*Consolidated Financial Statements of*

# ENABLENCE TECHNOLOGIES INC.

*For the three and eleven months ended March 31, 2011 and the three and twelve months ended April 30, 2010*
*(Unaudited)*

# ENABLENCE TECHNOLOGIES INC.
## Consolidated Financial Statements
**March 31, 2011**

# ENABLENCE TECHNOLOGIES INC.
## Consolidated Balance Sheets
## (Unaudited)

**(in thousands of Canadian dollars)**

| | March 31, 2011 | April 30, 2010 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 8,536 | $ 23,407 |
| Accounts receivable (Note 5) | 18,078 | 11,707 |
| Inventories (Note 6) | 22,032 | 13,754 |
| Prepaid expenses and deposits | 1,739 | 2,317 |
| Restricted cash (Note 7) | 2,760 | 1,546 |
| | 53,145 | 52,731 |
| PROPERTY, PLANT AND EQUIPMENT | 10,849 | 10,582 |
| INTANGIBLE AND OTHER ASSETS (Note 8) | 10,844 | 4,727 |
| GOODWILL (Note 9) | 19,314 | 14,046 |
| | $ 94,152 | $ 82,086 |
| **CURRENT LIABILITIES** | | |
| Bank indebtedness (Note 10) | $ 1,039 | $ - |
| Accounts payable and accrued liabilities | 29,346 | 14,244 |
| Current portion of notes payable (Note 11) | 2,072 | 1,102 |
| Deferred revenue | 1,525 | 6,148 |
| | 33,982 | 21,494 |
| NOTES PAYABLE (Note 11) | 15,077 | 4,040 |
| EMPLOYEE FUTURE BENEFITS (Note 12) | 1,340 | - |
| FUTURE INCOME TAX LIABILITY (Note 13) | 3,066 | 3,788 |
| | 53,465 | 29,322 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 221,540 | 170,269 |
| Contributed surplus | 11,952 | 10,399 |
| Accumulated other comprehensive income | 51 | 3,898 |
| Deficit | (192,856) | (131,802) |
| | 40,687 | 52,764 |
| | $ 94,152 | $ 82,086 |

GOING CONCERN (Note 1)

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

"R. Stephen Bower" Director

"Arvind Chhatbar" Director

# ENABLENCE TECHNOLOGIES INC.
## Consolidated Statements of Loss, Other Comprehensive Loss and Comprehensive Loss
## (Unaudited)

**(in thousands of Canadian dollars, except per share data)**

| | Three months ended March 31, 2011 | Three months ended April 30, 2010 | Eleven months ended March 31, 2011 | Twelve months ended April 30, 2010 |
|---|---|---|---|---|
| REVENUES | $ 14,662 | $ 14,094 | $ 87,087 | $ 53,892 |
| Cost of revenues | 11,083 | 10,423 | 62,659 | 42,451 |
| Gross profit | 3,579 | 3,671 | 24,428 | 11,441 |
| Operating expenses | | | | |
| Research and development | 5,354 | 3,540 | 18,615 | 14,034 |
| Sales and marketing | 3,495 | 2,314 | 12,917 | 10,158 |
| General and administration | 2,343 | 2,346 | 9,750 | 7,749 |
| Stock-based compensation | 532 | 224 | 1,588 | 1,436 |
| Amortization of property, plant and equipment | 366 | 323 | 1,430 | 1,505 |
| Amortization of intangible assets | 3,401 | 826 | 11,188 | 5,528 |
| Restructuring charges (Note 17) | 149 | 1,787 | 1,060 | 2,287 |
| | 15,640 | 11,360 | 56,548 | 42,697 |
| OPERATING LOSS | (12,061) | (7,689) | (32,120) | (31,256) |
| Other income (expense) | | | | |
| Interest and other income | 33 | 11 | 46 | 29 |
| Interest expense | (239) | (62) | (891) | (272) |
| Impairment of intangible assets | (14,349) | - | (14,349) | (4,355) |
| Impairment of goodwill | (22,924) | - | (22,924) | - |
| Gain on disposal of equipment | - | - | - | 42 |
| Foreign exchange gain (loss) | 234 | (198) | 498 | 101 |
| LOSS BEFORE INCOME TAXES | (49,306) | (7,938) | (69,740) | (35,711) |
| FUTURE INCOME TAX RECOVERY (EXPENSE) | 6,299 | (693) | 8,686 | 3,137 |
| NET LOSS | (43,007) | (8,631) | (61,054) | (32,574) |
| OTHER COMPREHENSIVE LOSS | | | | |
| Unrealized loss on translating financial statements of self-sustaining foreign operations | (1,667) | (1,597) | (3,847) | (6,513) |
| OTHER COMPREHENSIVE LOSS | (1,667) | (1,597) | (3,847) | (6,513) |
| COMPREHENSIVE LOSS | $ (44,674) | $ (10,228) | $ (64,901) | $ (39,087) |
| Net loss per share (Note 15) | | | | |
| Basic and diluted | $ (0.10) | $ (0.03) | $ (0.16) | $ (0.12) |
| Weighted average number of outstanding shares (Note 15) | | | | |
| Basic and diluted | 421,046 | 323,488 | 387,652 | 270,084 |

