

**ENABLENCE TECHNOLOGIES INC.**

**2010 ANNUAL INFORMATION FORM**

**For the Year Ended April 30, 2010**

**Dated August 26, 2010**

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## GENERAL MATTERS

### Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form (“AIF”) of Enablence Technologies Inc. (“Enablence” or the “Company”) is as of August 25, 2010.

For reporting purposes, the Company prepares its financial statements in Canadian dollars and in conformity with accounting principles generally accepted in Canada (Canadian GAAP). Unless otherwise stated, all dollar (“\$”) amounts in this AIF are expressed in Canadian dollars. References to “US\$” are to United States dollars.

### Currency and Exchange Rates

All references in this annual information form to “dollars” or “\$” are to Canadian dollars unless otherwise indicated. The Company generates a material part of its revenues and incurs a material portion of its expenses and costs in United States (U.S.) dollars. As such, the financial position and operating results of the Company are susceptible to material changes in the exchange rate between the Canadian dollar and the U.S. dollar.

The following table sets out the exchange rates for currencies expressed in terms of equivalent Canadian dollars for one U.S. dollar in effect for the following periods:

	Year Ended		
	April 30 2008	April 30 2009	April 30 2010
End of the period	1.007	1.193	1.016
Average for the period	1.023	1.144	1.074

	Three Months Ended			
	July 31, 2009	Oct 31, 2009	Jan 31, 2010	April 30, 2010
High for the period	1.205	1.112	1.086	1.078
Low for the period	1.075	1.021	1.022	0.993
Average for the period	1.136	1.075	1.054	1.028

Exchange rates are the historical interbank foreign exchange rates for the appropriate period as quoted by OANDA Corporation on its website [www.oanda.com](http://www.oanda.com).

## FORWARD-LOOKING INFORMATION

This AIF and the documents incorporated by reference herein contain “forward-looking information” concerning anticipated developments and events which the Company has a reasonable basis to believe may occur in the future. These forward-looking statements are made as of the date of this AIF or, in the case of documents incorporated by reference herein, as of the date of such documents. These forward-looking statements may concern anticipated developments in the Company’s operations in future periods, the adequacy of the Company’s financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “expectation”, “anticipates”, “believes”, “intends”, “estimates”, “predicts”, “potential”, “targeted”, “plans”, “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. These forward-looking statements include, without limitation, statements about the Company’s market opportunities, strategies, competition, expected activities and expenditures as the Company pursues its business plan, the adequacy of the Company’s available cash resources and other statements about future events, conditions or results. Forward-looking statements are statements about the future and are inherently uncertain, and actual results of the Company or other future events or conditions may *differ materially from those* reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as the significant future capital requirements of the Company and the need for significant additional

financing, fluctuations in quarterly and annual operating results, gross margins, customer spending patterns, sales cycles, dependence on third party suppliers and contract manufacturers, managing growth and integration, the current global economic conditions, spending patterns and new orders from customers, the competitive market and well financed competitors, the Company's history of negative cash flow, product demand and new services, rapidly changing markets, product development and technological change, business combinations and restructuring of service providers, consolidation of manufacturing operations, manufacturing requirements and inventory, undetected product defects, payment defaults by the Company's customers, international operations and expansion, retention of key and qualified personnel, future acquisitions, share price volatility, regulatory inquiries, protection of intellectual property rights and potential related litigation, accounting and tax rule changes, and significant number of common shares owned by a limited number of existing shareholders, including, without limitation, those referred to and incorporated by reference in this AIF under the heading "Risk Factors". Although the Company has attempted to identify important factors (which it believes are reasonable) that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Such statements are based on a number of assumptions which may prove to be incorrect, including but not limited to assumptions about: general business and current global economic conditions, interest rates and foreign exchange rates, market competition; the availability of financing; changes to tax rates and benefits, the Company's costs of production and operations as well as those of the Company's competitors, the Company's ability to attract and retain skilled employees, and the Company's ongoing relations with its suppliers and business partners. Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Company is a corporation continued under the *Canada Business Corporations Act* (the "CBCA"). The head and registered office of the Company is located at 400 March Road, Ottawa, Ontario K2K 3H4, Telephone: (613) 270-7865.

### **Intercorporate Relationships**

As of August 25, 2010 the Company had eight subsidiaries.

Name	Jurisdiction of Incorporation	Percentage of Ownership by the Company or its subsidiaries
Enableness Canada Inc.	Canada	100%
Enableness Switzerland AG	Switzerland	100%
Teledata Networks Ltd.	Israel	100%
Enableness USA Inc.	State of Delaware, USA	100%
Enableness USA Components Inc.	State of Delaware, USA	100% by Enableness USA Inc.
Enableness USA Technologies Inc.	State of Delaware, USA	100% by Enableness USA Components Inc.
Enableness USA FTTx Networks Inc.	State of Delaware, USA	100% by Enableness USA Inc.
Enableness Systems Inc.	State of Delaware, USA	100% by Enableness USA FTTX Networks Inc.

## GENERAL DEVELOPMENT OF THE BUSINESS

### History of the Business and Significant Acquisitions and Securities Transactions

#### *Background*

The Company started by developing planar lightwave circuit (“PLC”) technologies and acquiring PLC and similar patents, with a view of developing products based on the PLC technologies. Subsequent to a reverse take over (“RTO”) of Pacific Northwest Partners Limited on July 24, 2006, the Company initiated a strategy of growth by acquisition. The vision was, and remains, to acquire existing businesses with a view of building a vertically integrated optical components and systems business.

#### *Acquisitions*

On February 7, 2008, the Company completed the acquisition of ANDevices, Inc. (now Enablence USA Components Inc.) whereby the Company acquired all the shares of ANDevices, Inc. for an aggregate price of US\$13.5 million and the issuance of 9,085,113 common shares of Enablence at a price of \$2.47 per common share. The operations of ANDevices are an integral part of the Components Division of the Company. The Company filed a business acquisition report on Form 51-102F4 dated June 9, 2008 in respect of the acquisition of ANDevices, Inc.

On May 5, 2008, the Company completed the acquisition of Wave7 Optics, Inc. pursuant to which Enablence acquired all the shares of Wave7 for an aggregate purchase price of US\$10.5 million and the issuance of 2,078,385 common shares. Wave7 is an integral part, along with the operations of Pannaway Technologies Inc. (see below) of the Systems Division of the Company. The Company filed a business acquisition report on Form 51-102F4 dated July 21, 2008 in respect of the acquisition of Wave 7 Optics, Inc.

On July 31, 2008, the Company and its wholly-owned subsidiary, Enablence Technologies USA Inc., completed an asset acquisition from DuPont Photonics and its parent, E.I. DuPont de Nemours and Company to acquire certain assets of DuPont Photonics. The purchase price was 6,847,638 common shares for an aggregate cash consideration of US\$9.5 million which included an investment by DuPont of US\$5 million in Enablence.

On November 18, 2008, the Company completed the acquisition of Pannaway Technologies Incorporated (now Enablence Systems Inc.). Under the terms of the agreement, the Company issued 20,250,000 common shares and US \$200,000 to Pannaway shareholders and 5,500,000 common shares to a Pannaway debt holder in respect of the cancellation of certain Pannaway debt at a price of \$0.30 per common share. The Company also issued 10 year convertible notes in the aggregate of US \$3,000,000 bearing interest of 5% per annum to four Pannaway debtholders. The Pannaway operations are an integral part of the Systems Division, along with the Wave7 operations.

On June 23, 2010, the Company completed the acquisition of Teledata Networks Ltd. (“Teledata”), a high speed broadband provider based in Tel Aviv, Israel. In consideration of acquisition, the Company paid US\$10 million in cash, issued US\$10 million of subordinated secured, 5%, two year promissory notes and 54,932,143 common shares to the shareholders of Teledata. The Company expects to file a business acquisition report in September 2010 in respect of the Teledata acquisition.

The heading “Business of Enablence” below provides a greater understanding of how each of these acquisitions benefits Enablence.

### *Equity and Debt Financings*

On October 25, 2007, the Company closed a public offering of an aggregate of 42,592,665 common shares at a price of \$1.35 per share for total gross proceeds of approximately \$57,500,000 (net proceeds of \$53,651,212). As partial compensation for the financing transaction 1,277,779 broker warrants of the Company were issued.

On May 5, 2009, the Company closed a public offering of an aggregate of 46,000,000 common shares of which 6,866,667 were acquired at a price of \$0.30 per share for total gross proceeds of approximately \$13,800,000 (net proceeds of \$12,926,954). As partial compensation for the financing transaction 1,840,000 broker warrants of the Company were issued.

