CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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	September 30, 2015	December 31, 2014
ASSETS			
Cash		17,534	8,707
Restricted cash		-	45
Trade and other receivables		19,636	10,983
Inventories	3	12,078	5,556
Prepaid and other current assets		1,073	412
Total current assets		50,321	25,703
Equipment and leasehold improvements	4	1,424	660
Intangible assets	5	4,909	975
Goodwill		21,195	5,746
Investment tax credits	14	4,320	-
Deferred income tax asset	14	7,195	283
Total assets		**89,364**	**33,367**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		9,892	8,095
Bank debt	7	10,823	-
Provisions	8	1,186	1,165
Income taxes payable		738	-
Deferred revenue		709	294
Total current liabilities		23,348	9,554
Deferred income tax liability		1,818	109
Total liabilities		**25,166**	**9,663**
Equity			
Share capital		86,060	56,539
Equity reserve		4,264	3,292
Accumulated other comprehensive loss		(367)	(180)
Deficit		(25,759)	(35,838)
Total equity		64,198	23,813
Total liabilities and equity		**89,364**	**33,367**

Commitments and contingencies – note 6

Approved and authorized for issue by the Board of Directors on November 12, 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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues	12	19,850	12,168	46,879	30,281
Cost of sales	12	13,213	7,866	30,861	19,733
Gross profit	12	6,637	4,302	16,018	10,548
Operating expenditures					
Sales and marketing	11	1,522	1,589	4,027	3,593
Research and development	11	934	453	1,859	1,064
General and administrative	11	3,553	1,571	6,388	4,266
		6,009	3,613	12,274	8,923
Other inventory write downs	11	-	-	442	-
Investment tax credits recognized	14	-	-	(4,320)	-
Restructuring expenses/(recovery)		-	-	74	(122)
Total operating expenditures/(recovery)		6,009	3,613	8,470	8,801
Operating Income		628	689	7,548	1,747
Other expenses					
(Loss)/gain on disposal of assets		(1)	2	(12)	2
Other expenses	15	(522)	(161)	(1,313)	(763)
Foreign exchange loss		(485)	(335)	(1,746)	(277)
		(1,008)	(494)	(3,071)	(1,038)
(Loss)/income before taxes		(380)	195	4,477	709
Income tax recovery		97	-	5,602	1
Net (loss)/income attributable to shareholders		(283)	195	10,079	710
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustments		(90)	(56)	(187)	(52)
Total comprehensive (loss)/income		(373)	139	9,892	658
Net (loss)/income per share					
Basic		(0.01)	0.01	0.48	0.05
Diluted		(0.01)	0.01	0.47	0.05
Weighted average number of shares outstanding:					
Basic		24,577,721	16,672,960	20,999,222	16,672,960
Diluted		25,296,549	16,751,199	21,566,860	16,751,199

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* *('000)*	Share capital Amount	Equity reserve	Subtotal	Accumulated other comprehensive loss	Deficit	Total equity
Balance, January 1, 2014		*10,061*	42,870	2,966	45,836	(76)	(36,832)	8,928
Net income		-	-	-	-	-	710	710
Share-based payments		-	-	213	213	-	-	213
Shares issued in private placements, net of issuance costs of $40		*3,130*	6,571	-	6,571	-	-	6,571
Sol acquisition		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	(72)	(36,317)	23,468
Net income		-	-	-	-	-	284	284
Share-based payments		-	-	113	113	-	-	113
Foreign currency translation adjustments		-	-	-	-	(52)	-	(52)
Balance, December 31, 2014		*16,977*	56,539	3,292	59,831	(180)	(35,838)	23,813
Net income		-	-	-	-	-	10,079	10,079
Share-based payments	10	-	-	634	634	-	-	634
Shares issued on stock option exercise	10	*10*	33	(12)	21	-	-	21
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*	75	(20)	55	-	-	55
Sabik acquisition	16	*1,180*	4,513	-	4,513			4,513
Foreign currency translation adjustments		-	-	-	-	(187)	-	(187)
Balance, September 30, 2015		*24,580*	86,060	4,264	90,324	(367)	(25,759)	64,198