See accompanying notes to the consolidated financial statements

# ENABLENCE TECHNOLOGIES INC.
## Consolidated Statements of Shareholders' Equity
## (Unaudited)

**(in thousands of Canadian dollars, shares in thousands)**

| | Number of shares | Share capital (Note 14) | Contributed surplus | Accumulated other comprehensive income (loss) | Deficit | Shareholders' equity |
|---|---|---|---|---|---|---|
| **Eleven months ended March 31, 2011** | | | | | | |
| Balance at April 30, 2010 | 327,175 | $ 170,269 | $ 10,399 | $ 3,898 | $ (131,802) | $ 52,764 |
| Stock-based compensation | - | - | 1,588 | - | - | 1,588 |
| Exercise of options | 950 | 493 | (142) | - | - | 351 |
| Exercise of warrants | 1,389 | 713 | (297) | - | - | 416 |
| Issuance of common shares (Note 14) | 36,600 | 19,303 | - | - | - | 19,303 |
| Fair value of warrants issued (Note 14) | - | - | 404 | - | - | 404 |
| Issuance of common shares on acquisition of Teledata Networks Ltd. (Note 16) | 54,932 | 30,762 | - | - | - | 30,762 |
| Net loss | - | - | - | - | (61,054) | (61,054) |
| Unrealized loss on translation of self-sustaining foreign operations | - | - | - | (3,847) | - | (3,847) |
| **Balance at March 31, 2011** | **421,046** | **$ 221,540** | **$11,952** | **$ 51** | **$ (192,856)** | **$ 40,687** |
| **Twelve months ended April 30, 2010** | | | | | | |
| Balance at April 30, 2009 | 208,527 | $ 131,128 | $ 8,200 | $ 10,411 | $ (99,228) | $ 50,511 |
| Stock-based compensation | - | - | 1,436 | - | - | 1,436 |
| Fair value of warrants | - | - | 925 | - | - | 925 |
| Exercise of options | 75 | 35 | - | - | - | 35 |
| Exercise of warrants | 738 | 400 | (162) | - | - | 238 |
| Issuance of common shares | 117,875 | 38,774 | - | - | - | 38,774 |
| Cancellation of shares | (40) | (68) | - | - | - | (68) |
| Net loss | - | - | - | - | (32,574) | (32,574) |
| Unrealized loss on translation of self-sustaining foreign operations | - | - | - | (6,513) | - | (6,513) |
| **Balance at April 30, 2010** | **327,175** | **$ 170,269** | **$ 10,399** | **$ 3,898** | **$ (131,802)** | **$ 52,764** |

See accompanying notes to the consolidated financial statements

# ENABLENCE TECHNOLOGIES INC.
## Consolidated Statements of Cash Flows
**(Unaudited)**

**(in thousands of Canadian dollars)**

| | Three months ended March 31, 2011 | Three months ended April 30, 2010 | Eleven months ended March 31, 2011 | Twelve months ended April 30, 2010 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss | $ (43,007) | $ (8,631) | $ (61,054) | $ (32,574) |
| Items not affecting cash: | | | | |
| Amortization of plant and equipment and intangible assets | 4,178 | 1,567 | 14,206 | 8,726 |
| Stock-based compensation | 532 | 224 | 1,588 | 1,436 |
| Unrealized foreign exchange gain | (330) | (161) | (772) | (532) |
| Gain on disposal of equipment | - | - | - | (42) |
| Future income tax (recovery) expense | (6,299) | 693 | (8,686) | (3,137) |
| Impairment of goodwill | 22,924 | - | 22,924 | - |
| Impairment of intangible assets | 14,349 | - | 14,349 | 4,355 |
| | (7,653) | (6,308) | (17,445) | (21,768) |
| Changes in non-cash working capital items (Note 21) | (848) | (1,390) | (5,073) | (277) |
| Cash used in operating activities | (8,501) | (7,698) | (22,518) | (22,045) |
| **Investing activities** | | | | |
| Decrease (Increase) in restricted cash | 139 | 76 | 734 | (1,448) |
| Purchase of property, plant and equipment | (429) | (482) | (1,993) | (1,310) |
| Purchase of software | - | (223) | - | (223) |
| Proceeds from sale of equipment | - | - | - | 49 |
| Acquisitions of subsidiaries (Note 16) | - | - | (9,520) | - |
| Cash used in investing activities | (290) | (629) | (10,779) | (2,932) |
| **Financing activities** | | | | |
| Increase in (repayment of) bank indebtedness | 970 | - | (1,853) | (780) |
| Advance from notes payable | - | - | 5,145 | - |
| Repayment of notes payable | (378) | (234) | (2,601) | (1,097) |
| Proceeds from issuance of common shares, warrants and options, net of issuance costs (Note 14) | - | 26,983 | 20,474 | 39,971 |
| Cash provided by financing activities | 592 | 26,749 | 21,165 | 38,094 |
| EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS | (756) | (883) | (2,739) | (1,213) |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (8,955) | 17,539 | (14,871) | 11,904 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 17,491 | 5,868 | 23,407 | 11,503 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 8,536 | $ 23,407 | $ 8,536 | $ 23,407 |
| Non-cash financing activities | | | | |
| Issuance of common shares on acquisition of subsidiaries (Note 16) | - | - | $ 30,762 | - |
| Supplementary information: | | | | |
| Interest received in cash | $ 28 | $ 12 | $ 32 | $ 30 |
| Interest paid in cash | 206 | 65 | 503 | 275 |
| Cash | 8,434 | 22,487 | 8,434 | 22,487 |
| Cash equivalents (guaranteed investment certificates) | 102 | 920 | 102 | 920 |
| Total cash and equivalents, excluding restricted cash | $ 8,536 | $ 23,407 | $ 8,536 | $ 23,407 |

