CARMANAH TECHNOLOGIES CORPORATION

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2016 and 2015
(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, except number of share and per share amounts)
(Unaudited)

	Notes	March 31, 2016	December 31, 2015
ASSETS			
Cash		15,972	14,880
Trade and other receivables		16,005	18,428
Inventories	3	11,954	12,667
Prepaid and other current assets		1,330	1,068
Unbilled receivables	4	5,091	3,033
Cost of uncompleted projects		740	1,593
Total current assets		51,092	51,669
Equipment and leasehold improvements	5	1,345	1,337
Intangible assets	6	8,790	8,700
Goodwill		17,723	17,249
Deferred income tax asset		7,499	7,473
Investment tax credits		3,168	3,548
Total assets		**89,617**	**89,976**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables		7,312	11,117
Bank debt	7.3	9,637	10,093
Provisions		1,242	1,221
Income taxes payable		515	367
Deferred revenue		312	549
Current liabilities		19,018	23,347
Deferred income tax liability		2,030	1,996
Total liablities		**21,048**	**25,343**
Equity			
Share capital		87,384	86,118
Equity reserve	9	4,465	4,487
Accumulated other comprehensive income/(loss)		181	(814)
Deficit		(23,461)	(25,158)
Total equity		68,569	64,633
Total liabilities and equity		**89,617**	**89,976**

Commitments and contingencies – note 7
Subsequent event – note 13

Approved and authorized for issue by the Board of Directors on May 5, 2016

"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)

		Three months ended March 31,	
	Notes	2016	2015
Revenues		19,449	11,314
Cost of sales		12,647	7,345
Gross profit	11	6,802	3,969
Operating expenditures			
Sales and marketing		1,626	1,282
Research and development		903	450
General and administrative		2,488	1,277
		5,017	3,009
Other inventory write downs		-	310
Restructuring expenses		-	74
Total operating expenditures	10	5,017	3,393
Operating Income		1,785	576
Other income/(expenses)			
Gain/(Loss) on disposal of assets		1	(38)
Other expenses		(202)	(65)
Foreign exchange gain/(loss)		666	(443)
		465	(546)
Income before taxes		2,250	30
Income tax expense		553	-
Net income attributable to shareholders		1,697	30
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to net income:			
Foreign currency translation adjustments		995	(86)
Total comprehensive income/(loss)		2,692	(56)
Net income per share			
Basic		0.07	0.00
Diluted		0.07	0.00
Weighted average number of shares outstanding:			
Basic		24,626,298	16,977,000
Diluted		25,220,245	17,262,877

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, 2015		*16,977*	56,539	3,292	59,831	(180)	(35,838)	23,813
Net income		-	-	-	-	-	30	30
Share-based payments		-	-	136	136	-	-	136
Foreign currency translation adjustments		-	-	-	-	(86)	-	(86)
Balance, March 31, 2015		*16,977*	56,539	3,428	59,967	(266)	(35,808)	23,893
Net income		-	-	-	-	-	10,650	10,650
Share-based payments		-	-	765	765	-	-	765
Shares issued on stock option exercise		*46*	167	(56)	111	-	-	111
Shares issued under bought deal, net of issuance costs of $2,230 offset by tax of $484		*6,400*	24,824	370	25,194	-	-	25,194
Shares issued from warrant exercise		*13*	75	(20)	55	-	-	55
Sabik acquisition		*1,180*	4,513	-	4,513	-	-	4,513
Foreign currency translation adjustments		-	-	-	-	(548)	-	(548)
Balance, December 31, 2015		*24,616*	86,118	4,487	90,605	(814)	(25,158)	64,633
Net income		-	-	-	-	-	1,697	1,697
Share-based payments	9	-	-	269	269	-	-	269
Shares issued on stock option exercise		27	80	(29)	51	-	-	51
Shares issued from warrant exercise		240	1,186	(262)	924	-	-	924
Foreign currency translation adjustments		-	-	-	-	995	-	995
Balance, March 31, 2016		*24,883*	87,384	4,465	91,849	181	(23,461)	68,569

