33

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 September 30, 2014:

Available shares (10% of outstanding shares at September 30, 2014)	1,697,700
Less:	
Stock options outstanding at September 30, 2014	(1,109,600)
Share units outstanding at September 30, 2014	-
Number of shares issuable under stock-based compensation plans	588,100

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 between January 1, 2013 through September 30, 2014. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2013	144,578	6.49
Granted	178,000	3.17
Forfeited	(150,978)	4.63
Balance, September 30, 2013	171,600	4.68
Granted	300,000	1.45
Forfeited	(60,200)	6.25
Balance, December 31, 2013	411,400	2.10
Granted	735,600	2.50
Forfeited	(37,400)	4.53
Balance, September 30, 2014	1,109,600	2.28

The following table summarizes the stock options outstanding and exercisable at September 30, 2014 and December 31, 2013. 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, 2013						
$1.45 to $1.45	300,000	6.9	$1.45	-	-	-
$1.46 to $2.90	78,000	4.2	$2.90	16,352	4.2	$2.90
$2.91 to $5.30	23,400	2.0	$5.30	23,400	2.0	$5.30
$5.31 to $7.70	10,000	4.3	$7.70	5,000	4.3	$7.70
	411,400	6.0	$2.10	44,752	3.1	$4.69
At September 30, 2014						
$1.45 to $1.45	300,000	6.1	$1.45	-	-	-
$1.46 to $2.50	735,600	9.5	$2.50	-	-	-
$2.51 to $2.90	56,000	3.5	$2.90	28,042	3.5	$2.90
$2.91 to $5.30	18,000	1.2	$5.30	18,000	1.2	$5.30
	1,109,600	8.2	$2.28	46,042	2.6	$3.84

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

The Company uses the Black-Scholes option pricing model to calculate the weighted average fair value of options granted. The weighted average fair value of the stock options granted for the nine months ended September 30, 2014 was $1.38 per share. For options granted in the nine months ended September 30, 2013, the weighted average fair value was $1.30 per share. The fair values were determined using the following weighted average assumptions:

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

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Risk-free interest rate	1.83%	1.14%
Expected dividend yield	0%	0%
Forfeiture rate	25.6%	14.1%
Stock price volatility	59.7%	65.6%
Expected life of options	6.2 years	3.4 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.

10.2. Share units (RSU/PSU)
During the nine months ended September 30, 2014, Carmanah granted no Restricted Share Units ("RSUs") or Performance Share Units ("PSUs"). During the nine months ended September 30, 2013, Carmanah granted 18,460 RSUs with a weighted average fair value per unit $2.70 CDN and granted no PSUs.

A reconciliation of share unit activity during the period is outlined below:

	Restricted share units	Performance share units	Total share units
Balance January 1, 2013	5,434	2,493	7,927
Granted	18,460	-	18,460
Vested and issued	(18,694)	(1,472)	(20,166)
Forfeited	(4,505)	(1,021)	(5,526)
Balance September 30, 2013	695	-	695
Granted	1,666	-	1,666
Vested and issued	(2,361)	-	(2,361)
Balance December 31, 2013 and September 30, 2014	-	-	-

11. OPERATING EXPENDITURES
The components of operating expenditures by nature are outlined below:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Salaries, commissions and other direct compensation	2,269	1,637	5,362	5,018
Professional fees, insurance and public company costs	483	358	1,325	884
Telecom and IT expenses	173	147	447	444
Marketing, advertising and other related expenses	168	73	397	269
Travel and related expenses	148	103	353	372
Occupancy costs	126	97	298	294
Amortization	73	177	221	577
Share-based payments	112	(75)	213	33
Development expenses	68	35	126	190
Bank charges and bad debts	(59)	28	95	299
Other expenses	52	19	86	59
Total operating expenditures	3,613	2,599	8,923	8,439

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

12. SEGMENTED INFORMATION

During 2014 the Company realigned its reportable segments to better reflect the strategic nature of its underlying businesses and how they will be managed going forward. As a result, for the quarter ended September 30, 2014 the Company's reportable segments are now broken into "Signals", "Illumination" and "Power". The Signals segment includes results from the Company's Traffic, Marine, Aviation and Obstruction verticals. The Illumination segment includes results from the Company's Outdoor Lighting segment and incorporates the results from the recent acquisition of Sol Inc. which is outlined in note 16. The Power segment includes results from the Company's GoPower! and Solar EPC Services verticals. The 2013 results have been restated to reflect this new alignment. ; 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 simple and 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	
GoPower!	Mobile power solutions for the North American market. 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.
Solar EPC Services	The design, procurement and construction of grid-connected solar power systems in the Canadian industrial market.

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.