See accompanying notes to the consolidated financial statements

### 1. GOING CONCERN

These interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on the basis of accounting principles applicable to a going concern. This assumes that Enablence Technologies Inc. ("the Company" or "Enablence") will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2011, the Company had cash of $8,536 and it spent $8,501 on its operations for the quarter then ended. The Company has sustained significant losses since its inception. The Company has announced its intention to divest of its Systems segment (Note 22), in part due to the cash required to fund that business segment.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the divestiture of its Systems segment, the ability to generate positive cash flow from its remaining business, the ability to pay its US$ 10,000 Notes Payable on maturity in June 2012, and the ability to raise additional debt or equity. The successful outcome of management's activities cannot be assured because they are contingent on future circumstances. On May 5, 2011, the Company received $10,000 net cash proceeds on the sale on common shares (Note 22). On May 11, 2011, Enablence received US$3,500 in proceeds from bank debt and has invested that amount in its China joint venture (Note 22). While management believes the additional equity financing will be sufficient to fund the business moving forward, there is substantial risk in the divestiture plans of the Systems segment.

If the going concern assumption was not appropriate for these financial statements, significant adjustments to the carrying values of assets and liabilities and the reported expenses and the balance sheet classifications would result. The adjustments would likely be material.

### 2. DESCRIPTION OF BUSINESS

Enablence is a publicly traded company that operates through two operating segments. The Optical Components and Subsystems ("OCS") segment designs, manufactures and sells optical components and subsystems for access, metro and long-haul markets to a global customer base. The Systems segment designs, manufactures and sells fiber-to-the-home (FTTH) equipment and multi-service access platforms (MSAP) for triple-play residential and business services. Enablence delivers a key portion of the infrastructure for next-generation telecommunication systems. The Company's product lines address all three segments of optical networks: Access, connecting homes and businesses to the network; Metro, communication rings within large cities; and Long-haul, linking cities and continents. The Company's Access solutions enable voice, data, video, and internet communications across both copper and fiber-based network infrastructures.

## 2. DESCRIPTION OF BUSINESS (Continued)

In June 2010, the Company acquired Teledata Networks Ltd. (“Teledata”). Teledata, headquartered in Israel, offers high speed broadband MSAP equipment to customers in emerging markets. The consolidated financial statements of Enablence include the financial position of Teledata at March 31, 2011 and the results of its operations and cash flows for the period from June 23, 2010 to March 31, 2011. Teledata is part of the Company’s Systems segment.

On April 28, 2011, the Company announced that it had taken steps to achieve the most value-enhancing and efficient divestiture of the Systems segment.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*Basis of presentation*

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for the preparation of interim financial statements. These unaudited interim consolidated financial statements do not include all of the information and note disclosures required by Canadian GAAP for annual financial statements. They are based upon accounting principles consistent with those used in the annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended April 30, 2010. Results for the interim period are not necessarily indicative of the results for the full year.

*Change in year end*

Effective May 1, 2010, the Company changed its fiscal year end from April 30 to June 30. The current fiscal year of the Company covers the fourteen month period from May 1, 2010 to June 30, 2011. The Company is reporting, or has reported, its results for the following five periods in its fiscal 2011 year: two months ended June 30, 2010; quarters ended September 30 2010, December 31, 2010 and March 31, 2011, and the fourteen months ending June 30, 2011. The change in Enablence’s year end was due, in part, to align to the fiscal year of Teledata.

*Foreign currency translation*

The Company enters into certain transactions in foreign currencies. These transactions are converted to Canadian dollars at the exchange rate in effect at the time the transaction occurs. Monetary assets and liabilities which are denominated in currencies other than Canadian dollars are translated to Canadian dollars at period-end exchange rates. Exchange gains and losses resulting from the translation of these amounts are included in earnings for the period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All subsidiaries are considered to be self-sustaining foreign operations and as a result the financial statements of these subsidiaries are translated into Canadian dollars using the current rate method of foreign currency translation. Under this method, assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date and revenues and expenses are translated at the average rate of exchange for the period. Gains and losses resulting from translation of the accounts are recorded in equity as part of accumulated other comprehensive income (loss).

*Use of accounting estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements relate to allowance for doubtful accounts, inventory provisions and valuation, asset impairments, accruals, deferred revenue, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, future income taxes, the carrying values of intangible assets and goodwill and purchase price allocations on acquisitions.

## 4. FUTURE CHANGES IN ACCOUNTING POLICY

*Business Combinations*

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which will replace Handbook Section 1581, *Business Combinations*. The new standard is effective for acquisitions in fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, *Business Combinations*. This section will impact any potential business combinations the Company enters into after the date of adoption. The Company is assessing the impact of the new standard on its consolidated financial statements. The standard was not applied to the acquisition of Teledata.

*Consolidated financial statements and non-controlling interests*

In January 2009, the CICA issued Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which will replace Handbook Section 1600, *Consolidated Financial Statements*. These new standards are effective for interim and annual consolidated statements for fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provide the Canadian equivalent to IFRS

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

IAS 27, *Consolidated and Separate Financial Statements*. The new standards are not expected to have a material effect on the Company's consolidated financial statements.

## 4. FUTURE CHANGES IN ACCOUNTING POLICY (Continued)

*International Financial Reporting Standards*

In February 2008, the Accounting Standards Board confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011, for publicly accountable profit orientated enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to certain recognition, measurement and disclosure. The Company is in the process of assessing the impact of the differences in accounting standards on the Company's consolidated financial statements; on internal control over financial reporting; on the Company's information and data systems; and on other related matters. These new standards will be applicable to the Company for its fiscal year starting July 1, 2011.