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Nine months ended September 30, 2015	2014
OPERATING ACTIVITIES			
Net income		10,079	710
Add back (deduct) items not involving cash:			
Amortization	4,5	1,519	264
Loss/(gain) on disposal of assets		12	(2)
Share-based payments	10	634	213
Restructuring		-	(122)
Recognition of investment tax credits		(4,320)	-
Deferred income tax		(5,838)	-
Unrealized foreign exchange loss/(gain)		(158)	263
Changes in working capital and other items:			
Restricted cash		45	(1)
Trade and other receivables		(5,890)	(2,869)
Inventories		(3,589)	228
Prepaids and other current assets		(660)	(272)
Trade and other payables		824	1,096
Provisions		(278)	(243)
Deferred revenue		(432)	(118)
Income tax payable		297	-
Net cash used by operating activities		(7,734)	(853)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		54	-
Acquisitions, net of cash		(16,960)	673
Change in restricted cash		45	-
Purchase of equipment and leasehold improvements	4	(345)	(162)
Purchase of intangible assets	5	(218)	(535)
Net cash used in investing activities		(17,424)	(24)
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	22	-
Proceeds from credit facility draw	7	10,000	-
Debt repayments		(580)	
Proceeds from private placement, net of issue costs		-	6,571
Net cash provided by financing activities		34,206	6,571
Foreign exchange effect on cash		(221)	(191)
Increase in cash		8,827	5,503
Cash at beginning of period		8,707	5,197
Cash at end of period		17,534	10,700

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 International Accounting Standards ("IAS") *34 – Interim financial reporting* using policies which are 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 items noted below there have 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.

Changes in accounting judgements and estimates

- **Income taxes -** During the second quarter of 2015, management recognized a variety of tax assets which were previously unrecorded. These assets primarily related to investment tax credits and deferred tax assets which will allow the Company to reduce taxes on current and future earnings realized in Canada. This decision to recognize these tax assets was based on management judgement regarding their likelihood of usage, with forecasted earnings indicating they will be utilized.
- **Assets and liabilities acquired in business combinations** – With the Company's acquisition of the Sabik Group of companies on July 2, 2015, as described in note 16, there have been a significant number of estimates and judgements made in accounting for the acquisition. These include estimating the fair value of the shares issued under the acquisition as these shares had resale restrictions placed on them, and various estimates and judgements used to determine a preliminary value associated with Sabik's backlog or open sales orders along with various product development assets, customer lists and other similar intangibles.

As disclosed in note 16, the Company completed an acquisition of the Sabik Group of Companies ("Sabik", "Group", or "Sabik Group") on July 2, 2015. 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. 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. It is expected that these minority interests will be bought out during the fourth quarter of 2015. The functional currency of these companies is the Euro, with the exception of Sabik PTE Ltd, which utilizes the US dollar, and Sabik Ltd and Sabik Offshore Ltd, which utilizes the British Pound. All intercompany transactions between these entities and with other Carmanah entities have been eliminated.

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

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, 2018.

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

3. INVENTORIES

	September 30, 2015	December 31, 2014
Finished goods	5,493	4,628
Work in progress	190	-
Raw materials	7,034	2,383
Provision for obsolescence	(639)	(1,455)
Net inventories	12,078	5,556