On February 4, 2010, the Company closed a public offering of an aggregate of 71,875,000 common shares at a price of \$0.40 per share for gross proceeds of \$28,750,000 (net proceeds of \$26,771,810). As partial compensation for the financing transaction 2,875,000 broker warrants of the Company were issued.

On July 16, 2010, the Company issued a US\$5 million three year, secured, promissory note, bearing interest at the greater of 5% and 1.5 percentage points over the prime rate published by the Wall Street Journal. The Company used \$1,878,936 of the proceeds of this promissory note the Company to repay an existing promissory note.

### *Corporate Developments*

On March 31, 2010, the Company announced the separation of the positions of Chief Executive Officer and Chair of the Board of Directors of the Company. Arvind Chhatbar remained as Chair of the Board of Directors and Tim Thorsteinson became the Chief Executive Officer of the Company.

On July 28, 2010, the Company indicated that it will be changing its year end from April 30 to June 30. The change in year-end will result in a 14-month year ending June 30, 2011.

On July 28, 2010, the Company announced that it would transfer its polymer production capacity from its Wilmington, Massachusetts facility to its Fremont, California fabrication facility, and that the Wilmington, Massachusetts facility would be subsequently closed.

### *Product Developments*

The Company introduced a number of new products during the last year, including:

- large area dual wavelength 10Gb/s photodiodes, for manufacturers of computer and consumer electronics;
- side illuminated low entry monitor photodiode, for manufacturers of lasers and transceivers;
- tunable filter arrays, for telecommunication equipment manufacturers; and
- photonic integrated circuits, for telecommunications equipment manufacturers addressing the next generation 120Gb/s optical transport networks

## **BUSINESS OF ENABLENCE**

Enablence is a vertically integrated business, utilizing its patented technologies including PLC-based intellectual property, know-how and trade secrets in the production of an array of photonics components and broadband equipment that address the long-haul, metro loop and access markets. Headquartered in Ottawa, Canada, Enablence is organized into two divisions, the Optical Components and Subsystems division, and, the Systems division.

The Optical Components and Subsystems division has a broad portfolio of products using the PLC technology that allows the Company to supply high value-added products to its customers. The Systems division provides a complete broadband system solution to allow for increased broadband deployments worldwide using Enablence's products. These two divisions are complementary to each other and form part of the same value chain and complement each other.

### Enablence Optical Components and Subsystems Division

The core competencies of the Optical Components and Subsystems division are:

- an experienced sales team that has developed relationships with many of the Tier 1 customers;
- design and integration of PLC-based optical components, subsystems and custom integrated solutions, an activity led by the product innovation team in Ottawa, Canada;
- design and production of PLC-based arrayed waveguide grating devices (“WGD”), using the Company’s silica-on-silicon fabrication facilities in Fremont, California;
- design and production of proprietary PLC-based tunable and reconfigurable optical add drop multiplexer (“ROADMs”) using silica-on-silicon technology from the Company’s Fremont, California operations and polymer PLC from the technology acquired from DuPont Photonics in July 2008; and
- design and production of advanced photodiodes using the gallium arsenide and indium phosphide from its fabrication facility near Zurich, Switzerland.

With these capabilities within the Optical Components and Subsystem division, Enablence is one of the few companies that possesses all three capabilities to process optical wafers in the key optical material groups, namely silica-on-silicon, polymer and indium phosphide with commercially available products using all three substrates. Enablence’s PLC optical chip technology enables the integration of sub-components (waveguides, photodetectors, lasers and transimpedance amplifiers) on to one platform.

Enablence’s core technology is portable to numerous markets including long-haul and metro area fibre optic networks that require filtering technology to separate and multiplex various optical signals. The chip-based integration capabilities of the Enablence platform technology makes it also suitable for an array of biomedical and aerospace applications, instrumentation, and sensor systems which are experiencing growing demand due in part to infrastructure projects worldwide.

### Enablence Systems Division

The core competencies of the Systems division are:

- a mature North American sales team with a history of selling high speed broadband solutions to Tier II and Tier III customers;
- a strong international sales team that has achieved an impressive record of wins in Europe, Asia and South America;
- with the addition of Teledata, a mature sales team with a history of success in selling high speed broadband solutions in the emerging markets;
- an experienced engineering team that has designed integrated broadband solutions that provide service providers with the opportunity to transition from their existing copper based networks to a fibre-to-the-home solution in a controlled manner utilizing a single Optical Line Terminal (“OLT”) and related user interface.

The Company’s patented technology handles multiple protocols (Ethernet Passive Optical Network “EPON”, Gigabit Passive Optical Network “GPON” & Point-to-Point Ethernet). With these high speed broadband products, Enablence is able to provide a system solution for broadband networks around the world, dealing directly with carriers deploying networks worldwide while providing complete product solutions to meet customer needs.

The Systems division has installed broadband solutions with over 400 customers, worldwide. Irrespective of which OLT is deployed (Trident7™, Magnm™, MagnmFX™, BroadAccess™) at a customer’s central office, an integrated ONT, incorporating a transceiver can be used at each end user’s location, allowing the Company to leverage its ONT technology across a large customer base.

The Company uses contract manufacturers worldwide, including those in the United States, China, Taiwan and Israel to assist in the production of its various product lines. Management continues to assess these relationships to ensure that the arrangements and agreements are cost effective and meet the on-going needs and requirements consistent with market and competitive circumstances.

### *Growth Strategy*

A number of product developments are planned for 2011 fiscal year, including:

- integration of VDSL capability, as developed by Teledata, into the Magnm™ platform offered to the North American access markets;
- integration of optical capability, as developed by Enablence, into the BroadAccess™ platform offered to the international access markets;
- integration of multi-channel traffic management tools into the Company's OLT's, to offer a higher value solution to the high speed broadband access markets;
- development of multi-channel 100 gigabyte optical components, aimed at the long haul and metro loop optical fibre market.

These development programs are expected to be funded by a combination of third party funded design contracts and internal resources.

### **RISK FACTORS**

An investment in the Enablence Common Shares is subject to certain risks. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company.

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties that could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The current global economic uncertainty poses additional risks and uncertainties which may materially affect management's expectations. Any investor should also consider carefully these risks and the risks and uncertainties that are detailed below and available as part of the Company's continuous disclosure record available at [www.sedar.ca](http://www.sedar.ca).

The following are the principal risk factors relating to Enablence and its business:

#### **Significant Future Capital Requirements; Need for Significant Additional Financing**

The Company's future capital requirements will be significant. Its recent and future acquisitions may also impose a financial strain requiring more capital. There can be no assurances that the Company will be able to raise the additional funds (on commercially reasonable terms or at all) that it will need to develop its products and remain competitive in its markets. Any inability to obtain additional financing when needed would have a material adverse effect on the Company. In addition, any additional equity financing may involve substantial dilution to Company's then existing shareholders.

#### **The Company's revenue and operating results can be difficult to predict and can fluctuate substantially, which may harm its results of operations.**

The Company's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, the Company's operating results may not follow any past trends. The factors affecting the Company's revenue and results, many of which are outside of its control, include:

- lack of long-term purchase commitments from customers;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products, product announcements and changes in pricing policy by the Company or its competitors
- market acceptance of the Company's products;
- the Company's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing and contractual terms of orders for the Company's products, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of the Company's customers;

- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in overall demand for the Company's products; and
- timing of product development and new product initiatives.

With the addition of Teledata in June 2010, the Company's susceptibility to material changes in its quarterly revenue and operating results increased significantly because Teledata's customer base typically enters into larger value contracts than the customers that Enablece had prior to the acquisition of Teledata. Should a delay in the delivery of products due to a delay in the receipt of a purchase order cross a quarter end, the impact on the revenues and operating results for each of the quarters could vary materially.

**The Company's gross margin and operating results may be adversely affected by pricing models required to compete successfully and/or if its product cost targets cannot be achieved.**

The intensely competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products and services, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes or actions would reduce the Company's margins and could adversely affect the Company's operating results

Many of the Company's competitors have significantly greater financial, technical, marketing or service resources than the Company. Many of these competitors also have a larger installed base or products, have longer operating histories or have greater name recognition than the Company. Customers and prospective customers of the Company are generally concerned that their suppliers will continue to operate and provide product support, maintenance and warranty services.