## 5. ACCOUNTS RECEIVABLE

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Trade | $ 17,920 | $ 11,863 |
| Accrued | 131 | 63 |
| Other | 168 | 40 |
| Allowance for doubtful accounts | (141) | (259) |
| | $ 18,078 | $ 11,707 |

## 6. INVENTORIES

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Raw materials | $ 8,194 | $ 6,343 |
| Work-in-progress | 2,619 | 1,172 |
| Finished goods | 12,696 | 5,196 |
| Inventory at customer sites | 593 | 3,365 |
| Allowance for obsolescence | (2,070) | (2,322) |
| | $ 22,032 | $ 13,754 |

Inventory at customer sites arises when inventory has been received by the customer but revenue has not been recognized until all elements have been delivered and accepted by the customer, in accordance with Canadian GAAP.

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

## 7. RESTRICTED CASH

Restricted cash represents cash that has been provided as security against guarantees and outstanding letters of credit.  Also included in restricted cash is $70 that is collateral for a $70 operating line of credit included in Bank indebtedness . The line of credit bears interest based on the Israeli prime rate.

## 8. INTANGIBLE ASSETS AND OTHER ASSETS

| | **Eleven months ended March 31, 2011** | Year ended April 30, 2010 |
|---|---|---|
| Balance, beginning of period | $ 4,727 | $ 16,545 |
| Increase on acquisition of Teledata (Note 16) | 33,635 | - |
| Amortization during the period | (11,188) | (5,528) |
| Impairment | (14,349) | (4,355) |
| Impact of changes in foreign exchange rates | (1,981) | (1,935) |
| Balance, end of period | $ 10,844 | $ 4,727 |

The Company performed impairment tests on its intangible assets at March 31, 2011 and recorded an impairment expense of $14,349 (April 30, 2010, as recognized in the quarter ended, January 31, 2010 - $4,355). The impairment of intangible and other assets is due to the continued poor financial results of the Systems segment, and relates entirely to the Systems segment.

## 9. GOODWILL

| | **Eleven months ended March 31, 2011** | Year ended April 30, 2010 |
|---|---|---|
| Balance, beginning of period | $ 14,046 | $ 16,496 |
| Increase on acquisition of Teledata (Note 16) | 30,516 | - |
| Impairment | (22,924) | - |
| Impact of changes in foreign exchange rates | (2,324) | (2,450) |
| Balance, end of period | $ 19,314 | $ 14,046 |

The Company performed impairment tests on its goodwill at March 31, 2011 and recorded an impairment expense of $22,924 (2010 - nil). The impairment of goodwill is due to the continued poor financial  results of the Systems segment, and relates entirely to the Systems segment.

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

## 10. BANK INDEBTEDNESS

The Company has a US$1,000 line of credit, fully drawn at March 31, 2011, which is subject to certain limitations based on accounts receivable balances. The interest rate, based on the Wall Street Journal prime rate plus 1.50%, resulted in an interest rate of 4.75% at March 31, 2011. The note is secured by the assets of one of the subsidiaries of the Company. The Company has drawn the full amount of this line of credit. The Company has a US$70 line of credit, drawn at March 31, 2011, which is secured by restricted cash. The line of credit bears interest based on the Israeli prime rate.

## 11. NOTES PAYABLE

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Secured note (a) | $ 4,544 | $ 2,095 |
| 5% Subordinated notes (b) | 9,696 | - |
| 5% Convertible notes (c) | 2,909 | 3,047 |
| | 17,149 | 5,142 |
| Less: current portion | (2,072) | (1,102) |
| Net long-term portion | $ 15,077 | $ 4,040 |

(a) On July 16, 2010, a secured note payable, with a principal of US$1,879 at the time of redemption, was repaid from the proceeds of a new US$5,000 secured note. The new secured note of US$5,000 has a maturity date of July 20, 2013. The interest rate, based on the Wall Street Journal prime rate plus 1.50%, resulted in an interest rate of 4.75% at March 31, 2011. The note is repayable as interest only for the first six months, then monthly payments of US$181 per month for interest and principal thereafter. The note is secured by the assets of one of the subsidiaries of the Company and is subject to certain financial performance and asset coverage covenants of the subsidiary.

(b) Subordinated notes, with a principal amount of US$10,000, are secured by a subordinated lien on the Company's North American assets. The notes have a maturity date of June 23, 2012 and an interest rate of 5%. Principal and interest are payable at maturity.

**(c)** Convertible notes, with a principal amount of US$3,000, are unsecured and bear interest at a rate of 5% and mature on November 19, 2018. The notes were issued on November 19, 2008. For the first 36 months, monthly payments of interest only are made. These Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of $0.365 (US$0.317) in the first two years, $0.402 (US$0.349) in the third year, $0.442 (US$0.384) in the fourth year and $0.486 (US$0.422) in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 shares. The notes can also be converted in the event of a default of payment.

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

## 12. EMPLOYEE FUTURE BENEFITS

The Company has a liability for severance pay with respect to its employees located in Israel. The liability is determined pursuant to Israeli Severance Pay Law and employee agreements based on the most recent salary of the employees and the number of years of employment, as of the balance sheet date. On departure from the Company, Israel based employees are entitled to one month's salary for each full or partial year of employment. The liability is funded by monthly deposits with insurance companies and the cost is accrued in Enablence's financial statements. The accrued severance pay liability on the balance sheet is net of the value of the accrued liabilities and the funds held by the insurance companies.

