ENABLENCE TECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FOR THE FISCAL YEAR ENDED APRIL 30, 2010

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The following is a discussion and analysis of the audited consolidated financial statements of Enablence Technologies Inc. for the fiscal year ended April 30, 2010 and should be read in conjunction with other securities filings available on www.sedar.com. The effective date of management's discussion and analysis is July 22, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian dollars. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian currency unless specified otherwise. The financial statements include all of the assets and liabilities and expenses of Enablence Technologies Inc. and its subsidiaries. References made herein to "Enablence", "the Company", "we" and "our" mean Enablence Technologies Inc. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of April 30, 2010 and has concluded that these are effective in providing reasonable assurance that material information relating to the Company has been appropriately disclosed.

FORWARD LOOKING STATEMENTS

This discussion includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations, except as prescribed by applicable securities laws.

OVERVIEW

HIGHLIGHTS AND SUMMARY

Despite the recent global economic crisis, Enablence has continued to grow revenue through acquisitions and organically. In part, the Company has taken advantage of opportunities that have allowed it to develop a customer base and geographic presence through which it has been able to market its products successfully. Subsequent to the end of FY2010, the Company acquired Teledata Networks Ltd. ("Teledata"). Teledata, operating from Tel Aviv, Israel, offers high speed broadband equipment to customers in emerging markets. With the acquisition of Teledata, the Company will offer its combined products to both customer bases.

The Company is organized into two divisions: the Optical Components and Subsystems division, and the Systems division. During FY 2011 Teledata will be added to the Systems division. This divisional structure is based on the markets and products of each of the division and customer opportunities, optimization of a vertical integration strategy and maximization of synergies and efficiencies among the operational units. The two divisions are complementary and this structure allows the Company to support two sets of customers – those that rely on Enablence components and those that depend on a full system solution in the access segment of the high speed broadband market, in Canada, the United States and in international markets. Since Teledata was acquired after April 30, 2010, the financial information presented in this report does not include any financial information of Teledata.

Fibre optic deployments in the access and metro markets have shown significant growth as the world's economies recovered from the economic slowdown, with growth in divisional revenues rising by more than 70% from FQ4 2009 to FQ4 2010, while gross margins for the division improved dramatically.

On the Systems side of the business, broadband infrastructure development is a major element of various economic stimulus packages, in the United States and internationally. Enablence's management believes that, with greater emphasis placed in improved telecommunications infrastructure based on high speed broadband, the growth in this sector will be steady. However, as these were new government led initiatives, the development of the processes for obtaining the funding under these programs lagged the announcement, some customers postponed their decisions until the government funding was available. As such, there was a downward trend in revenues during the first three quarters of FY2010, followed by an increase in the fourth quarter of FY2010.

The focus of management is on profitable growth, balancing the need for continued cost controls while ensuring that each division has the resources to fund growth in revenues, gross margins and profitability metrics. One particular challenge faced by the Company, and many of its competitors, is managing the supply chain, to ensure the timely receipt of parts and components used in the manufacture of the Company's products.

The Company recently decided to shift polymer based production from its Wilmington, Massachusetts fabrication facility to its Fremont, California fabrication facility. During the second half of calendar 2010 the equipment in the Wilmington facility will be shipped to Fremont, where it will be installed and re-commissioned. The Wilmington facility will be closed down at that point. The Company expects to incur a one time expense of $1 million to effect this transfer of production and subsequent closing of the Wilmington facility.

The Company also decided to change its year end to June 30, 2011. The current fiscal year will cover 14 months, from May 1, 2010 to June 30, 2011.. With the acquisition of Teledata on June 23, 2010 the Company believes that a new fiscal year is merited, so that it can report its first full operating year of the combined businesses on a timely basis.

FQ4 2010 (Period Ending April, 2010) Highlights

The major highlights during FQ4 2010 included:

- raising $28.75 million ($26.8 million net of costs) of equity
- increasing revenues by 14% over FQ3 2010

ENABLENCE BUSINESS

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. Teledata is now part of the Systems division.

The Optical Components and Subsystems division has a broad portfolio of products using the planar lightwave circuit ("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, South Korea 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 FY2011, 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 will be funded by a combination of third party funded design contracts and internal resources.

CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

Effective May 1, 2009, the Company adopted the new CICA standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, *Research and Development Costs.* This revision aligns Canadian GAAP with International Financial Reporting Standards ("IFRS") and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this new standard did not have a material effect on the Company's consolidated financial statements.

Revenue recognition

In December 2009, the CICA issued Emerging Issues Committee EIC-175, *Multiple Deliverable Revenue Arrangements.* This new standard is applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 but with earlier adoption permitted. The new standard requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. The Company has adopted this standard for the year ended April 30, 2010.

Financial instruments

In August 2009, the CICA amended CICA Handbook section 3855, "Financial Instruments – Recognition and Measurement", which add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. In addition, this section has been amended to change the categories into which a debt instrument is required or permitted to be reclassified; change the impairment model for held-to-maturity financial assets to the incurred credit loss model of impaired loans; and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after April 30, 2009. The adoption of this new Section did not have a material impact on the Company's consolidated financial statements.

Financial assets and financial liabilities

In January 2009, the Company adopted EIC-173, Credit risk and the fair value of financial assets and financial liabilities issued by the Emerging Issues Committee. This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have a material impact on the consolidated financial statements.

The Company also adopted the changes made by CICA to Section 3862, *Financial instruments – Disclosures* whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

FUTURE ACCOUNTING PRONOUNCEMENTS

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which will replace Handbook Section 1581, *Business Combinations*. The new standard is effective for acquisitions in fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provides the Canadian equivalent to IFRS 3, *Business Combinations*. The Company is assessing the impact of the new standard on its consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which will replace Handbook Section 1600, *Consolidated Financial Statements*. These new standards are effective for interim and annual consolidated statements for fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provide the Canadian equivalent to IFRS IAS 27, *Consolidated and Separate Financial Statements*. The new standards are not expected to have a material effect on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. The official change-over date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt this new standard for the fiscal year beginning July 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year.

During FY 2010 the Company completed the review of its accounting policies to identify which will be affected by adoption of IFRS. Management has identified the accounting standards that will likely have the greatest impact on the Company's financial reports due to the magnitude of the related account balance, the significance of the IFRS and Canadian GAAP differences or due to the complexity of the standard. Management has retained the services of an independent consultant to assist it in selecting the IFRS accounting policies that will best reflect the nature of the Company's assets, liabilities, and business operations and will be in a position to collect the requisite IFRS information for presentation of comparative information with its first fiscal quarter of 2011, starting on July 1, 2011.

Management believes that the highest priority areas that IFRS will impact the Company's financial statements are:

- share based payments
- presentation of financial statements
- the effects of changes in foreign exchange rate
- accounting for government grants and related royalty payments
- impairment of assets; and
- provisions, contingent liabilities and contingent assets.

The calculation of share based payments, such as stock options, under Canadian GAAP, involves making certain estimates, such as the volatility rate and risk free rate of return, at the time of issuance, then amortizing the cost derived from these estimates over the vesting period of the stock options. Under IFRS, the cost of the stock options recognized during the period is calculated by revising the estimated elements of the calculation at the time of each vesting period. As such, under IFRS the cost of a single stock based payment that vests over a period of time is subject to change, as contrasted to the cost being evenly amortized under Canadian GAAP.

Financial statement presentation under IFRS differs, at times profoundly, from financial statement presentation under Canadian GAAP. As an example, the balance sheet, to be called the statement of financial position under IFRS, may include changes in the classification of assets and liabilities between current, and long term.

Under Canadian GAAP, the Company has determined that its foreign subsidiaries are self-sustaining and therefore translates their foreign currency denominated balance sheet accounts at the relevant period end exchange rate. Under IFRS the Company must assess what the functional currency of each operation, which may result in a conclusion that is different than the one determined under Canadian GAAP's self-sustaining operations guidelines.

Government grants are recorded as a reduction of the expenses they relate to, and reports any royalties paid against these grants as a cost of revenues, under Canadian GAAP. Under IFRS, the government grants are treated as a liability and the related royalties as a payment of interest and principal on the debt.

At such time as the Company records an impairment of an intangible asset that charge is a permanent reduction of the intangible asset, under Canadian GAAP. Under IFRS the Company can elect to reverse the impairment charges, if circumstances indicate that the value of the intangible asset has recovered.