The Company's ability to compete successfully depends on a number of factors, including:

- the successful identification and development of new products for the Company's core market;
- the Company's ability to anticipate customer and market requirements and changes in technology and industry standards in a timely manner;
- the Company's ability to gain access to and use technologies in a cost-effective manner;
- the Company's ability to introduce cost-effective new products in a timely manner;
- the Company's ability to differentiate its products from its competitors' offerings;
- the Company's ability to gain customer acceptance of its products;
- the performance of the Company's products relative to its competitors' products;
- the Company's ability to market and sell the Company's products through effective sales channels;
- the Company's ability to establish and maintain effective internal financial and accounting controls and procedures;
- the protection of the Company's intellectual property, including its processes, trade secrets and know-how; and
- the Company's ability to attract and retain qualified technical, executive and sales personnel.

**Dependence on Third Party Suppliers**

The Company relies heavily on its suppliers and contract manufacturers. If third party suppliers or manufacturers lack sufficient quality control or if there are significant changes in the financial or business conditions of such third parties, it may have a material adverse effect on the Company's business. The Company's profit margins and time to market may be affected by factors beyond its immediate control. The Company's products also use other customized components that are procured from third parties. The performance and ability of these suppliers and the performance of their components are critical to its success. The hybridization of these active components onto the Company's PLC platform requires specialized equipment, the capacity of which cannot be assured through its outsourcing suppliers. The packaging of the Company's components is performed through contract manufacturers, and it relies on their ability to achieve the Company's pricing and capacity requirements.

### **Third Party Contract Manufacturing**

The Company's Systems Division does not have internal manufacturing capabilities and relies on a small number of contract manufacturers to build its products, components and systems. The Company's reliance on a small number of contract manufacturers makes it vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields and costs. The Company does not have long-term supply contracts with its primary contract manufacturers. Consequently, these manufacturers are not obligated to supply products to the Company for any specific period, in any specific quantity or at any certain price, except as may be provided by a particular purchase order. If any one of the Company's manufacturers was unable or unwilling to continue manufacturing its products in required volumes and at the requisite quality levels, the Company would have to identify, qualify and select acceptable alternative manufacturers. It is possible that an alternate source may not be available to the Company when needed or may not be in a position to satisfy its production requirements at commercially reasonable prices and quality. Any significant interruption in manufacturing would require the Company to reduce its supply of products to its customers, which in turn could have a material adverse effect on the Company's customer relations, business, consolidated financial condition and consolidated results of operations.

### **Managing Growth**

The Company implemented a growth strategy that includes both organic growth and acquisitions. The Company has undertaken several acquisitions, including the recent acquisition of Teledata in June 2010, to allow the Company to expand its product offerings and customer base. The success with which the Company can integrate these newly acquired companies or companies acquired in the future will be critical in achieving the benefits from this strategy. Failure to properly integrate and save costs and achieve market leadership based on these acquisitions may hinder the Company's ability to be successful in its growth plans. On-going plans for further acquisitions will also be dependent on the Company's ability to identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired operations and technology of such companies successfully with its own and maintain the goodwill of the acquired business. The Company is unable to predict whether it will be able to identify further suitable additional acquisition candidates or the likelihood that these potential additional acquisitions will be completed. In addition, while management of the Company believes it has the experience and know-how to integrate acquisitions, such efforts entail significant risks including, but not limited to, the possibility that the operations of the acquired business will not be profitable, diversion of the attention of the Company's management from day-to-day operation of the Company's business and the assumption of significant and/or unknown liabilities of the acquired business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Acquisitions could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that the acquisitions made to date will be successfully integrated and future acquisitions will be successfully completed or that, if more acquisitions are completed, the acquired businesses, products or technologies will be integrated successfully or generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

The Company has experienced significant growth in its sales and operations in recent years. The Company expects to expand its research and development, sales, marketing and support activities depending on future business and economic conditions. The Company's historical growth has placed, and is expected to continue to place, significant demands on the management, as well as the financial and operational resources of the Company, as required to:

- implement and maintain effective financial disclosure controls and procedures;
- implement appropriate operational and financial systems;
- manage a larger organization;
- expand the Company's manufacturing and distribution capacity;
- increase the Company's sales and marketing efforts; and
- broaden the Company's customer support capabilities.

### **Inventory Management**

Lead times for the materials and components that the Company orders through its contract manufacturers may vary significantly and depend on numerous factors, including the specific supplier, contract terms and market demand for a component at a given time. If the Company overestimates its production requirements, its contract manufacturers

may purchase excess components and build excess inventory. If the Company's contract manufacturers purchase excess components that are unique to its products or build excess products, the Company could be required to pay for these excess parts or products and recognize related inventory write-down costs. If the Company underestimates its product requirements, its contract manufacturers may have inadequate component inventory, which could interrupt manufacturing of its products and result in delays or cancellation of sales. In prior periods the Company has experienced excess and obsolete inventory write downs which impact the Company's cost of revenue. This may continue in the future, which would have an adverse effect on the gross margins, consolidated financial condition and consolidated results of operations of the Company.

### **Accounts Receivables Management**

In certain instances, the Company is limited in its ability to evaluate the creditworthiness of direct customers who decline to provide it with financial information. Any collection problems the Company may experience with these customers could have an adverse impact on the business, operating results, or financial condition of the Company. Any material collection issues with the Company's customers could result in increases in bad debt expense or collection costs, inventory impairments, or adjustments to its reported revenues or deferred revenues, any of which could adversely affect the results of operations of the Company and could result in a decline in the price of the Common Shares.

### **International Operations**

The Company generates a significant portion of its sales from customers outside of North America, including emerging markets, and is executing on a strategy to expand sales to more international markets. Regulations or standards adopted by other countries may require the Company to redesign its existing products or develop new products suitable for sale in those countries. If the Company invests substantial time and resources to expand its international operations and is unable to do so successfully and in a timely manner, the business, financial condition and results of operations of the Company will suffer. In the course of expanding the Company's international operations and operating overseas, it will be subject to a variety of risks, including:

- differing regulatory requirements, including tax laws, trade laws, labour regulations, tariffs, export quotas, custom duties or other trade restrictions and changes thereto;
- greater difficulty supporting and localizing the Company's products;
- different or unique competitive pressures as a result of, among other things, the presence of local equipment suppliers;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- limited or unfavorable intellectual property protection;
- changes in a specific country's or region's political or economic conditions; and
- restrictions on the repatriation of earnings.

### **Uncertain Global Economic Conditions**

Current conditions in the domestic and global economies are uncertain. There continues to be a high level of market instability and market volatility with unpredictable and uncertain financial market projections. The impacts of a global recession or depression will have consequences on the Company's operations in North America and globally installing and preventing the roll out of fiber-to-the-home ("FTTH") deployments or other consequences such as the costs of such roll outs unavailability of funds for roll outs of new products or upgrades of the curtailment of expenditures on new broad band infrastructure. Global financial problems and lack of confidence in the strength of global financial institutions have created many economic and political uncertainties that have impacted the global economy. As a result, it is difficult to estimate the level of growth for the world economy as a whole. It is even more difficult to estimate growth in various parts of the world economy, including the markets in which the Company participates. All components of the Company's budgeting and forecasting are dependent on estimates of growth of the FTTH markets and the widespread acceptance of FTTH technology throughout the world. The prevailing economic uncertainties render estimates of future income and expenditures difficult.

## **Market Opportunities**

The demand for the Company's products depends in large part on the continued growth of the industries in which it participates, particularly in the deployment of the FTTH market. A market decline could have an adverse effect on the Company's business. In the past, the sectors of the telecommunications industry in which the Company participates have seen higher growth and the speed of FTTH deployment may be affected by numerous factors including regulatory changes. However, companies in the telecommunications industry generally were negatively impacted by the economic slowdown and the corresponding reduction in capital spending by the telecommunications industry from 2001 to 2003 and are demonstrating similar symptoms in the current economic conditions. The rate at which the portions of the telecommunications industry and the FTTH market in which the Company participates continue to grow is critical to its ability to meet expectations and improve the Company's financial performance.

## **Sales Cycles are Long and Unpredictable**

The timing of the Company's revenues is difficult to predict. The Company's sales efforts often involve educating its customer base about the use and benefits of its products. The Company's customers often undertake a significant evaluation process, which frequently involves not only the Company's products but also those of its competitors and this can result in a long sales cycle. The Company spends substantial time, effort and money in its sales efforts without any assurance that its efforts will produce any sales. In addition, product purchases are frequently subject to budget constraints, multiple approvals and unplanned administrative, processing and other delays. If sales from a specific customer for a particular quarter are not realized in that quarter or at all, the Company may not achieve its revenue forecasts and its business could be materially and adversely affected.