## 13. FUTURE INCOME TAX LIABILITY

| | **Eleven months ended March 31, 2011** | Year ended April 30, 2010 |
|---|---|---|
| Balance, beginning of period | $ 3,788 | $ 8,062 |
| Increase on acquisition of Teledata (Note 16) | 8,408 | - |
| Recovery of future income taxes | (8,686) | (3,137) |
| Impact of changes in foreign exchange rates | (444) | (1,137) |
| Balance, end of period | $ 3,066 | $ 3,788 |

The increase in the future tax liability on the acquisition of Teledata Networks Ltd., is due to the difference between the accounting value and tax value of the intangible assets acquired. The recovery of future income taxes is the result of the amortization and impairment amounts recorded during the period.

## 14. SHARE CAPITAL

On December 6, 2010, Enablence completed a public offering of 36,600 common shares at a price of $0.58 per share for net cash proceeds of $19,707 (gross proceeds of $21,228). As partial compensation for this transaction, 1,464 broker warrants were issued, entitling the holder of each warrant to purchase one common share at a price of $0.58 per share to December 5, 2012. The warrants were valued at $404 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model.

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

### 14. SHARE CAPITAL (Continued)

On February 4, 2010, the Company completed a public offering of 71,875 common shares at a price of $0.40 per share for net proceeds of $26,772 (gross proceeds of $28,750). As partial compensation for this transaction, 2,875 broker warrants were issued entitling the holder of each warrant to purchase one common share per warrant at a price of $0.40 per share until August 4, 2011. The warrants were valued at $529 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model.

On May 12, 2009, Enablence completed a public offering of 46,000 common shares at a price of $0.30 per share for net proceeds of $12,927 (gross proceeds of $13,800) . As partial compensation for this transaction, 1,840 broker warrants were issued entitling the holder of each warrant to purchase one common share at a price of $0.30 per share to November 12, 2010. The warrants were valued at $396 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model. All 1,840 of the warrants were exercised, for cash proceeds of $552, prior to November 12, 2010.

*Warrants*

Each warrant entitles the holder to purchase one common share of the Company. A summary of the warrants outstanding and the changes during the periods is presented below:

| | Eleven months ended March 31, 2011 | | Twelve months ended April 30, 2010 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Outstanding and exercisable, beginning of period | 3,977 | $ 0.37 | - | $ - |
| Issued | 1,464 | 0.58 | 4,715 | 0.36 |
| Exercised | (1,390) | 0.30 | (738) | 0.34 |
| Outstanding, and exercisable end of period | 4,051 | $ 0.47 | 3,977 | $ 0.37 |

The following table summarizes information for warrants outstanding:

| | Expiry | March 31, 2011 | April 30, 2010 |
|---|---|---|---|
| $ 0.30 | November 12, 2010 | - | 1,390 |
| $ 0.40 | August 4, 2011 | 2,587 | 2,587 |
| $ 0.58 | December 5, 2012 | 1,464 | - |
| | | 4,051 | 3,977 |

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

## 14. SHARE CAPITAL (Continued)

*Stock option plan*

The Company has established a stock option plan available for directors, officers, employees and consultants, and authorized a stock option pool equal to 10% of the outstanding common shares, thereunder. As at March 31, 2011, the option pool was 42,105. The options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options granted prior to March 18, 2008 all vested prior to September 30, 2009 in accordance with the terms of their grant. Options granted on or after March 18, 2008 generally vest in four equal annual portions starting one year after the date of grant. All options expire on the $10^{th}$ anniversary of the grant or 90 days after termination of employment. Options granted to directors vest over a two year period.

A summary of the Company's stock options and changes during the periods is presented below:

| | Eleven months ended March 31, 2011 | | Twelve months ended April 30, 2010 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 19,213 | $ 0.84 | 17,299 | $ 0.93 |
| Granted | 14,430 | 0.60 | 4,050 | 0.58 |
| Exercised | (950) | 0.37 | - | - |
| Forfeited | (2,595) | 0.71 | (2,061) | 0.82 |
| Expired | (478) | 1.10 | (75) | 0.30 |
| Outstanding, end of period | 29,620 | $ 0.74 | 19,213 | $ 0.84 |
| Exercisable, end of period | 12,300 | $ 0.90 | 12,039 | $ 0.87 |

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

### 14. SHARE CAPITAL (Continued)

The following table summarizes the options outstanding and exercisable as at March 31, 2011:

| Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|
| Exercise Price ($) | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Number Exercisable | Exercise Price ($) |
| $ 0.30 | 827 | 7.73 | 414 | $ 0.30 |
| 0.37 | 2,904 | 5.32 | 2,904 | 0.37 |
| 0.44 | 155 | 9.87 | - | 0.44 |
| 0.45 | 300 | 9.87 | - | 0.45 |
| 0.49 | 1,000 | 8.76 | 250 | 0.49 |
| 0.50 | 3,608 | 6.73 | 2,674 | 0.50 |
| 0.60 | 11,565 | 9.45 | 50 | 0.60 |
| 0.67 | 700 | 9.52 | - | 0.67 |
| 0.72 | 1,500 | 9.06 | - | 0.72 |
| 0.80 | 2,640 | 5.84 | 2,640 | 0.80 |
| 1.15 | 2,021 | 7.18 | 1,037 | 1.15 |
| 1.37 | 375 | 4.81 | 375 | 1.37 |
| 2.30 | 1,750 | 6.86 | 1,750 | 2.30 |
| 2.39 | 275 | 6.97 | 206 | 2.39 |
| $ 0.74 | 29,620 | 7.95 | 12,300 | $ 0.90 |

