CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011
(Amounts in thousands of U.S. dollars unless otherwise stated)

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	March 31, 2012	December 31, 2011
ASSETS			
Cash		3,880	4,190
Restricted cash		450	744
Trade and other receivables		3,927	5,253
Inventories	3	2,209	2,052
Prepaid and other current assets		464	392
Total current assets		11,104	12,631
Equipment and leasehold improvements	4	1,367	1,431
Intangible assets	5	1,237	1,379
Total assets		**13,534**	**15,441**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		3,002	4,173
Provisions		600	660
Deferred revenue		183	9
Current liabilities		3,785	4,842
Equity			
Share capital		34,917	34,742
Equity reserve	8	3,090	3,204
Deficit		(28,258)	(27,347)
Total equity		9,749	10,599
Total liabilities and equity		**13,534**	**15,441**

Commitments and contingencies – note 7

Approved and authorized for issue by the Board of Directors on May 14, 2012

Bruce Cousins, Chief Executive Officer

Robert Cruickshank, Chair of the Board

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Three months ended March 31, 2012	2011
Revenues		5,357	9,552
Cost of sales		3,364	6,456
Gross profit		1,993	3,096
Operating expenditures			
Sales and marketing	9	999	722
Research and development	9	359	522
General and administrative	9	1,581	1,564
Total operating expenditures		2,939	2,808
Operating (loss)/income		(946)	288
Other income/(expenses)			
Other income/(expenditures)		1	(4)
Investment tax credits recognized		-	61
Terminated Lightech agreement costs	11	-	(96)
Foreign exchange gain		34	12
		35	(27)
(Loss)/Income before taxes		(911)	261
Income tax expense		-	(103)
Net loss and total comprehensive loss		(911)	158
Net loss per share			
Basic		(0.02)	0.00
Diluted		(0.02)	0.00
Weighted average number of shares outstanding:			
Basic		43,295,097	42,588,761
Diluted		43,295,097	43,209,443

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Issued capital		Equity reserve	Subtotal	Deficit	Total equity
		# shares *('000)*	Amount				
Balance, January 1, 2010		*42,488*	34,350	3,048	37,398	(18,794)	18,604
Net income and comprehensive income		-	-	-	-	158	158
Share-based payments	8	-	-	57	57	-	57
Shares issued under stock compensation plans		*142*	117	(117)	-	-	-
Balance, March 31, 2011		*42,630*	34,467	2,988	37,455	(18,636)	18,819
Balance, December 31, 2011		*43,074*	34,742	3,204	37,946	(27,347)	10,599
Net loss and comprehensive loss		-	-	-	-	(911)	(911)
Share-based payments	8	-	-	61	61	-	61
Shares issued under stock compensation plans		*254*	175	(175)	-	-	-
Balance, March 31, 2012		*43,328*	34,917	3,090	38,007	(28,258)	9,749

CARMANAH TECHNOLOGIES CORPORATION

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

	Notes	Three months ended March 31, 2012	2011
OPERATING ACTIVITIES			
Net (loss) income		(911)	158
Add back (deduct) items not involving cash:			
Amortization		277	275
Investment tax credits recognized		-	(60)
Share-based payments		61	57
Deferred tax expense (recovery)		-	103
Derivative gain		-	(2)
Unrealized foreign exchange (gain) loss		34	27
(Decrease)/increase in working capital and other items	12	40	(390)
Net cash provided by (used in) operating activities		(499)	168
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(52)	-
Purchase of intangible assets		(19)	(54)
Net cash used in investing activities		(71)	(54)
Foreign exchange effect on cash		(34)	(27)
(Decrease)/increase in cash		(604)	87
Cash and restricted cash at beginning of period		4,934	5,690
Cash and restricted cash at end of period		4,330	5,777

Supplemental cash flow information in note 12

1. SUMMARY OF BUSINESS AND BASIS OF PREPARATION

1.1. General business description

Carmanah Technologies Corporation (the “Company”, “Carmanah”) was incorporated under the provisions of the Business Corporation 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 McCarthy Tétrault, LLP, Suite 1300, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K2.