## **Customer Spending Patterns**

Demand for the Company's products depends on the magnitude and timing of capital spending by telecom service providers as they construct, expand and upgrade their networks. The Company sells its components to customers that sell to the telecom service providers. The Company sells its broadband systems to telecom service providers. The Company has identified a weakening in new order activity that it believes relates to reductions in capital expenditures and capital equipment investment budgets resulting from the worldwide financial crisis and economic downturn. Continued macroeconomic weakness and uncertainty in 2010 or future periods could result in further weakness in the Company's new order activity, which would have an adverse effect on the business, revenues, operating results, and financial condition of the Company. In addition to the impact of macroeconomic factors, the Company believes that capital expenditures among a significant element of its customer base, independent telephone operating companies ("IOCs") have also been adversely affected as customers consider their investment and capital expenditure decisions in light of the industry transition from copper wire to fiber.

Other factors affecting the capital spending patterns of telecom service providers include the following:

- competitive pressures, including pricing pressures;
- consumer demand for new services;
- an emphasis on generating sales from services delivered over existing networks instead of new network construction or upgrades;
- the timing of annual budget approvals;
- evolving industry standards and network architectures;
- free cash flow and access to external sources of capital; and
- completion of major network upgrades.

Changes in government funding programs can also affect capital expenditures by the Company's customers or the customers' customers. Many of the Company's customers are American or US based IOCs. Their revenues are particularly dependent upon inter-carrier payments (primarily interstate and intrastate access charges) and US federal and state universal service subsidies. The U.S. Federal Communications Commission ("FCC") and some states are considering changes to both inter-carrier payments and universal service subsidies, and such changes could reduce IOC revenues, which would be expected to have an adverse impact on capital spending budgets. Furthermore, many IOCs use government supported loan programs or grants to finance capital spending. Changes to

those programs, such as the U.S. Department of Agriculture's Rural Utilities Service loan program, and the U.S. Broadband Stimulus Program under the American Recovery and Reimbursement Act of 2009 could reduce the ability of IOCs to access capital and any uncertainties related to these programs may delay capital expenditure decisions by the IOCs. The availability of these programs may be beneficial in the short run, but may have a market distorting effect in the future resulting in lower investment by IOCs in the future. Any decision by telecom service providers to reduce capital expenditures, whether caused by the economic downturn, changes in government regulations and subsidies, or other reasons, would have a material adverse effect on the business, consolidated financial condition and results of operations of the Company.

### **Customers' Deployment Plans**

Demand for the Company's products is dependent on the success of its customers in deploying and selling services to their subscribers. If end-user demand for IP-based services does not grow as expected or declines and the Company's customers are unable or unwilling to deploy and market these newer services, demand for its products may decrease or fail to grow at rates currently anticipated.

The Company's strategy includes developing products for the local access network that EPON, GPON and Point-to-Point Ethernet technologies. If these technologies are not widely adopted by telecom service providers for use in local access networks, demand for the Company's products may decrease or not grow. As a result, the Company may be unable to sell its products to recoup its expenses related to the development of these products and the consolidated results of operations of the Company would be materially and adversely affected.

### **Competitive Pressures**

Competition in the Company's markets is intense, and the Company expects competition to increase. The market for optical components and subsystems is susceptible to price reductions among competitors seeking relationships with large multinational, well capitalized businesses.

New products may be slow to be accepted into the market or may not be accepted at all. The Company is constantly exposed to the risk that its competitors may implement new technology before the Company does, or may offer lower prices, additional products or services or other incentives that Enablence cannot and will not offer. The Company can give no assurances that it will be able to compete successfully against existing or future competitors.

The market for broadband access equipment is dominated primarily by large, established suppliers. While these suppliers focus primarily on large service providers, they have competed, and may increasingly compete, in the IOC market segment. In addition, a number of companies have developed, or are developing, products that compete with the Company, including within its core IOC segment.

The Company's ability to compete successfully depends on a number of factors, including:

- the successful identification and development of new products for the Company's core market;
- the Company's ability to anticipate customer and market requirements and changes in technology and industry standards in a timely manner;
- the Company's ability to gain access to and use technologies in a cost-effective manner;
- the Company's ability to introduce cost-effective new products in a timely manner;
- the Company's ability to differentiate its products from its competitors' offerings;
- the Company's ability to gain customer acceptance of its products;
- the performance of the Company's products relative to its competitors' products;
- the Company's ability to market and sell the Company's products through effective sales channels;
- the Company's ability to establish and maintain effective internal financial and accounting controls and procedures;
- the protection of the Company's intellectual property, including its processes, trade secrets and know-how; and
- the Company's ability to attract and retain qualified technical, executive and sales personnel.

Many of the Company's existing and potential competitors are larger than the Company, with longer operating histories and substantially greater financial, technical, marketing or other resources, significantly greater name recognition, and a larger installed base of customers. Unlike some of the Company's competitors, the Company does not provide equipment financing to potential customers. In addition, many of the Company's competitors have broader product lines than it does, so they can offer bundled products, which may appeal to certain customers.

The products that the Company and its competitors sell require a substantial investment of time and funds to install. Customers are typically reluctant to switch equipment suppliers once a particular supplier's product has been installed. As a result, competition among equipment suppliers to secure contracts with potential customers is particularly intense and will continue to place pressure on product pricing. Some of the Company's competitors have resorted in the past, and may resort in the future, to offering substantial discounts to win new customers and generate cash flows. If the Company is forced to reduce prices in order to secure customers, the Company may be unable to sustain gross margins at desired levels or achieve profitability.

### **Product Defects and Warranty Obligations**

Although the Company's products are tested prior to shipment, they may contain software or hardware errors, defects or interoperability issues (collectively described as "defects") that may only be detected when deployed in live networks that generate high amounts of communications traffic. In addition, defects or other malfunctions or quality control issues may not appear until the equipment has been deployed for an extended period of time. The Company also continues to introduce new products that may have undetected software or hardware defects. The Company's customers may discover defects in its products at any time after deployment or as their networks are expanded and modified. Any defects in the Company's products discovered in the future, or failures of its customers' networks, whether caused by its products or those of another vendor, could result in lost sales and market share and negative publicity regarding its products. The Company provides limited warranties on its products, components and systems. As a result, warranties on a product with a significant product defect could adversely affect the results of operations of the Company.

### **Product Development and Technological Change**

The markets for the Company's products are characterized by rapidly changing technologies, frequent new product introductions and evolving industry standards. The Company's success will depend, in substantial part, on the timely and successful introduction of products and upgrades to those products to comply with emerging industry standards and to address competing technological and product developments carried out by its competitors. The research and development of technologically advanced products is a complex and uncertain process requiring high levels of innovation as well as the accurate anticipation of technological and market trends. The Company may focus its resources on technologies that do not become widely accepted and are not commercially viable. In addition, products may contain defects or errors that are detected only after deployment. If the Company's products are not competitive or do not work properly, its business will suffer. The Company's products are also intended to replace current technologies. Any improvements in the costs of production of current products in the market can negatively impact the Company's margins and its competitive position in the marketplace with prices for its products falling and reducing profit margins.

### **Product Obsolescence**

The Company's market is characterized by rapid technological advances, frequent new product introductions, evolving industry standards and recurring changes in end-user requirements. The Company's future success will depend significantly on its ability to anticipate and adapt to such changes and to offer, on a timely and cost-effective basis, products and features that meet changing customer demands and industry standards. The timely development of new or enhanced products is a complex and uncertain process, and the Company may not be able to accurately anticipate market trends or have sufficient resources to successfully manage long development cycles. The Company may also experience design, manufacturing, marketing and other difficulties that could delay or prevent the development, introduction or marketing of new products and enhancements. The introduction of new or enhanced products also requires that the Company manages the transition from older products to these new or enhanced products in order to minimize disruption in customer ordering patterns and ensure that adequate supplies of new products are available for delivery to meet anticipated customer demand. If the Company is unable to develop new

products or enhancements to its existing products on a timely and cost-effective basis, or if the new products or enhancements fail to achieve market acceptance, the business, consolidated financial condition and consolidated results of operations of the Company would be materially and adversely affected.

### **Development Stage Products and Customer Expectations**

The Company may not be able to successfully demonstrate high yields on large volume production of its components and meet all of the specification requirements of all products in accordance with industry requirements for all of its product lines. There may be potential quality issues on the manufacture of these products resulting from the way the products are designed or manufactured or in the processes used for the design and manufacture of the product(s), or from the software or materials used in the product(s). These factors may cause delays in availability and shipping of products to potential customers, or even the cancellation of orders by customers. Quality issues in the products may have legal and financial implications for the Company, including delays in revenue recognition, loss of revenue or future orders, customer-imposed penalties for failure to meet contractual shipment deadlines, increased costs associated with repairing or replacing products, and a negative impact on goodwill and brand name reputation and higher manufacturing costs.