Under the fair value method, the Company calculates the fair value of stock option grants at the date of granting, and amortizes that fair value as compensation expense over the vesting period of those grants and awards. The fair value is determined using the Black-Scholes option pricing model with the following assumptions updated quarterly for the following grant periods:

| | Three months ended | | | |
|---|---|---|---|---|
| | Mar. 31, 2011 | Dec. 31, 2010 | Sep. 30, 2010 | April 30, 2010 |
| Risk-free interest rate | 1.70% | 1.55% | 1.99% | 2.56% |
| Expected life of options (years) | 5 | 5 | 5 | 5 |
| Expected annualized volatility | 100% | 100% | 99% | 94% |
| Expected dividend yield | Nil | Nil | nil | nil |

### 14. SHARE CAPITAL (Continued)

During the three-month period ended March 31, 2011 stock-based compensation expense was $532 (April 30, 2010 - $224). During the eleven-month period ended March 31, 2011, stock-based compensation expense was $1,588 (twelve months ended April 30, 2010 - $1,436). Stock-based compensation is recorded as an increase to contributed surplus and transferred to share capital when the underlying options are exercised. Grant date fair value of options issued during the three months ended March 31, 2011 was $170 (April 30, 2010 - $840). Grant date fair value of options issued during the eleven months ended March 31, 2011 was $6,425 (twelve months ended April 31, 2010 - $1,706).

### 15. LOSS PER SHARE

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. As a result of the net losses in each of the reporting periods, the potential effect of the exercise of stock options and warrants was anti-dilutive; therefore, 33,671 potentially dilutive shares at March 31, 2011 (April 30, 2010 – 23,190) have not been included in the calculation of diluted loss per common share for the three and eleven months ended March 31, 2011 and the three and twelve months ended April 30, 2010.

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

## 16. ACQUISITION OF TELEDATA

On June 23, 2010, the Company completed its acquisition of all the shares of Teledata, a high-speed broadband equipment provider based in Israel. The acquisition was accounted for by the purchase method, whereby the results of the operations of Teledata are included in the consolidated statements of loss, other comprehensive loss and comprehensive loss and cash flows since the acquisition date. The net purchase price of $52,106 was allocated based on the estimated fair values of the identifiable assets and liabilities acquired. U.S. dollar amounts were converted to Canadian dollars using the exchange rate of 1.0384 as at June 23, 2010.

Purchase Price

| | |
|---|---|
| Cash | $ 10,384 |
| Issuance of 54,932 common shares | 30,762 |
| U.S. $10,000 of 5% subordinated secured notes (Note 9) | 10,384 |
| Estimated transaction costs incurred to date | 613 |
| | $ 52,143 |

| | | |
|---|---|---|
| The allocation of the purchase price was: | | |
| Cash | | $ 1,477 |
| Accounts receivable | | 9,724 |
| Inventory | | 5,165 |
| Prepaid expenses and deposits | | 2,066 |
| Accounts payable and accrued liabilities | | (25,089) |
| Other payable | | (3,738) |
| Net working capital acquired | | (10,395) |
| Property and equipment | | 967 |
| Restricted cash | | 5,828 |
| Intangible assets | | |
| Customer relationships | 15,970 | |
| Technology | 14,915 | |
| Trade name | 2,595 | |
| Non-compete agreement | 155 | |
| | 33,635 | 33,635 |
| Goodwill | | 30,516 |
| Future tax liability | | (8,408) |
| Total purchase price | | $ 52,143 |

| | |
|---|---|
| Cash issued as part of purchase price | $ 10,384 |
| Cash costs of closing | 613 |
| Less: Cash acquired | (1,477) |
| Cash portion of acquisition | $ 9,520 |

The intangible assets are being amortized on a straight-line basis over a three year period from the date of acquisition, and their carrying value is evaluated at least annually.

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

## 17. RESTRUCTURING CHARGES

During the three months ended March 31, 2011, the Company continued its restructuring activities in an effort to reduce costs and improve operating efficiencies. The restructuring charges consist of severance and benefits related to the reduction of the Company's workforce and the relocation of its Wilmington, Massachusetts operations to its Fremont, California location in April 2011.

During the three months ended March 31, 2011, the Company recorded $149 in restructuring costs (April 30, 2010 - $1,787). During the eleven months ended March 31, 2011, the Company recorded $1,060 in restructuring costs (twelve months ended April 30, 2010 - $2,287). Included in accrued liabilities at March 31, 2011 is $223 related to restructuring charges (April 30, 2010 – $1,750) which are expected to be substantially paid out in cash in the quarter ending June 30, 2011.

## 18. FINANCIAL INSTRUMENTS

*Carrying values and fair values*

Financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments.

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Held for trading assets (1) | $ 11,296 | $ 24,953 |
| Loans and receivables (2) | 18,078 | 11,707 |
| Held for trading liabilities (3) | 30,385 | 14,244 |
| Other financial liabilities (4) | 17,149 | 5,142 |

(1) Includes cash and cash equivalents and restricted cash
(2) Includes accounts receivable
(3) Includes accounts payable and accrued liabilities and operating line of credit
(4) Includes notes payable and convertible notes at amortized cost

CICA Section 3862 Financial Instruments - Disclosures requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

The financial assets and liabilities measured at fair value on the balance sheet consist of items classified as current and are amounts that are generally expected to be settled within one year. There are three levels of the fair value hierarchy as follows:

**18. FINANCIAL INSTRUMENTS (Continued)**

*Carrying values and fair values (continued)*

Level 1: Values based upon unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based upon prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the financial instruments recorded at fair value in the Consolidated Balance Sheet, classified using the fair value hierarchy described above:

| | Level 1 | Level 2 | Level 3 | Total financial assets and liabilities at fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | $ 8,536 | $ - | $ - | $ 8,536 |
| Restricted cash | 2,760 | - | - | 2,760 |
| Total financial assets | $ 11,296 | $ - | $ - | $ 11,296 |

The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short term maturity of these financial instruments.