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

	Notes	Three months ended March 31, 2016	2015
OPERATING ACTIVITIES			
Net income		1,697	30
Add back (deduct) items not involving cash:			
Amortization	5,6	386	148
(Gain)/Loss on disposal of assets		(1)	38
Share-based payments	9	269	136
Utilization of investment tax credits		380	-
Unrealized foreign exchange (gain)/loss		(114)	227
Deferred income tax expense		66	-
Changes in working capital and other items:			
Trade and other receivables		2,423	1,940
Unbilled receivables		(2,058)	(646)
Inventories		713	(378)
Cost of uncompleted contracts		853	94
Prepaids and other current assets		(262)	(307)
Trade and other payables		(3,805)	(1,495)
Provisions		21	(286)
Deferred revenue		(237)	483
Income tax payable		148	-
Net cash provided/(used) by operating activities		479	(16)
INVESTING ACTIVITIES			
Proceeds from disposal of assets		-	14
Purchase of equipment and leasehold improvements	5	(51)	(118)
Purchase of intangible assets	6	(86)	(151)
Net cash used in investing activities		(137)	(255)
FINANCING ACTIVITIES			
Proceeds from exercised warrants		924	-
Proceeds from exercised stock options		51	-
Debt repayments		(456)	-
Net cash provided by financing activities		519	-
Foreign exchange effect on cash		231	(279)
Increase/(decrease) in cash		1,092	(550)
Cash at beginning of period		14,880	8,707
Cash at end of period		15,972	8,157

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, 2015. 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, 2015 and 2014. 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, 2015 and 2014.

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 (“IFRS 15”). IFRS 15 clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. It is anticipated this change will be effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, Leases (“IFRS 16”). IFRS 16 replaces IAS 17. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the Statement of Financial Position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15.

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

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

3. INVENTORIES

	March 31, 2015	December 31, 2015
Finished goods	8,250	8,361
Work in progress	106	563
Raw materials	3,795	4,068
Provision for obsolescence	(197)	(325)
Net inventories	11,954	12,667

For the three months ended March 31, 2016, inventory recognized as an expense amounted to $11.5 million (March 31, 2015 - $6.6 million), which include inventory write downs of $0.1 million (March 31, 2015 – $0.1 million). There were no reversals of previously recorded inventory write downs. As at March 31, 2016, the Company anticipates the net inventory will be realized within one year.

4. FINANCIAL INSTRUMENTS

Classification and carrying value

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

	March 31, 2016	December 31, 2015
Loans and receivables		
Cash	15,972	14,880
Trade and other receivables	16,005	18,428
Unbilled receivables	5,091	3,033
Other financial liabilities		
Trade and other payables	7,312	11,117
Bank debt	9,637	10,093

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

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	Computer hardware	Leasehold improvements	Office equipment	Production equipment	Research and tradeshow equipment	Total
Cost						
Balance January 1, 2015	**600**	**602**	**119**	**996**	**472**	**2,789**
Additions	81	131	71	212	17	512
Sabik acquisition	-	135	94	466	-	695
Disposals	(345)	(68)	(56)	(596)	(62)	(1,127)
Foreign exchange adjustment	-	(1)	(2)	(10)	-	(13)
Balance December 31, 2015	**336**	**799**	**226**	**1,068**	**427**	**2,856**
Additions	4	5	2	40	-	51
Disposals	-	-	-	(53)	-	(53)
Foreign exchange adjustment	-	3	3	26	-	32
Balance at March 31, 2016	**340**	**807**	**231**	**1,081**	**427**	**2,886**
Accumulated amortization						
Balance January 1, 2015	**417**	**393**	**47**	**813**	**459**	**2,129**
Amortization for the year	87	173	34	97	7	398
Disposals	(332)	(2)	(27)	(584)	(61)	(1,006)
Foreign exchange adjustment	-	-	-	(2)	-	(2)
Balance December 31, 2015	**172**	**564**	**54**	**324**	**405**	**1,519**
Amortization for the period	20	(8)	7	55	2	76
Disposals	-	-	-	(53)	-	(53)
Foreign exchange adjustment	-	-	-	(1)	-	(1)
Balance at March 31, 2016	**192**	**556**	**61**	**325**	**407**	**1,541**
Carrying amounts						
At December 31, 2015	164	235	172	744	22	1,337
At March 31, 2016	148	251	170	756	20	1,345