### **Intellectual Property**

The Company depends on its proprietary technology for its success and ability to compete. The Company currently holds several issued patents and has several patent applications pending. The Company relies on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect its proprietary rights. Existing patent, copyright, trademark and trade secret laws will afford the Company only limited protection. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of Canada. The Company cannot be assured that any pending patent applications will result in issued patents, and issued patents could prove unenforceable. Any infringement of the Company's proprietary rights could result in significant litigation costs. Further, any failure by the Company to adequately protect its proprietary rights could result in the Company's competitors offering similar products, resulting in the loss of its competitive advantage and decreased sales.

Despite the Company's efforts to protect its proprietary rights, attempts may be made to copy or reverse engineer aspects of its products, or to obtain and use information that the Company regards as proprietary. Accordingly, the Company may be unable to protect its proprietary rights against unauthorized third party copying or use. Furthermore, policing the unauthorized use of the Company's intellectual property would be difficult. Litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect its trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the business, consolidated financial condition and consolidated results of operations of the Company.

### **Intellectual Property Litigation**

The Company may be subject to intellectual property infringement claims that are costly to defend and could limit the Company's ability to use some technologies in the future. The Company's industry is characterized by frequent intellectual property litigation based on allegations of infringement of intellectual property rights. From time to time, third parties have asserted against the Company and may assert against it in the future, patent, copyright, trademark or other intellectual property rights to technologies or rights that are important to the business. In addition, the Company has agreed, and may in the future agree, to indemnify its customers for any expenses or liabilities resulting from claimed infringements of patents, trademarks or copyrights of third parties. Any claims asserting that the Company's products infringe, or may infringe on, the proprietary rights of third parties, with or without merit, could be time-consuming, resulting in costly litigation and diverting the efforts of management. These claims could also result in product shipment delays or require the Company to modify its products or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available to the Company on acceptable terms, if at all.

## **Currency Fluctuations may Adversely Affect the Company**

A substantial portion of the Company's revenue and operating costs are recognized in currencies other than Canadian dollars. Revenues are typically denominated in United States dollars, while operating costs are typically denominated in United States dollars and New Israeli Shekels. The Company carries certain monetary assets and liabilities in these and other currencies, which differ from the Company's Canadian dollar base reporting currency. Fluctuations in the exchange rate between these currencies and the Canadian dollar may have a material adverse impact on the Company's business, financial condition and operating results. The Company has a natural currency hedge with its United States dollar revenues offsetting its United States dollar operating costs. Similarly, there is a natural currency hedge with the United States dollar monetary assets and monetary liabilities. However, neither of these natural currency hedges fully address the Company's exposure to the Canadian dollar and New Israeli Shekel denominated operating costs, monetary assets and monetary liabilities.

## **Earnings History**

The Company has incurred significant losses since its inception. As of April 30, 2010, the Company had an accumulated deficit of \$131.8 million. The Company may continue to incur losses during the current and following fiscal years. The Company cannot predict with certainty that it will not continue to incur losses or experience negative cash flow in the future. The Company does not believe the results of operations in the quarter ended April 30, 2010 are indicative of its expected results in future near-term quarters. The Company's continued inability to generate positive operating income and cash flow would materially and adversely affect the liquidity, consolidated results of operations and consolidated financial condition of the Company.

A significant portion of the Company's expenses are fixed, and the Company expects to continue to incur significant expenses for research and development, sales and marketing, customer support, and general and administrative functions. Given the rate of growth in the Company's customer base, its limited operating history and the intense competitive pressures it faces, the Company may be unable to adequately control operating costs. In order to achieve and maintain profitability, the Company must increase sales while maintaining control over expense levels.

## **Acquisitions**

The Company may make acquisitions of businesses, products or technologies to expand its product offerings and capabilities, customer base and business. These transactions could be material to the consolidated financial condition and results of operations of the Company. The anticipated benefit of acquisitions may never materialize. In addition, the process of integrating an acquired business, products or technologies may create unforeseen operating difficulties and expenditures. Some of the areas where the Company may face acquisition related risks include:

- diversion of management time and potential business disruptions;
- expenses, distractions and potential claims resulting from acquisitions, whether or not they are completed;
- retaining and integrating employees from any businesses the Company may acquire;
- issuance of dilutive equity securities or incurrence of debt;
- integrating various accounting, management, information, human resource and other systems to permit effective management;
- incurring possible write-offs, impairment charges, contingent liabilities, amortization expense or write-offs of goodwill;
- difficulties integrating and supporting acquired products or technologies;
- unexpected capital equipment outlays and related costs;
- insufficient revenues to offset increased expenses associated with the acquisition;
- under performance problems associated with acquisitions;
- opportunity costs associated with committing capital to such acquisitions; and
- becoming involved in acquisition-related litigation.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. The Company cannot assure that it will be able to address these risks successfully, or at all, without incurring significant costs, delay or other operating problems. The Company's

inability to resolve any of such risks could have a material adverse impact on the business, consolidated financial condition and consolidated results of operations of the Company.

### **Key Personnel**

The Company's success depends, in large part, on the continued contributions of its key management, engineering, sales and marketing personnel, many of whom are highly skilled and would be difficult to replace. Competition for skilled personnel, particularly those specializing in engineering and sales is intense. The Company cannot be certain that it will be successful in attracting and retaining qualified personnel, or that newly hired personnel will function effectively, either individually or as a group. In particular, the Company must continue to expand its direct sales force, including hiring additional sales managers, to grow its customer base and increase sales. Even if the Company is successful in hiring additional sales personnel, new sales representatives often require up to a year to become effective. In addition, the industry is characterized by frequent claims relating to unfair hiring practices. The Company may become subject to such claims and may incur substantial costs in defending the Company against these claims, regardless of their merits. If the Company is unable to effectively hire, integrate and utilize new personnel, the execution of its business strategy and its ability to react to changing market conditions may be impeded, and the business, financial condition and results of operations of the Company could be materially and adversely affected.

Although the Company has entered into employment agreements with key officers, any incapacity or inability of one of these individuals to perform their services would have a material adverse effect on the Company.

### **Changes in Accounting and Tax Rules**

The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on the financial results of the Company or the manner in which the Company conducts its business. Effective July 1, 2011, the Company is required to present its financial statements in accordance with International Financial Reporting Standards ("IFRS"). In recent years, the geographic scope of the Company's business has expanded, and such expansion requires it to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could subject the Company to penalties and fees if it inadvertently fails to comply. In the event the Company inadvertently fails to comply with applicable tax laws, it could have a material adverse effect on the business, results of operations, and financial condition of the Company.

### **Regulatory Inquiries**

The Company was informed on July 17, 2007 by the Enforcement Branch of the Ontario Securities Commission (the "OSC") that the OSC is investigating the timing of the option grants to some directors, officers and employees made by the Company on December 12, 2006 and March 7, 2007. See heading "Legal Proceedings". It is difficult to fully assess or anticipate the outcome of the investigation, the consequences to the Company and its directors and officers and any other associated risks. The Company has cooperated with the OSC and has provided the OSC with the information requested to date, and will continue to provide any information requested by the OSC, to assist the OSC in completing its investigation. The OSC has not requested any information or been in contact with the Company since November 2008.

At this time, the Company cannot predict what, if any, regulatory or other action may result from the investigation and inquiries. If the OSC determines that a violation of securities or other laws has occurred, the Company or its officers or directors could be subject to civil or criminal penalties or other remedies prescribed by law.

### **Changes in Government Policy**

The Company's results may be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of the Canadian and foreign governments, agencies and similar organizations. The Company's

results may be affected by social and economic conditions which impact its operations, including in emerging markets in Asia and in markets subject to ongoing political hostilities and war.

### **Significant Number of Common Shares Owned by a Limited Number of Existing Shareholders**

The officers, directors and other insiders (as defined in the *Securities Act* (Ontario) of the Company, as a group, beneficially own, on a non-diluted basis, approximately 24% of the issued and outstanding shares of the Company. Accordingly, these shareholders will be able to exert significant influence on matters requiring approval by shareholders, including the election of directors and the approval of any significant corporate transactions. The concentration of ownership may also have the effect of delaying, deterring or preventing a change in control and may make some transactions more difficult or impossible to complete without the support of these shareholders.

### **Share Price Volatility**

The Common Shares trade on the TSX-V; however, the Company cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in its Common Shares and it is possible that an active and liquid trading market will not develop or be sustained. Some companies that have volatile market prices for their securities have had securities class action lawsuits filed against them. If a lawsuit were to be filed against the Company, regardless of its outcome, it could result in substantial costs and a diversion of management's attention and resources.