For the three months ended September 30, 2015, inventory recognized as an expense amounted to $11.8 million (2014 - $5.3 million). Included in the above amounts were inventory write downs of $0.1 million (2014 – $0.1 million). For the nine months ended September 30, 2015, inventory recognized as an expense amounted to $28.3 million (2014 - $12.2 million) and included in these amounts were inventory write downs of $0.3 million (2014 – $0.5 million). There were no reversals of previously recorded inventory write downs. As at September 30, 2015, the Company anticipates the net 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	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	59	135	50	84	17	345
Sabik acquisition (note 16)	-	56	120	536	-	712
Disposals	(210)	-	(37)	(563)	(54)	(864)
Balance at September 30, 2015	**449**	**793**	**252**	**1,053**	**435**	**2,982**
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	65	116	9	53	5	248
Disposals	(201)	-	(18)	(545)	(55)	(819)
Balance September 30, 2015	**281**	**509**	**38**	**321**	**409**	**1,558**
Carrying amounts						
At December 31, 2014	183	209	72	183	13	660
At September 30, 2015	168	284	214	732	26	1,424

(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	216	-	-	218
Sabik acquisition (note 16)	-	15	-	5,029	5,044
Disposals	(38)	(83)	-	-	(121)
Balance September 30, 2015	**797**	**2,576**	**450**	**5,952**	**9,775**
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	29	118	-	1,124	1,271
Impairment losses recognized	(21)	(43)	-	-	(64)
Balance September 30, 2015	**737**	**1,870**	**450**	**1,809**	**4,866**
Carrying amounts					
At December 31, 2014	104	633	-	238	975
At September 30, 2015	60	706	-	4,143	4,909

The Acquired intangibles category relates to assets that have been acquired through acquisition. The 2015 additions relate to the acquisition of Sabik which is described in detail 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. The assets recognized in 2015 include approximately $1.3 million related to order backlogs and $3.7 million related to product development assets, customer lists and other similar intangibles. The backlog related intangible will be amortized as orders are shipped. During the third quarter, approximately 60% of the backlog was recognized or shipped resulting in amortization of $0.85 million. The remaining intangibles related to development assets, customer lists and other related assets will be amortized over their estimated useful lives, which has preliminarily estimated at 5 years. The Company has engaged an independent valuator to help assess the value of these intangibles. This work is anticipated to occur during the fourth quarter of 2015.

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, Carmanah is dealing with two significant contract manufacturers, Creation Technologies LP and Star Precision Fabricating Ltd. Carmanah previously had Flextronics as our main contract manufactured; however, we have now fully moved manufacturing away from that facility. 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 particular product is less than actual use or sales in a given period. At September 30, 2015, the contract manufacturers held approximately $1.9 million (December 31, 2014 - $1.8 million) in inventory and $1.5 million (December 31, 2014 - $1.2 million) in outstanding committed purchase orders.

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

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 Plaintiffs have 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 September 30, 2015. The Company has been pursuing its insurance company for coverage of associated defense costs.

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. DEBT

	September 30, 2015	December 31, 2014
Term acquisition credit	9,499	-
Short-term debt with Finnish financial institution	1,324	-
	10,823	-

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 16. 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%.

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

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.

The Company also has some operating loans and credit facilities drawn from a Finnish financial institution. These borrowings are associated with the Sabik entities which were acquired on July 2, 2015 as described in note 16. At present this debt is secured by the CIBC facility noted above and carries a variable interest rate of 2% + 1 month euribor. This debt is denominated in Euros.

8. PROVISIONS

	September 30, 2015	December 31, 2014
Warranty provisions	1,088	952
Provision relating to Spot Devices Inc. acquisition	55	110
Provision relating to Sol, Inc. acquisition	43	103
	1,186	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.