Under Canadian GAAP, the threshold for determining whether a contingent liability should be recorded in the financial statements is higher than the threshold under IFRS. As a result, under IFRS the Company may have higher total liabilities than it would under Canadian GAAP.

The Company has prepared a project plan outlining the areas where changes have to be implemented and the expected completion of each of the areas.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Enablence's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings that the Company's disclosure controls and procedures for the year ended April 30, 2010 are effective to provide reasonable assurance that material information related to Enablence is made known to them.

RESULTS OF OPERATIONS

SUMMARY OF RESULTS FOR THE YEARS ENDED APRIL 30, 2010, APRIL 30, 2009 AND APRIL 30, 2008

The following table sets forth a summary of key operating and other information from our consolidated financial statements for the most recent reporting periods as prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The information has been derived from our audited consolidated financial statements.

Years Ended	April 30, 2010	April 30, 2009	April 30, 2008
Revenue	$ 53,892	$ 45,238	$ 3,152
Gross Profit	11,441	11,127	1,183
Sales & Marketing	10,158	9,734	363
General & Administrative	7,749	9,109	4,093
Research & Development	14,034	16,805	5,702
Stock Based Compensation	1,436	1,705	2,424
Amortization	7,033	9,649	2,796
Restructuring Charges	2,287	474	-
Operating Loss for the Year	(31,256)	(36,349)	(14,195)
Net Loss for the Year	$(32,574)	$(76,823)	$(11,347)
Basic and Diluted Loss Per Share	$ (0.12)	$ (0.40)	$ (0.08)

The nature and size of Enablence’s business has changed significantly during the last two years. During the year ended April 30, 2008, we had operations in Ottawa, Canada, Zurich, Switzerland and, for the period February 7 through April 30, 2008, in Fremont, California. During the year ended April 30, 2009, the Company acquired Wave7 Optics, Inc. (May 5, 2008); the assets of the DuPont Photonics business unit (July 31, 2008); and Pannaway Technologies, Inc. (November 18, 2008). As a consequence of these acquisitions, the results of operations for FY2009 are not reasonably comparable to those of FY2008, nor are the results of operations for FY2010 reasonably comparable to those of FY2009. Since the acquisition of Teledata was completed after April 30, 2010, the operating results and other financial information presented in this report do not include any operating results or other financial information from Teledata.

SUMMARY OF UNAUDITED QUARTERLY RESULTS

The following table sets forth unaudited summary results of operations for the past eight (8) quarters. The information has been taken from our unaudited consolidated financial statements that, in management’s opinion, have been prepared on a basis consistent with the audited financial statements for the last eight quarters ended April 30, 2010 and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented. The table and ensuing discussion and analysis presents the information in thousands of Canadian dollars except share and per share related data.

	FY 2010				FY 2009			
Quarter Ended	**April 30, 2010**	**January 31, 2010**	**October 31, 2009**	**July 31, 2009**	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008
Revenue	**$14,094**	**$12,329**	**$ 14,883**	**$12,586**	$14,049	$14,790	$8,765	$7,634
Gross Profit	**3,671**	**1,268**	**3,470**	**3,032**	2,923	4,546	1,669	1,988
Expenses								
Research & Development	**3,540**	**3,120**	**3,387**	**3,987**	4,959	4,743	3,458	3,644
Sales, General & Administrative	**4,660**	**4,165**	**4,312**	**4,770**	5,618	5,331	4,337	3,552
Stock Based Compensation	**225**	**382**	**438**	**391**	324	532	509	341
Amortization	**1,148**	**1,879**	**2,172**	**1,834**	1,337	3,854	2,433	2,025
Restructuring Charge	**1,788**	**141**	**226**	**132**	-	474	-	-
Operating Loss	**(7,690)**	**(8,419)**	**(7,065)**	**(8,082)**	(9,315)	(10,388)	(9,068)	(7,574)
Impairment of Intangible Assets and Goodwill	**-**	**(4,355)**	**-**	**-**	-	(47,700)	-	-
Net Loss for the Period	**$ (8,631)**	**$ (10,391)**	**$ (6,669)**	**$(6,883)**	(12,808)	$(49,450)	$(7,721)	$(6,844)
Weighted Average Shares Outstanding	**270,084**	**254,701**	**254,733**	**249,155**	208,486	203,329	182,617	175,514
Basic and Diluted Loss Per Share	**$ (0.03)**	**$ (0.04)**	**$ (0.03)**	**$ (0.03)**	$ (0.06)	$(0.24)	$(0.04)	$(0.04)