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

6. INTANGIBLE ASSETS

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

	Patents and trademarks	Software	License rights	Acquired intangibles	Customer Lists	Product development	Brand and Domain name	Backlog	Total
Cost									
Balance January 1, 2015	**833**	**2,428**	**450**	**623**	**-**	**250**	**50**	**-**	**4,634**
Additions	7	244	-	-	-	-	-	-	251
Sabik acquisition	-	31	-	-	4,800	1,350	2,250	900	9,331
Disposals	(101)	(174)	-	-	-		-	-	(275)
Foreign exchange adjustment	-	-	-	-	(72)	(24)	(30)	(13)	(139)
Balance December 31, 2015	**739**	**2,529**	**450**	**623**	**4,728**	**1,576**	**2,270**	**887**	**13,802**
Additions	-	86	-	-	-	-	-	-	86
Disposals	-	(1,533)	-	-	-	-	-	-	(1,533)
Foreign exchange adjustment	-	1	-	-	195	65	81	36	378
Balance March 31, 2016	**739**	**1,083**	**450**	**623**	**4,923**	**1,641**	**2,351**	**923**	**12,733**
Accumulated amortization									
Balance January 1, 2015	**729**	**1,795**	**450**	**623**	**-**	**62**	**-**	**-**	**3,659**
Amortization for the year	37	172	-	-	284	97	188	897	1,675
Disposals	(85)	(132)	-	-	-	-	-	-	(217)
Foreign exchange adjustment	-	-	-	-	(3)	(1)	-	(11)	(15)
Balance December 31, 2015	**681**	**1,835**	**450**	**623**	**281**	**158**	**188**	**886**	**5,102**
Amortization for the period	9	48	-	-	142	80	31	-	310
Disposals	-	(1,533)	-	-	-	-	-	-	(1,533)
Foreign exchange adjustment	-	-	-	-	16	11	-	37	64
Balance March 31, 2016	**690**	**350**	**450**	**623**	**439**	**249**	**219**	**923**	**3943**
Carrying amounts									
At December 31, 2015	58	694	-	-	4,447	1,418	2,082	1	8,700
At March 31, 2016	49	733	-	-	4,484	1,392	2,132	-	8,790

7. COMMITMENTS AND CONTINGENCIES

7.1. Commitments

Carmanah has agreements with contract manufacturers to build and supply its manufactured products. Under these agreements, the Company will be liable for inventory and outstanding committed purchase orders. At present, Carmanah is dealing with two significant contract manufacturers, Creation Technologies LP and Star Precision Fabricating Ltd. 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 March 31, 2016, the contract manufacturers held approximately $1.1 million (December 31, 2015 - $1.5 million) in inventory and $0.8 million (December 31, 2015 - $0.7 million) in outstanding committed purchase orders.

7.2. Contingent liabilities

On July 18, 2013, the Company was named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties – collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used with respect to Carmanah's solar powered flashing beacons for the traffic safety market and other claims relating to advertising and business practices. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respects to a similar patent held by the Company. In early 2014, the Company's application to re-examine a number of aspects of the Plaintiffs patent was accepted by the U.S. patent office. The U.S patent office review of the Plaintiffs patent resulted in many of the aspects of the patents being rejected. The Plaintiff has appealed this judgment. Pending that review, the court proceedings have been stayed. The outcome of this case is not certain and the Company intends to continue to defend itself and file additional responses to the Court as required. As the outcome of these matters is not currently determinable, no provision has been made at March 31, 2016. The Company has been pursuing its insurance company for coverage of associated defense costs. To the end of March 31, 2016, the Company has incurred approximately $1.1 million defending the underlying lawsuit.

In early March 2015, the Company filed a civil lawsuit in the Supreme Court of British Columbia against Royal & Sun Alliance Insurance Company of Canada ("RSA") and Integro (Canada) Ltd. ("Integro") operating as Integro Insurance Brokers. The lawsuit has been filed in an effort to obtain coverage under one or more of the Company's insurance policies with respects to the above lawsuit. The decision to file a lawsuit against RSA and Integro was made after negotiations with RSA failed to produce an acceptable settlement for repayment of the costs incurred by the Company. The lawsuit seeks to recover legal expenses and damages. In late April 2016, the Company reached a settlement with the defendants during mediation as described in note 13.

7.3. Credit facilities

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 $24.5 million through a $10 million 364-Day Revolving Credit, a $10 million term acquisition credit, $3.75 million credit of Letters of Credit, and $0.75 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. Access to the term acquisition credit facility will require CIBC's review and approval of the specific acquisition transaction.