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. 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, 2011 and 2010. These condense 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 market value

There have been no changes to the Company’s accounting policies from those disclosed in the consolidated financial statements for the years ended December 31, 2011 and 2010. IFRS 7 Financial instruments: disclosures which became effective in 2012 had no significant impact.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods after March 31, 2012. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below.

- The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. Early application is permitted if all five Standards are adopted at the same time.
    1. *Consolidated Financial Statements* - IFRS 10 Consolidated Financial Statements (“IFRS 10”) will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both “power” and “variable returns” for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.
    2. *Joint Arrangements* - IFRS 11 Joint Arrangements (“IFRS 11”) will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of

proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

3. *Disclosure of Interests in Other Entities* - IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.
4. *Separate Financial Statements* - IAS 27 Separate Financial Statements ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 Consolidated and Separate Financial Statements that is replaced by IFRS 10.
5. *Investments in Associates and Joint Ventures* - IAS 28 Investments in Associates and Joint Ventures ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28 Investments in Associates does not include joint ventures.

- IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
- The IASB has issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.
- The IASB has issued an amendment to IAS 1, *Presentation of Financial Statement*s ("IAS 1"), which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect IAS 1 to have a material impact on the financial statements.

3. INVENTORIES

	March 31, 2012	December 31, 2011
Finished goods	991	1,008
Raw materials	1,900	1,717
Provision for obsolescence	(682)	(673)
Net inventories	2,209	2,052

For the month ended March 31, 2012, inventory recognized as an expense in cost of sales amounted to $3.2 million (March 31, 2011 - $6.2 million). Included in the above amounts were inventory write downs of $0.1 million (March 31, 2011 - $0.1 million). There were no reversals of previous recorded inventory write downs. As at March 31, 2012, 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 December 31, 2010	**857**	**507**	**132**	**796**	**534**	**2,826**
Additions	41	597	48	10	8	704
Disposals	-	(483)	(51)	-	-	(534)
Balance December 31, 2011	**898**	**621**	**129**	**806**	**542**	**2,996**
Additions	49	-	-	-	3	52
Balance March 31, 2012	**947**	**621**	**129**	**806**	**545**	**3,048**
Accumulated amortization						
Balance December 31, 2010	**676**	**464**	**80**	**213**	**219**	**1,652**
Amortization for the period	98	62	17	148	103	428
Disposals	-	(480)	(35)	-	-	(515)
Balance December 31, 2011	**774**	**46**	**62**	**361**	**322**	**1,565**
Amortization for the period	20	31	4	36	25	116
Balance March 31, 2012	**794**	**77**	**66**	**397**	**347**	**1,681**
Carrying amounts						
At December 31, 2011	124	575	67	445	220	1,431
At March 31, 2012	153	544	63	409	198	1,367

5. INTANGIBLE ASSETS

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

	Patents and trademarks	Software	Product development assets	Total
Cost				
Balance December 31, 2010	**586**	**2,055**	**545**	**3,186**
Additions	83	104	-	187
Balance December 31, 2011	**669**	**2,159**	**545**	**3,373**
Additions	19	-	-	19
Balance March 31, 2012	**688**	**2,159**	**545**	**3,392**
Accumulated amortization				
Balance December 31, 2010	**273**	**815**	**232**	**1,320**
Amortization for the period	91	402	181	674
Balance December 31, 2011	**364**	**1,217**	**413**	**1,994**
Amortization for the period	20	95	46	161
Balance March 31, 2012	**384**	**1,312**	**459**	**2,155**
Carrying amounts				
At December 31, 2011	305	942	132	1,379
At March 31, 2012	304	847	86	1,237

6. CREDIT FACILITIES

The Company has a credit facility with the Bank of Montreal (“BMO”), which potentially provides access to a committed operating facility of up to $10.0 million CDN until July 2012. The credit facility carries certain covenants such as earnings thresholds which limit the amounts available. Based on these covenants, the Company had access to $0.3 million CDN as at March 31, 2012. For all periods presented, no funds have been drawn on this facility. The credit facility provides BMO general security over certain assets, mainly inventory and receivables.