*Credit risk*

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents, restricted cash and accounts receivable. The Company primarily invests its excess cash in high quality financial instruments. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. Two customers accounted for approximately 28% of the accounts receivable balance at March 31, 2011 (15% and 13% individually). As at April 30, 2010 no one customer accounted for greater than 10% of the accounts receivable balance.

The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade receivables in order to mitigate any possible credit losses.

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

### 18. FINANCIAL INSTRUMENTS (Continued)

The allowance for doubtful accounts provision and past due receivables are reviewed by management at each balance sheet reporting date. The Company updates its estimate of the allowance for doubtful accounts based on an examination of the aged accounts receivable listing, considering such factors as customer payment history and the current financial condition of the customers. Accounts receivable are written off once determined to be not collectible.

The ageing of trade accounts receivable (net of the allowance of $141 at March 31, 2011 and $259 at April 30, 2010) is summarized as follows:

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Current or under 60 days | $ 13,649 | $ 8,763 |
| Past due 61 to 90 days | 501 | 687 |
| Past due greater than 90 days | 3,629 | 2,154 |
| Total trade accounts receivable | $ 17,779 | $ 11,604 |

Of the $4,130 of past due accounts receivable greater than 60 days at March 31 2011, $2,378 has been collected between March 31, 2011 and May 20, 2011.

The continuity of the allowance for doubtful accounts is as follows:

| | **March 31, 2011** | April 30, 2010 |
|---|---|---|
| Balance, beginning of period | $ 259 | $ 267 |
| Increase during the period | 42 | 139 |
| Accounts written off during the period | (160) | (147) |
| Balance, end of period | $ 141 | $ 259 |

*Interest rate risk*

The Company is exposed to interest rate risk as its U.S. dollar denominated note payable and Operating line of credit have a variable interest rate based on the Wall Street Journal prime rate. The Company does not use derivative instruments to reduce its exposure to interest rate risk as the risk is considered manageable.

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

## 18. FINANCIAL INSTRUMENTS (Continued)

*Foreign currency risk*

The Company operates internationally with subsidiaries in the United States, Israel and Switzerland and is therefore subject to foreign currency risk. Enablence reports its financial results in Canadian dollars. Most of the Company's revenues are based in U.S. currency, and the Company incurs expenses in U.S. dollars, the Israeli shekel and, to a lesser extent, the Swiss franc. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

A 10% strengthening of the following currencies against the Canadian dollar would have increased net losses from operations and increased other comprehensive income ("OCI") by the amounts shown below. A weakening of the following currencies would have the opposite effect.

| | **Eleven months ended March 31, 2011** | | **Twelve months ended April 30, 2010** | |
|---|---|---|---|---|
| | Net loss | OCI | Net loss | OCI |
| US$ | $ 1,537 | $ 7,455 | $ 2,369 | $ 2,630 |
| Swiss francs (CHF) | (105) | 326 | 13 | 193 |
| Israeli shekel | 953 | - | - | - |

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and cash equivalents. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

At March 31, 2011, the Company has five long-term financial liabilities, payments for which are due as follows including interest:

| | To Mar. 31, 2012 | To Mar. 31, 2013 | To Mar. 31, 2014 | To Mar. 31, 2015 | Beyond Mar. 31, 2015 | Total |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $28,957 | $ 390 | $ - | $ - | $ - | $29,347 |
| Operating Line of Credit | 1,039 | - | - | - | - | 1,039 |
| Secured notes | 2,104 | 2,104 | 701 | - | - | 4,909 |
| Subordinated notes | - | 10,277 | - | - | - | 10,277 |
| Convertible debt | 329 | 543 | 522 | 501 | 1,626 | 3,521 |
| Total | $32,429 | $13,314 | $1,223 | $ 501 | $1,626 | $49,093 |

(In thousands of Canadian dollars except per share data and except as otherwise indicated)

## 19. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain customer, supplier, investor, creditor, and market confidence and to sustain future development of the business through organic growth and selective acquisitions.

Management defines capital as the Company's total shareholders' equity and long-term debt. In order to maintain or strengthen its capital structure, the Company could issue new shares or raise new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

There were no changes in the Company's approach to capital management during the period.

## 20. SEGMENTED INFORMATION

The Company has three reportable segments: Systems, Optical Components and Subsystems ("OCS") and Corporate as determined by the Chief Executive Officer who is the chief operating decision maker.

The Company's reportable segments are strategic business units comprised of different products and services. The Company uses these segments as a primary basis of internal reporting, planning, performance analysis and decision making. The products and services of each reportable segment require different technology and marketing strategies.

Revenue and net loss by reportable segment is presented in the following tables:

| | Three months ended March 31, 2011 | | Three months ended April 30, 2010 | |
|---|---|---|---|---|
| | Revenue | Net Loss | Revenue | Net Loss |
| OCS | $ 8,174 | $ - | $ 6,925 | $ (1,859) |
| Systems | 6,488 | (41,800) | 7,169 | (3,246) |
| Corporate | - | (1,207) | - | (3,526) |
| | $ 14,662 | $ (43,007) | $ 14,094 | $ (8,631) |

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

## 20. SEGMENTED INFORMATION (Continued)

| | Eleven months ended March 31, 2011 | | Twelve months ended April 30, 2010 | |
|---|---|---|---|---|
| | Revenue | Net Loss | Revenue | Net Loss |
| OCS | $ 29,837 | $ (1,504) | $ 23,448 | $ (7,947) |
| Systems | 57,250 | (54,279) | 30,444 | (18,099) |
| Corporate | - | (5,271) | - | (6,528) |
| | $ 87,087 | $ (61,054) | $ 53,892 | $ (32,574) |

Intersegment revenue for the eight months ended March 31, 2011 consisted of sales of $49 from the OCS segment to the Systems segment (twelve months ended April 30 2010 - $73). All intersegment transactions are eliminated on consolidation and are excluded from the above chart.