The price of Common Shares may fluctuate in response to a number of events, including but not limited to:

- its quarterly operating results;
- sales of the Company's common shares by a principal shareholder;
- future announcements concerning the business of the Company or of its competitors;
- the failure of securities analysts to cover the Company and/or changes in financial forecasts and recommendations by securities analysts;
- actions of the Company's competitors;
- actions of the Company's suppliers;
- actions of directors and officers regarding purchase and sale of shares;
- the volatility of the telecommunications and technologies markets as a whole;
- general market, economic and political conditions;
- natural disasters, terrorist attacks and acts of war; and
- the other risks described in this section.

### **Future Share Sales**

Future sales, or the availability for sale, of substantial amounts of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares.

## **DIVIDENDS**

The Company has never declared or paid any dividends. The Company currently intends to retain any future earnings to finance the development and growth of its business and does not expect to pay any cash dividends in the foreseeable future.

## **CAPITAL STRUCTURE OF THE COMPANY**

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As of August 25, 2010 there are 384,419,080 common shares of the Company issued and outstanding.

The holders of the common shares are entitled to receive notice of and to attend all annual and special meetings of the Company's shareholders and to one vote in respect of each common share held at all such meetings. The holders of the common shares are entitled, at the discretion of the Board of Directors, to receive out of any or all of the

Company's profits or surplus properly available for the payment of dividends, any dividend declared by the Board of Directors and payable by the Company on the common shares. The holders of the common shares will participate rateably in any distribution of the Company's assets upon the Company's liquidation, dissolution or winding-up or other distribution of the Company's assets among the Company's shareholders for the purpose of winding up the Company's affairs. Such participation will be subject to the rights, privileges, restrictions and conditions attached to any of the Company's securities issued and outstanding at such time ranking in priority to the common shares upon the Company's liquidation, dissolution or winding-up.

The Board of Directors has the authority to issue an unlimited number of preferred shares, issuable in series, and to determine prior to any such issuance the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the shareholders. Preferred shares may, at the discretion of the Board of Directors, be entitled to preference over the common shares and any other shares ranking junior to the preferred shares with respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up. If any cumulative dividends or amounts payable on a return of capital are not paid in full, preferred shares of all issued series would participate rateably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums which would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be. The Company has no plans at present to issue preferred shares.

### MARKET FOR SECURITIES OF THE COMPANY

Since July 24, 2006, upon completion of the Company's RTO, the Company's common shares have been listed and posted for trading on the TSX-V under the trading symbol "ENA". Prior to July 24, 2006, the Company's shares were listed and posted for trading on the TSX-V under the trading symbol "PNP". The following table sets forth the price range per share and trading volume for the common shares:

	Common Shares		
	Volume	High	Low
<b>2009</b>			
May	15,901,363	\$0.710	\$0.300
June	27,353,184	0.650	0.550
July	2,938,297	0.590	0.470
August	2,584,992	0.540	0.335
September	4,015,090	0.370	0.270
October	3,569,564	0.330	0.230
November	4,112,211	0.275	0.225
December	13,392,303	0.710	0.220
<b>2010</b>			
January	19,829,077	0.500	0.400
February	8,690,263	0.580	0.390
March	10,431,102	0.660	0.530
April	13,768,713	0.770	0.520
May	6,011,402	0.650	0.410
June	5,259,629	0.580	0.520
July	7,714,818	0.710	0.500
August 1-25	2,887,695	0.600	0.540

### ESCROWED SECURITIES

As of the date hereof, a portion of the Common Shares issued to the shareholders of Teledata as part of the Company's acquisition of Teledata are subject to escrow arrangements, as follows:

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares	9,155,359 Common Shares <sup>(1)</sup>	2.4%

Note:

(1) The Company entered into an escrow agreement as of June 23, 2010 with Computershare Trust Company of Canada and Kardan Communications Ltd., as shareholder representative, whereby 9,155,359 Common Shares forming part of the consideration for the acquisition of Teledata Networks Ltd. were subject to escrow until June 23, 2010.

### DIRECTORS AND OFFICERS

Set out below are the names, committee memberships (as at the date hereof), municipalities of residence, principal occupations and periods of service of the directors and executive officers of the Company.

Name and Municipality of Residence	Current Position as a Director or as an Officer	Director Since	Principal Occupation During Past Five Years
Arvind Chhatbar <sup>(2)</sup> Ottawa, Ontario	Director, Chair of the Board of Directors	July 24, 2006	Chair of the Board of Directors from July 2006 to present; CEO, Enablence from July 2006 to April 2010; President and CEO, Enablence Inc. from December 2003 to July 2006; Director, Regional Innovation Centre, and other various positions at the National Research Council of Canada, from August 1987 to February 2005.
Tim Thorsteinson Toronto, Ontario	Director, Chief Executive Officer	November 6, 2009	CEO, Enablence from April 15, 2010 to present; President and COO, Enablence from December 30, 2009 to April 15, 2010; President of the Broadcast Division of Harris Corporation from April 2006 to October 2009; President and CEO of Leitch Technologies from November 2003 to April 2006.
John J. Ryan, III <sup>(1)</sup> West Palm Beach, Florida	Director	July 24, 2006	Professional Director 2004 to present; President, CISA Trust Company (Switzerland) – Investment Advisory Services from January 2000 to September 2004; Director and Chairman of Audit Committee, Evergreen Resources Inc. from January 2000 to September 2004.
Nishith Goel <sup>(1)(2)</sup> Ottawa, Ontario	Director	February 1, 2007	President, Cistel Technology Inc. from June 1995 to present.
Stephan Guerin <sup>(2)</sup> co-resident France and Thailand	Director	January 9, 2007	Managing Director, Onslow Consulting Ltd. from December 1998 to present.
R. Stephen Bower <sup>(1)</sup> North York, Ontario	Director	August 27, 2008	Chief Financial Officer of The Consumers' Waterheater Income Fund from 2007 to present; CFO and acting CFO of Wi-LAN (TSX: WIN) from 2006 to 2007; CFO of SiGe Semiconductor from 1999 to 2005.

<b>Name and Municipality of Residence</b>	<b>Current Position as a Director or as an Officer</b>	<b>Director Since</b>	<b>Principal Occupation During Past Five Years</b>
Ronald Benn Ottawa, Ontario	Vice President, Finance and Chief Financial Officer	-	Vice President, Finance since July 11, 2008 and Chief Financial Officer since December 1, 2009. Previously, Chief Financial Officer, Validian Corporation from April 2004 to July 2008; Chief Financial Officer, BOLDstreet Inc. from February 2007 to March 2008; Chief Financial Officer, Vector Wind Energy Inc. from October 2004 to December 2006; Chief Financial Officer, COAST Software Inc. from September 2000 to April 2004.
Jacob Sun Fremont, California	President, Components and Subsystems Division		President, Components and Subsystems Division since the acquisition of ANDevices in February 2008. Previously, President and CEO of ANDevices from 2003 to 2008.

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee

The term of office for each director is from the date of the meeting at which he or she is elected until the next annual meeting of shareholders of the Company or until his or her successor is elected or appointed, unless his or her office is vacated before that time in accordance with the by-laws of the Company.

The following sets out additional information with respect to the education, experience and employment history of each of the directors and officers referred to above during the past five years.

***Tim Thorsteinson***  
***Director and Chief Executive Officer***

Tim Thorsteinson was appointed a director of the Company in November 2009, as the President and Chief Operating Officer of the Company on December 30, 2009, and as the Chief Executive Officer on April 15, 2010. From April 2006 to October 2009, Mr. Thorsteinson was the President of the Broadcast Division of Harris Corporation where he also served as a Harris Corporate Officer and member of the Harris Executive Committee. Prior to joining Harris Corporation, from November 2003 to April 2006, Mr. Thorsteinson was the President and CEO of Leitch Technology where he helped to turnaround and restructure Leitch Technology. Mr. Thorsteinson also held several senior and executive management positions at Thomson Broadcast & Media Solutions, the Grass Valley Group and the video and networking division at Tektronix.

***R. Stephen Bower, FCA***  
***Director and Chair of the Audit Committee***

Stephen Bower is a Chartered Accountant, currently serving as Chief Financial Officer of The Consumers' Waterheater Income Fund (TSX: CWI.UN) where he supported the CEO in completing a number of acquisitions and led the successful \$50 million financing and an additional refinancing of \$570 million in publicly-traded debt. Previously he was CFO and acting CFO of Wi-LAN (TSX: WIN) from 2006 to 2007 and CFO of SiGe Semiconductor from 1999 to 2005. He has held several Board roles, including Director and Chair of the Audit Committee of FisherCast Global Corp. from 2004 to 2008, as well as the Boards of Financial Executives International – Canada and the Accounting Standards Board of the CICA. Mr. Bower graduated with a Bachelor of Commerce from McGill University and was awarded his FCA by the Institute of Chartered Accountants of Ontario in 2006.