In late March 2016, the Company's German subsidiary, Sabik Offshore GmbH, signed a new credit facility with Deutsche Bank (the "Deutsche Facility"). The Deutsche Facility provides credit up to €3.0 million through €2.0 million of revolving credit and €1.0 million for guarantees and was secured to support ongoing working capital needs. Interest on the revolving credit facility is variable and is based on EURIBOR plus 1.5%. The Deutsche Facility has been guaranteed through a €2.0 million Letter of Credit issued on the the Company's CIBC Facility and a security over inventory within Sabik Offshore GmbH. At March 31, 2016, no amounts had been drawn on the new revolving credit facility.

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

8. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. All shares are fully paid common shares which have no par value.

The total outstanding warrants are outlined in the table below:

	# of Warrants	Weighted average exercise price
Balance, January 1, 2015	-	-
Granted	332,750	$5.00
Exercised	(13,310)	$5.00
Balance, December 31, 2015	319,440	$5.00
Exercised	(239,580)	$5.00
Balance, March 31, 2016	79,860	$5.00

9. SHARE-BASED PAYMENTS

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

Three months ended March 31,	2016	2015
Stock options	269	136
Share units	-	-
Total compensation expense	269	136

Currently, all outstanding awards issued under these plans are equity settled, although the plans do allow for cash settlement if elected by the Board of Directors.

The following table provides a reconciliation of the maximum shares issuable under stock-based compensation plans as at March 31, 2016:

Available shares (10% of outstanding shares at March 31, 2016)	2,488,290
Less:	
Stock options outstanding at March 31, 2016	(1,999,868)
Number of shares issuable under stock-based compensation plans	488,422

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)

9.1. Stock options

The following is a reconciliation of stock options outstanding between January 1, 2015 through March 31, 2016. The weighted average exercise price is stated in Canadian dollars.

	Number of options	Weighted average exercise price
Balance, January 1, 2015	1,335,697	$2.36
Granted	65,600	$3.20
Forfeited	(15,899)	$2.78
Balance, March 31, 2015	1,385,398	$2.39
Granted	877,350	$6.05
Forfeited	(164,252)	$3.19
Exercised	(45,876)	$4.61
Balance, December 31, 2015	2,052,620	$3.76
Forfeited	(26,028)	$5.29
Exercised	(26,724)	$2.54
Balance, March 31, 2016	1,999,868	$3.76

The following table summarizes the stock options outstanding and exercisable at March 31, 2016 and December 31, 2015. 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, 2015						
$1.45 to $1.45	300,000	4.9	$1.45	150,000	4.9	$1.45
$1.46 to $2.50	611,034	8.3	$2.50	143,801	8.3	$2.50
$2.51 to $2.90	311,086	8.2	$2.72	94,973	7.0	$2.76
$2.91 to $6.39	830,500	9.4	$5.92	6,000	0.4	$5.30
	2,052,620	8.2	$3.76	394,774	6.6	$2.21
At March 31, 2016						
$1.45 to $1.45	300,000	4.6	$1.45	150,000	4.6	$1.45
$1.46 to $2.50	584,758	8.1	$2.50	121,387	8.1	$2.50
$2.51 to $2.90	306,610	8.0	$2.73	97,144	6.5	$2.77
$2.91 to $6.39	808,500	9.1	$5.92	17,791	5.9	$3.91
	1,999,868	8.0	$3.76	386,322	6.2	$2.22

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 3 months ended March 31, 2015 was $1.69 CAD per share. The option valuations were determined using the following weighted average assumptions:

	Three months ended March 31, 2015
Risk-free interest rate	1.29%
Expected dividend yield	0%
Forfeiture rate	20.0%
Stock price volatility	55.0%
Expected life of options	6.3 years

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

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. OPERATING EXPENDITURES

The components of operating expenditures by nature are outlined below:

	Three months ended March31,	
	2016	2015
Salaries, commissions and other direct compensation	2,769	1,847
Share-based payments	269	136
Marketing, advertising and other related expenses	259	166
Development expenses	169	130
Travel and related expenses	199	154
Occupancy costs	248	130
Telecom and IT expenses	184	236
Professional fees, insurance and public company costs	422	160
Amortization	338	105
Bank charges and interest	51	31
Bad debts	(1)	(7)
Other expenses	110	305
Total operating expenditures	5,017	3,393

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

11. SEGMENTED INFORMATION

The Company's reportable segments are broken into "Signals", "Illumination" and "Power". The following table provides an overview of these segments and underlying verticals.