7. COMMITMENTS AND CONTINGENCIES

7.1. Commitments

Carmanah has an agreement with a contract manufacturer to build and supply a large portion of its manufactured products. Under this agreement, the Company provides demand forecasts to the contract manufacturer outlining expected sales levels. The contract manufacturer utilizes these demand forecasts to acquire raw materials and inventory to support that demand. If sales are below the forecast, the Company will be required to purchase the excess inventory. At March 31, 2012, the contract manufacturer held approximately $1.1 million (December 31, 2011 - $1.2 million) in inventory and $2.4 million (December 31, 2011 - $2.3 million) in outstanding committed purchase orders.

There have been no significant changes in other contractual obligations since those reported in the financial statements for the year ended December 31, 2011.

7.2. Contingent assets and liabilities

Carmanah had previously disclosed a potential contingent liability associated with an international trade dispute currently being examined by the US Department of Commerce (“DOC”). This action was filed by certain US solar manufacturers and alleges that Chinese solar manufacturers receive unfair subsidies in the production of solar cells. After additional research and validation, management now believes that none of the solar panels utilized in the business would be subject to this action.

8. SHARE-BASED PAYMENTS

The total compensation expense for the period is outlined in the table below:

	Notes	Three months March 31, 2012	2011
Stock options	8.1	29	25
Share units	8.2	32	32
Total compensation expense		61	57

Currently, all outstanding awards issued are equity settled, although the current plan does allow for cash settlement if elected by the Board of Directors.

The following table provides a reconciliation of the maximum shares issuable under stock based compensation plans as at March 31, 2012:

Available shares (10% of outstanding shares at March 31, 2012)	4,332,772
Less:	
Stock options outstanding at March 31, 2012	2,094,156
Share units outstanding at March 31, 2012	538,016
Number of shares issuable under stock based compensation plans	1,700,600

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

8.1. Stock options

The following is a summary of the status of the stock options outstanding and exercisable at March 31, 2012 and 2011. The weighted average exercise price is stated in Canadian dollars.

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, January 1	2,094,156	0.78	1,984,356	1.13
Granted	-	-	5,800	1.00
Forfeited	-	-	(516,500)	(1.33)
Balance, March 31	2,094,156	0.78	1,473,656	1.06

The following table summarizes the stock options outstanding and exercisable at March 31, 2012. 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 March 31, 2012						
$0.50 to $0.52	750,000	4.5	$0.50	-	-	-
$0.53 to $0.72	318,000	3.7	$0.53	106,000	3.7	$0.53
$0.73 to $0.96	50,000	2.1	$0.91	41,666	2.1	$0.91
$0.97 to $1.02	823,356	1.8	$1.00	823,356	1.8	$1.00
$1.03 to $1.57	152,800	0.5	$1.39	152,800	0.5	$1.39
	2,094,156	3.0	$0.78	1,123,822	1.8	$1.01

1 WA – weighted average

2 – Life in years

There were no stock options granted in the quarter ended March 31, 2012. Using the Black-Scholes option pricing model, the weighted average fair value of the options granted during the period ended March 31, 2011 was $0.08 CDN per share. The option valuations were determined using the following weighted average assumptions:

	Period ending March 31, 2011
Risk-free interest rate	1.7%
Expected dividend yield	0%
Stock price volatility	62.4%
Expected life of options	2.0 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.

8.2. Share units (RSU/PSU/DSU)

During the three months ended March 31, 2012, the Company granted 63,335 Restricted Share Units ("RSUs") (2011 – 96,044) with a weighted average fair value of $0.49 CDN per unit (2011 - $0.53 CDN) and modified the vesting terms of 20,000 (2011 – NIL) RSUs previously granted. There was no incremental value associated with the modification. The Company issued no Performance Share Units ("PSUs") during the three months ended March 31, 2012. During the comparative period in 2011 the Company issued 337,990 PSUs with a weighted average fair value of $0.54 CDN per unit.