***Arvind Chhatbar***  
***Director and Chair of the Board of Directors***

Arvind Chhatbar is the Chair of the Board of Directors. Mr. Chhatbar was the Chief Executive Officer of Enablence from inception to April 15, 2010. Mr. Chhatbar has significant experience in the field of technology commercialization, and has pioneered the creation of several technology spin-off companies from the NRC. He helped to create SiGe Microsystems, Inc., Iridian Spectral Technologies Ltd., CrossLight Software Inc., Toth Information Systems, Inc. and several other successful startups. He has been the President of Vitesse Re-Skilling Inc. from its inception in 1996 to 2007. He was elected Chair of the Indo Canada Ottawa Business Chamber from 2006 to 2008, and joined the Board of Governors of Carleton University in 2010. Mr. Chhatbar holds two post-graduate degrees in public and business administration.

***Dr. Nishith Goel***  
***Director***

Dr. Nishith Goel was appointed to the Enablence Board of Directors in February 2007. Dr. Goel is the Founder and President of Cistel Technology Inc. since June 1995, an IT and engineering company with operations in Canada and the United States. Dr. Goel is also the Co-Founder of CHIL Semiconductor Corp. and he was a co-founder of Ipine Networks Inc. which was acquired by Nakina Systems Inc. Dr. Goel was a Technical Advisor and Member of the Scientific Staff of Nortel Networks from 1984 until 1999. Dr. Goel holds an M.A. Science, Electrical Engineering and a Ph.D. Systems Engineering from the University of Waterloo.

***Stephan Guerin***  
***Director and Chair of the Compensation Committee***

Stephan Guerin was an Executive Committee Member and the Vice President of Mergers and Acquisitions of Alcatel Alsthom. In this capacity, he was responsible for the negotiation and implementation of the major mergers of the group, including ITT Corporation, Rockwell Telecom, Telettra, STC Submarine Networks and AEG-Kable. Mr. Guerin was also responsible for developing international strategic alliances and played a key role in establishing the Alcatel Alsthom group in emerging markets such as Brazil, China, and India. Mr. Guerin was one of the seven members of the Alcatel Alsthom Group Executive Committee, responsible for the telecommunications, transportation, energy, industrial controls and media groups with a global work force of 220,000 in 120 different countries. He was also the Senior Executive vice president with ICO Global Communications (Holdings) Limited, a start-up in the field of global satellite communication. Mr. Guerin is currently the International Partner of Schwarz-Schilling and Partners, the Managing Director of Onslow Group and one of the founders and directors of Catrifarma Limitada.

***John J. Ryan III***  
***Director***

John Ryan is a successful entrepreneur and investor in numerous industries from oil and gas to optical networking. Mr. Ryan founded Evergreen Resources Inc., a developer of coal bed methane reserves in the United States, which in May 2004 merged with Pioneer Natural Resources in a US\$2.1 billion transaction. At Evergreen Resources Inc., he was a member of the Board of Directors and served as the Chairman of the Audit Committee. From January 2000 to September 2004, he was the President of CISA Trust Company (Switzerland) S.A. which provided estate planning and investment advisory services.

***Ronald Benn***  
***Vice President, Finance and Chief Financial Officer***

Vice President, Finance since July 11, 2008 and Chief Financial Officer since December 1, 2009. A Chartered Accountant, Mr. Benn has previously held the position of Chief Financial Officer with various companies including Validian Corporation, Vector Wind Energy Inc., COAST Software Inc. and Queen Sand Resources, Inc. Mr. Benn holds a Bachelor of Commerce (Honours) from the University of Windsor and a Bachelor of Science from Carleton University.

**Jacob Sun**  
**President, Components and Subsystems Division**

President, Components and Subsystems division since the acquisition of ANDevices in February 2008. Dr. Sun has over 20 years of experience in fiber optics and optical components. He was the President and CEO of ANDevices from 2003 to 2008 and joined Enablence when ANDevices was acquired by Enablence in 2008. Before co-founding ANDevices, Dr. Sun was Senior VP of Operations of Axon Photonics. Prior to joining Axon Photonics in 1999, he was Senior Director of Manufacturing & Engineering at PIRI, which was a joint venture between NTT, Batelle and Mitsubishi International. Dr. Sun was one of the three founding technical members that established PIRI and developed its core technology. PIRI was the leading supplier of fiber optic waveguide components. Dr. Sun holds a Ph.D. from the University of Rochester and an M.B.A. from Ohio State University.

As at August 25, 2010, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 24,209,191 common shares of the Company, representing approximately 6% of the Company's outstanding common shares. The information as to securities beneficially owned or over which control or direction is exercised is not within the knowledge of the Company and has been furnished by the directors and executive officers individually.

None of the directors or officers of the Company is, or has, within the prior ten years, been a director or officer of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions under securities legislation for a period of more than 30 consecutive days or was declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

None of the directors or officers of the Company has been subject to any significant penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

None of the directors or officers of the Company has, within the prior ten years, become bankrupt, made a proposal under any legislation related to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold the assets of the director or officer.

**BOARD COMMITTEES**

Audit Committee

The responsibilities and functions of the Audit Committee are set out in the Audit Committee Charter attached as Appendix "A" to this Annual Information Form (the "Audit Committee Charter"). The Audit Committee reviews the Audit Committee Charter on a yearly basis. On August 24, 2010, the Audit Committee Charter was reviewed and confirmed with no amendments.

Composition

The following are the members of the Committee

R. Stephen Bower <sup>(1)</sup>	Independent <sup>(2)</sup>	Financially literate
John Ryan III	Independent <sup>(2)</sup>	Financially literate
Nishith Goel	Independent <sup>(2)</sup>	Financially literate

Notes:

(1) Audit Committee Chair

(2) As defined by Multilateral Instrument 52-110, Audit Committees ("MI 52-110")

The Board of Directors believes that the composition of the Audit Committee reflects financial literacy and expertise. Currently, Mr. Bower, Dr. Goel and Mr. Ryan have been determined by the Board of Directors to be “independent” and “financially literate” as such terms are defined under Canadian securities laws and stock exchange rules. The Board of Directors has made these determinations based on the education as well as breadth and depth of experience of each member of the Audit Committee. The education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member is outlined above under the heading “Directors and Executive Officers”.

#### Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

#### Reliance on Certain Exemptions

The Company has relied on the exemption in Section 6.1(Venture Issuers) of Multilateral Instrument 52-110 (“MI 52-110”) for a portion of the year. MI 52-110 exempts issuers listed on the TSX-V from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of MI 52-110. As a result, the members of the Audit Committee are not required to be either “independent” or “financially literate” within the meaning of MI 52-110; however, the Company is required to provide on an annual basis, disclosure regarding its Audit Committee in its proxy circular. The Committee members are independent and all of its members are financially literate. See the disclosure above under the heading “Composition”.

#### Pre-approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

<b>Deloitte &amp; Touche LLP</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>
Audit fees and related expenses	\$213,298	\$318,127
Audit related fees	\$92,700	\$129,648
Income tax compliance (1)	\$39,000	
	<hr/>	<hr/>
	\$344,998	\$447,775

Note:

- (1) Deloitte & Touche LLP was retained by the Company to perform corporate income tax compliance services for the fiscal year ended April 30, 2010. The amount shown is the estimated fee for these services.

## **CONFLICTS OF INTEREST**

Certain of the directors, proposed directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company may be in a conflict of interest. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers conflicts of interest, including the procedures prescribed by the CBCA. The CBCA requires that directors and officers of the Company, who are also directors or officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Company's directors to approve the contract.

Arvind Chhatbar (Chair of the Board of Directors), Stephen Bower (Director) and Ronald Benn (VP Finance and CFO) each participated in the Company's public offering of common shares that closed on May 12, 2009. Each individual paid the same amount for their shares as all of the other investors. Mr. Chhatbar acquired 6,666,667 common shares at \$0.30 per common share. Mr. Bower acquired 33,333 common shares at \$0.30 per common share. Mr. Benn acquired 166,667 common shares at \$0.30 per common share.

The Company entered into an agreement to terminate the employment contract of Arvind Chhatbar, effective April 15, 2010. In accordance with the terms of this agreement the Company agreed to pay Arvind Chhatbar \$1,750,000. The Company subsequently entered into a one year consulting contract at an annual value of \$300,000.