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, September 30, 2015	319,440	$5.00

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

10. SHARE-BASED PAYMENTS

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

Nine months ended September 30,	2015	2014
Stock options	634	213
Share units	-	-
Total compensation expense	634	213

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, 2015:

Available shares (10% of outstanding shares at September 30, 2015)	2,458,040
Less:	
Stock options outstanding at September 30, 2015	(2,164,183)
Number of shares issuable under stock-based compensation plans	293,857

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

10.1. Stock options

The following is a reconciliation of stock options outstanding from January 1, 2014 through September 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	735,600	$2.50
Forfeited	(37,400)	$4.53
Balance, September 30, 2014	1,109,600	$2.28
Granted	285,446	$2.70
Forfeited	(59,349)	$2.59
Balance, December 31, 2014	1,335,697	$2.36
Granted	888,950	$5.86
Exercised	(9,682)	$2.95
Forfeited	(50.782)	$2.74
Balance, September 30, 2015	2,164,183	$3.79

The following table summarizes the stock options outstanding and exercisable at September 30, 2015 and December 31, 2014. The weighted average exercise price is stated in Canadian dollars:

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

	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 September 30, 2015						
$1.45 to $1.45	300,000	5.1	$1.45	75,000	5.1	$1.45
$1.46 to $2.50	647,237	8.5	$2.50	159,906	8.6	$2.50
$2.51 to $2.90	325,296	8.2	$2.73	38,354	2.5	$2.90
$2.91 to $6.39	891,650	9.5	$5.89	15,000	0.2	$5.30
	2,164,183	8.4	$3.79	288,260	6.4	$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 September 30, 2015 was $3.09 CAD per share ($1.38 CAD per share for the same period in 2014). The option valuations were determined using the following weighted average assumptions:

	Nine months ended September 30,	
	2015	2014
Risk-free interest rate	1.14%	1.83%
Expected dividend yield	0%	0%
Forfeiture rate	17.5%	25.6%
Stock price volatility	55.2%	59.7%
Expected life of options	6.2 years	6.2 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.

11. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Salaries, commissions and other direct compensation	2,556	2,269	6,387	5,240
Share-based payments	343	112	634	213
Marketing, advertising and other related expenses	322	168	624	397
Development expenses	321	68	600	126
Travel and related expenses	265	148	559	353
Occupancy costs	298	126	543	298
Telecom and IT expenses	219	173	630	447
Professional fees, insurance and public company costs	354	483	731	1,325
Amortization	1,208	73	1,422	221
Bank charges and bad debts	88	(59)	149	95
Other expenses	35	52	511	86
Investment tax credits recognized	-	-	(4,320)	-
Total operating expenditures	6,009	3,613	8,470	8,801

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 was recognized during the second quarter as per note 14.

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 which is a subsidiary of Carmanah.
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.
Offshore	Aid to navigation solutions on Offshore wind farms for temporary and permanent marking. These products are sold under Sabik GmbH which is a wholly owned subsidiary of Carmanah. Sales are mainly focused on the European market.
Illumination	
Outdoor Lighting	LED lighting systems for off-grid lighting applications, including street, parking lot, park, and pathway applications. Products are sold worldwide using a variety of distribution models
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.

(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, 2015				
Revenue	11,426	990	7,434	19,850
Gross margin	4,790	234	1,613	6,637
Gross margin %	41.9%	23.6%	21.7%	33.4%
Total operating expenses				(6,009)
Other expenses				(1,008)
Income before taxes				(380)
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 nine months ended September 30, 2015				
Revenue	21,673	5,593	19,613	46,879
Gross margin	9,255	1,946	4,817	16,018
Gross margin %	42.7%	34.8%	24.6%	34.2%
Total operating expenses				(8,470)
Other expenses				(3,071)
Income before taxes				4,477
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				(8,801)
Other expenses				(1,038)
Income before taxes				709

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,	
	2015	2014	2015	2014
North America	12,825	10,381	35,867	23,814
South America	172	735	515	1,942
Europe	6,025	335	7,015	3,444
Middle East and Africa	210	513	2,420	693
Asia Pacific	618	186	1,062	388
Total revenues	19,850	12,168	46,879	30,281

As at September 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 $5.2 million (December 31, 2014 - $2.6 million), and $4.8 million of assets related to the Sabik entities which is mainly split between Germany and Finland.