Certain assets by reportable segment are presented in the following table:

| | March 31, 2011 | | April 30, 2010 | |
|---|---|---|---|---|
| | Goodwill | Intangible and other assets | Goodwill | Intangible and other assets |
| OCS | $ 5,524 | $ - | $ 5,787 | $ 898 |
| Systems | 13,790 | 10,657 | 8,259 | 3,677 |
| Corporate | - | 187 | - | 152 |
| | $ 19,314 | $ 10,844 | $ 14,046 | $ 4,727 |

Certain assets are analyzed geographically as follows:

| | March 31, 2011 | | April 30, 2010 | |
|---|---|---|---|---|
| | Property, plant and equipment | Goodwill, intangible and other assets | Property, plant and equipment | Goodwill, intangible and other assets |
| United States | $ 6,302 | $ 6,806 | $ 7,281 | $ 18,363 |
| Switzerland | 2,763 | - | 2,703 | - |
| Israel | 891 | 23,165 | - | - |
| Canada | 826 | 187 | 598 | 410 |
| Brazil | 67 | - | - | - |
| | $ 10,849 | $ 30,158 | $ 10,582 | $ 18,773 |

**(In thousands of Canadian dollars except per share data and except as otherwise indicated)**

## 20. SEGMENTED INFORMATION (Continued)

Revenue is analyzed geographically as follows:

| | Three months ended March 31, 2011 | Three months ended April 30, 2010 | Eleven months ended March 31, 2011 | Twelve months ended April 30, 2010 |
|---|---|---|---|---|
| North America | $ 5,754 | $ 8,783 | $ 29,282 | $ 34,829 |
| Central and Latin America | 1,760 | 75 | 8,362 | 454 |
| Asia Pacific | 3,344 | 3,211 | 32,791 | 10,051 |
| Europe, Middle East and Africa | 3,804 | 2,025 | 16,652 | 8,558 |
| | $ 14,662 | $ 14,094 | $ 87,087 | $ 53,892 |

During the eleven months ended March 31, 2011, two customers accounted for 26% of the Company's total revenue (16% and 10% individually). During the twelve ended April 30, 2010, no one customer accounted for greater than 10% of the Company's total revenue

## 21. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

| | Three months ended March 31, 2011 | Three months ended April 30, 2010 | Eleven months ended March 31, 2011 | Twelve months ended April 30, 2010 |
|---|---|---|---|---|
| Accounts receivable | $ 8,023 | $ (2,641) | $ 2,288 | $ (1,350) |
| Inventories | (1,776) | 522 | (3,999) | 3,256 |
| Prepaid expenses and deposits | 954 | (311) | 2,048 | (138) |
| Accounts payable and accrued liabilities | (8,183) | 1,528 | (1,067) | 204 |
| Deferred revenue | 134 | (488) | (4,343) | (2,249) |
| | $ (848) | $ (1,390) | $ (5,073) | $ (277) |

## 22. SUBSEQUENT EVENTS

On April 28, 2011, the Company announced that it had begun an initiative to explore strategic alternatives to achieve the most value-enhancing and efficient divestiture of the Systems segment. The decision to divest the Systems segment will allow management to focus on the profitable growth and cash flows of the OCS segment. The Company has retained an investment banker to assist in the evaluation of strategic alternatives for the Systems segment, such as a sale, partial sale or closure. There can be no assurance as to the likelihood, terms or timing of any transaction.

*Financing*

On May 5, 2011, the Company completed a non-brokered private placement financing of 45,500,000 common shares at a price of $0.22 per share for net cash proceeds of approximately $10,000 (gross proceeds of $10,100). The proceeds from the financing will be used primarily towards the growth and expansion of its OCS segment, including the cash funding of the Company's investment in the joint venture with SUNSEA Telecommunications Co., Ltd. of China (the "JV Partner"); see below.

*China Joint Venture*

Enablence is expanding its OCS segment in part with its investment in a joint venture that will operate in China named Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the "China JV"). The JV Partner will own 51% of the China JV, and Enablence will own a 49% interest. The China JV will develop, manufacture and sell optical components based in part on Enablence's PLC technology.

The initial investments by the China JV partners are as follows:

- US$9,180 by the JV Partner, all in cash
- US$8,820 by Enablence, comprising:
    - US$3,500 in cash
    - US$1,000 of capital equipment
    - US$4,320 in intellectual property and know-how

In conjunction with the initial funding of the China JV, on May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of US$3,500, secured by US$1,200 cash on deposit and a lien on the shares in the Company's investment in the China JV. The note has a maturity date of April 20, 2016 and an interest rate at the greater of 5.5% and Wall Street Journal Prime Rate plus 1.5%. The note is repayable as interest only for the first twelve months, then interest and principal amortized over the remaining term of the loan. As partial consideration for the loan, the Company issued to the bank warrants to purchase up to 400,000 common shares of Enablence, at an exercise price of $0.22 per share, expiring April 9, 2013.

On May 12, 2011, the Company paid the initial investment in the China JV, through its contribution of US$3,500.