Reporting Segment and Underlying Products/Verticals	Products offered/Markets served
Signals	
Traffic	Solar LED flashing beacons for various roadway applications, mainly focused on the North American market.
Marine	A complete range of marine lighting solutions sold worldwide, including a variet of products manufactured by Sabik which is a subsidiary of Carmanah.
Airfield ground Lighting	LED aviation lighting sold worldwide - the Company offers total airfield solutions, from approach lightings to apron lighting, and both solar to hybrid power systems.
Aviation/Obstruction	LED obstruction lighting sold worldwide - the Company offers self-contained obstruction marking lights which provide a range of solutions for marking towers and other obstruction to aerial and ground navigation.
Offshore	Aid to navigation solutions on Offshore wind farms for temporary and permanent marking. These products are sold under Sabik Offshore GmbH which is a wholly owned subsidiary of Carmanah. Sales are mainly focused on the European market.
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.

	Signals	Illumination	Power	Total
For the period ended March 31, 2016				
Revenue	10,400	1,460	7,589	19,449
Gross margin	4,734	532	1,536	6,802
Gross margin %	45.5%	36.4%	20.2%	35.0%
Total operating expenses				(5,017)
Other income				465
Income before taxes				2,250
For the period ended March 31, 2015				
Revenue	4,826	2,089	4,399	11,314
Gross margin	2,095	605	1,269	3,969
Gross margin %	43.4%	29.0%	28.8%	35.1%
Total operating expenses				(3,393)
Other expenses				(546)
Income before taxes				30

Geographic

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

	Three months ended March 31,	
	2016	2015
North America	12,650	9,997
Europe	6,089	470
South America	47	177
Middle East and Africa	297	518
Asia Pacific	366	152
Total revenues	19,449	11,314

As at March 31, 2016, 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 $5.3 million (December 31, 2015 - $5.4 million), and $3.7 million (December 31, 2015 - $3.5 million) of assets related to the Sabik entities which is mainly split between Germany and Finland.

12. SABIK ACQUISITION

On July 2, 2015, the Company completed an acquisition of the Sabik Group of Companies. The acquired group consists of the following companies: Sabik Oy, based in Finland, Sabik Offshore GmbH (formally Sabik GmbH), based in Germany, Sabik PTE Ltd, based in Singapore, and Sabik Ltd and Sabik Offshore Ltd, both based in the United Kingdom. Sabik is a manufacturer in the worldwide marine aids-to-navigation market. Carmanah and Sabik had a collaborative sales, marketing and development partnership since 2010. Sabik also provides sophisticated lighting and monitoring solutions for the offshore wind industry. The offshore wind industry is 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, where the Company acquired 81% and 80% respectively. Of the entities acquired, approximately 90% of the revenues are generated by Sabik Oy and Sabik Offshore GmbH. The non-controlling interests were acquired during the fourth quarter of 2015 and the first quarter of 2016 for a nominal amount. Due to the nominal value of non-controlling interest, no amounts were recorded at December 31, 2015 or March 31, 2016.

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

The purchase price outlined in the agreement consisted of €17.0 million in cash and the issuance of 1,180,414 shares of Carmanah. The value of the consideration issued amounted to $23.3 million, $18.8 million attributable to the cash outlay of €17.0 million (utilizing a Euro to US dollar exchange rate of 1.1072) and $4.5 million to the shares issued. 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 major assumptions for this calculation mainly related to an estimate of our share price volatility, which ranged from 59.5% to 85.8% in the calculations utilized.

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.

The fair values of the assets acquired and liabilities assumed in the acquisition at July 2, 2015 are not yet final. No changes have been made during the three months ended March 31, 2016. The following table is management’s current best estimate of these values:

	Current Allocation
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	3,432
Equipment and other similar assets	726
Trade and other payables	(973)
Income taxes payable	(441)
Deferred revenue	(847)
Bank debt	(1,403)
Provisions	(278)
Deferred tax assets	25
Deferred tax liabilities	(2,508)
Acquired intangibles	9,300
Goodwill	11,677
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.

Among 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.

13. SUBSEQUENT EVENT

On April 29, 2016, the Company agreed to settlement its lawsuit against RSA and Integro which is described in note 7.2. The settlement was reached during mediation and will result in a lump sum payment to the Company of CAD $0.5 million for past defense costs and damages. Further RSA has agreed to cover 70% of future defense costs incurred on a go forward basis. However in the event that the underlying action proceeds to trial and a verdict is rendered, a reallocation of the go forward defense costs may occur.