## **LEGAL PROCEEDINGS**

The Company has been advised that it is named in a patent infringements legal claim. However, the Company has not been served with the legal documents. The legal claim (the "Complaint") was filed on May 27, 2010 in the United States District Court for the Eastern District of Texas by Atwater Partners of Texas, LLC. In addition to Enablence Technologies Inc., there are 24 other defendants named in the Complaint, including AT&T, Inc.; Adtran, Inc.; Billion Electric Co. Ltd.; Broadcom Corporation; Cisco Systems; Mindspeed Technologies, Inc.; Motorola, Inc.; Occam Networks, Inc.; Tellabs Inc.; and Zhong Technologies, Inc. The Complaint alleges that each of the defendants has infringed on five separate patents. The copy of the Complaint does not specify the amount of the damages that the plaintiffs are seeking. A preliminary review by the Company of the allegations has determined that any claims by the Complaint against the Company in respect of patent infringements are without merit. The Company will continue to review the allegations.

The Company was informed on July 17, 2007 by the Enforcement Branch of the Ontario Securities Commission that it is investigating the timing of the option grants to some directors, officers and employees made by the Company on December 12, 2006 and March 7, 2007. The Company cooperated with the OSC and has provided the OSC with the information requested to date, and will continue to provide any information requested by the OSC, to assist the OSC in completing its investigation. The OSC has not requested any information or been in contact with the Company since November 2008.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No insider (as such term is defined in the Securities Act (Ontario) or any associate or affiliate of the foregoing has any interest, direct or indirect, in any material transactions in which the Company has participated within the three years prior to the date hereof, or in any proposed transaction which has materially affected or will materially affect the Company except as otherwise disclosed in this document.

## **TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services Inc. is the Company's registrar and transfer agent. The register of the transfers of the common shares of the Company are located at 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1.

## MATERIAL CONTRACTS

The only contracts entered into by the Company for the fiscal year ending April 30, 2010 which were material and entered into outside the ordinary course of business, or in the ordinary course of business under the criteria set out in National Instrument 51-102 – Continuous Disclosure Obligations or were entered into before the fiscal year ending April 30, 2010, but are still in effect are the following:

1. Agency Agreement between Enablence and the Lead Agent, Paradigm Capital Inc. and Raymond James Ltd. dated January 26, 2010 in connection with the prospectus offering of up to 62,500,000 common shares at \$0.40 per share in which they received a 6% cash commission on the aggregate proceeds of the offering, excluding proceeds from sales to insiders and advisors of the Company, and compensation options equal to 4% of the aggregate number of shares sold under the offering. The Agency Agreement included an over allotment option for an additional 9,375,000 common shares. See “General Development of the Business – Equity and Debt Financings”.
2. Agreement dated March 31, 2010 and effective April 15, 2010 between Arvind Chhatbar and the Company setting forth various arrangements and payments with respect to the termination of Mr. Chhatbar’s employment. See “Conflicts of Interest”.
3. Merger Agreement dated April 15, 2010 between the Enablence, Enablence Acquisition Ltd., a wholly-owned Israeli subsidiary of Enablence, Teledata Networks Ltd. and Kardan Communications Ltd., as shareholder representative, whereby Enablence acquired Teledata for an aggregate consideration of US\$10 million in cash, issued US\$10 million of subordinated secured, 5%, two year promissory notes and 54,932,143 common shares to the shareholders of Teledata. See “General Development of the Business – Acquisitions”.

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s web site at [www.enablence.com](http://www.enablence.com).

Upon request to the Chief Financial Officer of the Company at the Company’s registered office, 400 March Road, Ottawa, Ontario K2K 3H4, the Company will provide any person with a copy of this annual information form and any other documents that are incorporated by reference into a preliminary short form prospectus or short form prospectus filed in respect of a distribution of securities of the Company.

**A copy of any of these documents may be obtained without charge at any time when a preliminary short form prospectus has been filed in respect of a distribution of any securities of the Company or any securities of the Company are in the course of a distribution pursuant to a short form prospectus. At any other time, any document referred to above may be obtained by security holders of the Company without charge and by any other person upon payment of a reasonable charge.**

Additional information including directors’ and executive officers’ remuneration and indebtedness, principal holders of the Company’s securities and options to purchase securities, where applicable, is contained in the management information circular prepared by the Company in connection with its annual meeting of shareholders to be held on October 28, 2010. Additional financial information is provided in the Company’s consolidated financial statements and management’s discussion and analysis for the year ended April 30, 2010.

**SCHEDULE A**  
**Amended and Restated Audit Committee Charter**  
**(adopted by the Board of Directors on July 24, 2009; confirmed August 24, 2010)**

Mandate

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities to the Company's shareholders, the investment community and others regarding the:

- (a) Company's financial statements, MD&A's and financial press releases;
- (b) Financial reporting process, systems of internal accounting and financial controls; and
- (c) Identification, assessment and programs to manage risk.

In doing so, the Audit Committee is responsible for maintaining a clear and open communications channel with the external auditors and Company management.

Subject to the determination of the Board from time to time, the Audit Committee is to review the:

- (a) Recommendation to shareholders regarding the appointment of the Auditors;
- (b) Scope and compensation of the Auditors;
- (c) Company's financial policies and procedures;
- (d) Legal and environmental compliance programs; and
- (e) Budgets and forecasts of the Company.

The Audit Committee is responsible for providing meaningful and effective oversight and counsel to management without assuming responsibility for management's day-to-day responsibilities.

Management is responsible for the reliable preparation, presentation and integrity of the financial statements and other financial information of the Company. They are responsible for defining, implementing and maintaining appropriate accounting and financial reporting principles and policies, as well as internal controls and procedures that provide compliance with accounting standards and applicable laws and regulations. Management is responsible for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly.

Composition

The Committee will consist of at least three members of the Board of Directors. The Board of Directors will appoint the Committee members and the Chair of the Committee. In selecting members and the chair, the Board of Directors will take into consideration those directors who bring background skills and experience relevant to financial statement review and analysis.

A majority of the members of the Committee will be independent and all members of the Committee will be financially literate..

Meetings

The Committee meets at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, in each meeting where the auditors are present, the Committee shall, for a portion of the

meeting, meet separately with the auditors without management present, and with management without the auditors present. A quorum for meetings of the Audit Committee shall be at least 50% of the members of the committee.

### Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee:

#### *Documents/Reports Reviews*

1. Reviews and updates its Charter annually for approval by the Board.
2. Reviews the Company's annual and interim financial statements, MD&A and financial press releases before the Company publicly discloses this information and any reports or other financial information which are submitted to any governmental body, or to the public, including prospectuses and any certification, report, opinion or review rendered by the external auditors.

#### *External Auditors*

The Audit Committee has the direct responsibility for the oversight of the external auditors and their compensation for audit and any non-audit services. In discharging this responsibility, the Audit Committee shall:

1. Review annually the *performance*, experience, qualifications and independence of the external auditors.
2. Recommend to the Board on the selection and, where applicable, the replacement of the external auditors nominated annually for shareholders' approval.
3. At each meeting, consults with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
4. Review and approve the audit plan, services and fees.
5. Resolve any disagreements between management and the external auditors regarding financial reporting.
6. Inform the external auditors and management that the auditors shall have direct access to the Audit Committee at all times, as well as the Committee having direct access to the auditors at all times.
7. Instruct the auditors that that are ultimately accountable to the Audit Committee and are required to report directly to the Committee.
8. Review all management letters from the external auditors together with management's responses thereto and action plans to resolve any significant issues.
9. Review and pre-approve all non-audit services provided by the Company's external auditors, together with the fees for such services, in accordance with the policy for such services.

#### *Financial Reporting Processes*

1. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process and controls.
2. Consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

3. Consider and approve, if appropriate, changes to the Company's accounting principles and practices as suggested by the external auditors and management.
4. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
5. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
6. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.
7. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
8. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
9. Review the officer certification process.
10. Establish a procedure for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

*Other*

1. Review the Company's Annual Information Form in respect of disclosure required by Form 52-110F1 and F2.
2. Review incidents or alleged incidents of fraud, illegal acts and conflicts of interest.
3. Discuss with management and the auditors any correspondence from or with regulators or governmental agencies.
4. Review any related party transactions as defined in the *Securities Act* (Ontario).
5. The Audit Committee may, at its own discretion or at the request of the Board, investigate such other matters as are considered necessary or appropriate in carrying out its mandate and in such matters shall have the authority to retain such counsel, experts or other advisors, financial or otherwise, as it deems necessary or appropriate, and set out and commit the Company to pay the compensation for such advisors.