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

13. 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, 2015	December 31, 2014
Loans and receivables		
Cash and restricted cash	17,534	8,752
Trade and other receivables	19,636	10,983
Other financial liabilities		
Trade and other payables	9,892	8,095
Debt	10,823	-

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 September 30, 2015 or December 31, 2014.

Unbilled receivables

Included in the Trade and other receivables are unbilled receivables in the amount of $4.4 million. Unbilled receivables arise when project revenues are earned prior to the Company's ability to invoice in accordance with the contract terms.

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

14. INVESTMENT TAX CREDITS AND DEFERRED TAXES

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

	September 30, 2015	December 31, 2014
Deferred income tax assets		
Scientific research & experimental development expenditures	2,406	-
Losses available for future periods	1,801	15
Tangible assets	1,698	20
Warranty and other provisions	213	342
Intangibles	609	-
Share issuance costs	468	-
Other	-	15
	7,195	392
Deferred income tax liabilities		
Intangibles	1,100	109
Investment tax credits	718	
	1,818	109
Net deferred income tax asset	**5,377**	**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 are recognized once it is probable that they will be utilized which should occur once a trend of profitability has been established. The Company began recognizing the benefit of deferred income tax assets at June 30, 2015 as management determined that it is probable that the Company would use these assets before they expire. Prior to June 30, 2015, these tax assets were not recognized.

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

	September 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	6,422	9,566
Equipment and leasehold improvements	6,433	5,998
Warranty and other provisions	829	777
Intangible assets	2,341	2,590
Share issuance costs	1,801	294
	27,081	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.

15. OTHER EXPENSES

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

16. ACQUISITION OF SABIK GROUP OF COMPANIES

On July 2, 2015, the Company completed an acquisition of the Sabik 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. It is expected that these minority interests will be bought out during the fourth quarter of 2015.

The purchase price outlined in the agreement consisted of €17.2 million in cash and the issuance of 1,180,414 shares of Carmanah. The actual value of the consideration issued amounted to $23.5 million, $19.0 million attributable to the cash outlay of €17.2 million (utilizing a Euro to US dollar exchange rate of 1.1072) and $4.5 million to the shares issued. The actual value of the shares on issuance on July 2, 2015 would have been $6.4 million based on the closing share price of $6.79 CAD and a US/CAD exchange rate of 0.7958. However, all of the shares issued were subject to an escrow or hold period, with approximately 147,550 shares being released from the hold period every 3 months over a 2 year period. As a result, the fair value of these shares have been discounted utilizing a Black Scholes option pricing model.

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, 2015 and has contributed incremental revenues of $6.0 million and a net income of $0.6 million. If the acquisition had occurred on January 1, 2015, Sabik would have contributed revenue of $14.8 million and a net income of $1.3 million. The total cost related to this related acquisition was approximately $1.1 million, with the expenses included under the caption “Other (expenses)/income” and as described in note 15.

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

The fair values of the assets acquired and liabilities assumed in the acquisition at July 2, 2015 are not yet final. The following table is management's current best estimate of these values:

Consideration	
Cash	18,827
Shares issued	4,513
Total consideration	**23,340**
Identifiable assets acquired and liabilities assumed	
Cash	2,084
Trade and other receivables	2,546
Inventories	2,934
Equipment and other similar assets	712
Intangibles	15
Trade and other payables	(973)
Income taxes payable	(441)
Deferred revenue	(847)
Borrowings	(1,403)
Provisions	(278)
Deferred tax assets	25
Deferred tax liabilities	(1,510)
Acquired intangibles	5,029
Goodwill	15,448
Total	**23,340**

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. As part of the process, the Company has engaged third-party valuation specialists to provide an independent assessment. 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.

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.

Amongst other things, the goodwill recognized reflects the potential incremental cash flows management expects to generate through efficiencies obtained through combined operations, growth in sales to existing and new customers through cross selling opportunities, and expected growth in the underlying markets which Sabik should be well positioned to capitalize on. The goodwill is not tax deductible.