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

	Signals	Illumination	Power	Total
For the three months ended September 30, 2014				
Revenue	3,555	3,425	5,188	12,168
Gross margin	1,791	1,036	1,475	4,302
Gross margin %	50.4%	30.2%	28.4%	33.4%
Total operating expenses				(3,613)
Other expenses				(494)
Income before taxes				195
For the three months ended September 30, 2013				
Revenue	2,462	113	2,288	4,863
Gross margin	767	(198)	583	1,152
Gross margin %	31.2%	(175.2)%	25.5%	23.7%
Total operating expenses (including impairment)				(2,599)
Other income				8
Loss before taxes				(1,439)
For the nine months ended September 30, 2014				
Revenue	11,437	6,451	12,393	30,281
Gross margin	5,261	1,844	3,443	10,548
Gross margin %	46.0%	28.6%	27.8%	34.8%
Total operating expenses				(8,923)
Other expenses				(916)
Income before taxes				709
For the nine months ended September 30, 2013				
Revenue	8,656	1,021	8,470	18,147
Gross margin	2,711	(39)	2,129	4,801
Gross margin %	31.3%	(3.8)%	25.1%	26.5%
Total operating expenses (including impairment)				(9,404)
Other expenses				(23)
Loss before taxes				(4,626)

Geographic

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
North America	10,381	4,129	23,814	16,018
South America	735	227	1,942	502
Europe	335	289	3,444	1,219
Middle East and Africa	531	103	693	178
Asia Pacific	186	114	388	231
Total revenues	12,168	4,863	30,281	18,147

As at September 30, 2014, 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 $2.3 million (December 31, 2013 - $1.0 million).

13. RESTRUCTURING CHARGES

In the fourth quarter of 2013, the Company presented a restructuring plan designed to restore profitability and position the Company for future growth. Under the plan, Carmanah would terminate 14 employees to help reduce fixed salary costs to more sustainable levels. The Company also closed its remote development office in Burnaby, reorganized its internal departments, and started to execute a plan to replace its current ERP and CRM system with a more cost effective and efficient solution. The following table summarizes the costs incurred and balances outstanding with respects to restructuring at September 30, 2014.

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

	Severance and related benefits	Other exit and other costs	Total
Balance at January 1, 2013	-	-	-
Charges	518	34	552
Cash payments	(312)	(12)	(324)
Balance at December 31, 2013	206	22	228
Cash payments	(84)	-	(84)
Adjustments	(122)	-	(122)
Balance at September 30, 2014	-	22	22

A few positions which were to be eliminated under the plan were ultimately kept due to changes in the Company's business plans. As a result of this, a recovery of $0.1 million was recognized in the second quarter of 2014. A small amount of the restructuring accrual remains outstanding and is related to a cancelation fee associated with the Company's old ERP system.

14. FINANCIAL INSTRUMENTS

Classification and carrying value

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

	September 30, 2014	December 31, 2013
Loans and receivables		
Cash and restricted cash	10,746	5,242
Trade and other receivables	9,308	5,614
Other financial liabilities		
Trade and other payables	7,374	4,763

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 Company does not have any financial instruments at fair value at September 30, 2014 or December 31, 2013.

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.

15. OTHER EXPENSES

Other expenses primarily relate to merger and acquisition activities, and include legal, due diligence costs, and other related expenditures. During the nine months ended September 30, 2014, the majority of these costs were related to the acquisition of SOL Inc. ("Sol") as described in note 16.

16. ACQUISITION OF SOL INC.

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

This acquisition was announced on March 21, 2014 with signing of a binding letter of intent ("LOI"), an Agreement and Plan of Merger (the "Merger Agreement") was signed on May 26, 2014, and the transaction was approved by eligible Carmanah shareholders at the Company's Annual General and Special meeting held on June 23, 2014. The acquisition was a related party transaction as, Michael Sonnenfeldt, the Chairman of the Company's Board of Directors (the "Board") and its largest shareholder was also the majority shareholder of Sol. Prior to the transaction he beneficially held (1) approximately 84.5% of Sol's outstanding shares and (2) was due a note receivable from Sol of approximately $5.3 million. Due to this potential conflict of interest, the Company convened a special committee of the Board consisting of disinterested directors who were responsible to evaluate and assess the potential acquisition. This committee evaluated the proposed transaction and management's assessments and oversaw a variety of work including a fairness opinion by an independent consultant.

The Company acquired 100% of the outstanding shares of Sol and an outstanding note receivable due from Sol which was beneficially owned by Michael 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 CDN (post consolidation) and a US/CDN 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 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 July 2, 2014 and has contributed incremental revenues of $2.1 million and a net loss of $0.2 million. If the acquisition had occurred on January 1, 2014, Sol would have contributed revenue of $6.4 million and a net loss of $1.3 million. Within Sol's $1.3 million loss is approximately $0.5 million of costs related to the transaction. Total acquisition related costs incurred by Carmanah was approximately $0.7 million and are included under the caption "Other (expenses)/income" and as described in note 15.

The fair values of the assets acquired and liabilities assumed in the acquisition at July 2, 2014 are not yet final. The following table is management's current best estimate of these values:

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

	$
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	1,351
Other assets	220
Equipment	35
Trade and other payables	(1,515)
Provisions	(351)
Deferred revenue	(235)
Intangibles	400
Goodwill	5,695
Total	**7,154**

As noted above, the allocation of the purchase price is based on preliminary estimates and has not been finalized. The Company is currently in the process of assessing the fair values of identifiable assets acquired and liabilities assumed and measuring the potential goodwill. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary purchase price allocation and are subject to change.

Amongst other things, the goodwill recognized 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.