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

	Restricted share units	Performance share units	Total share units
Balance January 1, 2012	404,737	323,633	728,370
Granted	63,335	-	63,335
Vested and issued	(173,921)	(79,768)	(244,951)
Balance March 31, 2012	294,151	243,865	538,016
Balance, January 1, 2011	407,717	42,500	450,217
Granted	96,044	337,990	434,034
Forfeited	-	(2,000)	(2,000)
Vested and issued	(125,842)	(15,500)	(141,342)
Balance March 31, 2011	377,919	362,990	740,909

Of the share units outstanding at March 31, 2012, 20,831 RSUs were vested but not issued. All of these units vested on March 31, 2012 but were issued in early April 2012 as the markets were closed on the vesting date. There were no vested but unissued RSU at March 31, 2011.

There are no performance criteria for any of the share units outstanding at March 31, 2012 other than continued employment within the Company.

9. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Three months ended March 31, 2012	2011
Salaries, commissions and other direct compensation	1,882	1,793
Share-based payments	61	57
Marketing, advertising and other related expenses	64	104
Development expenses	48	30
Travel and related expenses	163	128
Occupancy costs	107	87
Telecom and IT expenses	143	160
Professional fees, insurance and public company costs	179	161
Amortization	240	240
Bank charges and bad debts	25	33
Other expenses	27	15
Total operating expenditures	2,939	2,808

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

10. SEGMENTED INFORMATION

Carmanah operates in four main industry sectors which are reported on within two reporting segments: the “Lighting” division (Signals and Outdoor Lighting sectors) and the “Solar Power Systems” division (Grid-tie and Mobile sectors).

The Lighting division primarily consists of off-grid LED outdoor signaling (“Signals”) products including solar-powered beacons for marine, aviation, traffic and defense applications, and off-grid LED outdoor lighting (“Outdoor Lighting”) products, used for solar-powered area lighting. The Solar Power Systems division primarily consists of grid-tie solar power systems in the Canadian industrial market (“Grid-tie”), and mobile power systems (“Mobile”) which focuses on the sale of power solutions into the recreational vehicle and work truck/fleet markets.

Management evaluates segment performance based on gross margin as other expenses are not generally allocated to the segments. The segments share certain inventory, equipment and leasehold improvements; therefore management does not classify non-current asset information on a segmented basis.

Three months ended March 31, 2012	Lighting	Solar Power systems	Corporate (unallocated)	Total
Revenue	3,710	1,647	-	5,357
Gross profit	1,422	571	-	1,993
Gross margin %	38.3%	34.7%	-	37.2%
Operating expenses			(2,939)	(2,939)
Operating loss				(946)
Other income			35	35
Loss before taxes				(911)

Three months ended March 31, 2011	Lighting	Solar Power systems	Corporate (unallocated)	Total
Revenue	5,396	4,156	-	9,552
Gross profit	2,190	906	-	3,096
Gross margin %	40.6%	21.8%	-	32.4%
Operating expenses			(2,808)	(2,808)
Operating income				288
Other expense			(27)	(27)
Income before taxes				261

Geographic

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

	Three months ended March 31,	
	2012	2011
North America	4,347	7,627
South America	203	869
Europe	531	523
Middle East and Africa	108	332
Asia Pacific	168	201
Total operating expenses	5,357	9,552

As at March 31, 2012, 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 America of $1.4 million (December 31, 2011 - $1.5 million).

11. LIGHTECH TERMINATION

Terminated Lightech agreement recovery/(costs) captures the expenses and recoveries associated with the attempted acquisition of Lightech Electronic Industries Ltd ("Lightech"). Costs and recoveries incurred in fiscal 2011 related to ongoing litigation surrounding the termination of the associated merger agreement. A settlement was reached in September of 2011.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The following table outlines the changes in non-cash working capital.

	Three months ended March 31,	
	2012	2011
Trade and other receivables	1,326	(494)
Inventories	(157)	98
Prepaids and other current assets	(72)	(82)
Trade and other payables	(1,171)	(433)
Provisions	(60)	(11)
Deferred revenue	174	532
Cash flows from changes in working capital	40	(390)