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED APRIL 30, 2010 AND 2009 AND THE THREE MONTHS ENDED JANUARY 31, 2010

The following table sets forth a summary of key operating and other information from our consolidated financial statements for the most recent reporting periods as prepared in accordance with Canadian GAAP. The information has been derived from our audited consolidated financial statements.

Generally Accepted Accounting Principles (GAAP) requires that, for self sustaining foreign operations, we convert foreign currency denominated transactions related to the statement of loss at the average exchange rate for the period. As such, changes in the exchange rate between the United States dollar and the Canadian dollar can have an impact on the quarterly variances.

REVENUES AND COST OF REVENUES

The Company operates two divisions. The Optical Component and Subsystems division develops and sells integrated photonic chips and solutions. The Systems division develops and sells systems that deliver very high speed, high capacity voice, data and video services to the premises. The table below sets out, on a comparative basis, the divisional revenues and the elements of the Company's cost of revenues, for FQ4 2010, FQ3 2010 and FQ4 2009.

	FQ4 2010	FQ3 2010	FQ4 2009	Increase (Decrease) FQ4 10 to FQ3 10 $	%	Increase (Decrease) FQ4 10 to FQ4 09 $	%
Revenues							
Systems	$ 7,169	$ 6,343	$10,191	$ 826	13%	$ (3,022)	-30%
Optical Components & Subsystems	6,925	5,986	3,858	939	16%	3,067	79%
	14,094	12,329	14,049	1,765	14%	45	-
Cost of Revenues							
Variable Costs	9,883	8,524	9,788	1,359	16%	95	1%
Facility Overhead	182	370	807	(188)	-51%	(625)	-77%
Amortization	419	419	531	-	-	(112)	-21%
	10,484	9,313	11,126	1,171	13%	(642)	-6%
Write down (up) of inventory	(61)	1,748	-	(1,809)	-103%	(61)	-
Total Cost of Revenues	10,423	11,061	11,126	(638)	-6%	(703)	-6%
Gross Profit	$ 3,671	$ 1,268	$ 2,923	$ 2,403		$ 748	
Gross Margin – Actual	26.1%	10.3%	20.8%		16% pts		5% pts
Gross Margin – excluding inventory write-downs (up)	25.6%	24.5%	24.6%		1% pt		1% pt

Revenues

The $826 (13%) increase in Systems division revenues from FQ4 2010 to FQ3 2010 is a reflection of a US$883 (15%) increase in sales by the division offset by the change in the average exchange rate between the Canadian dollar to the United States dollar as a result of changes in the foreign exchange rates used during the comparable quarters. This increase in sales is partially attributable to the general upward trend in global economic conditions in general, and the general effects of the implementation of the economic stimulus package in the US. During FQ3 2010 the Company experienced some supply chain problems that increased the backlog of orders going into FQ4 2010. As a result, a portion of the increase in sales is a result of the supplier providing sufficient product to clear out that backlog. However, a new supplier of ONT's experienced some production commencement problems at the end of FQ4 2010, the result of which was to create a new backlog of product. This supply chain problem was resolved after the fiscal year end.

The $939 (16%) increase in Optical Components and Subsystem Division revenues from FQ4 2010 to FQ3 2010 is a reflection of a US$678 (11%) increase in sales by the division offset by the change in the average exchange rate between the Canadian dollar to the United States dollar as a result of changes in the foreign exchange rates used during the comparable quarters. This is the fifth consecutive quarter of increased sales, when measured in US dollars, for the division. Revenues for the Optical Components and Subsystems Division during FQ4 2010 were 72% higher than they were in FQ4 2009..

Revenue (based on ship-to location of the customer) and assets (where located) are segregated geographically as follows:

	Revenues		
	FQ4 2010	FQ3 2010	FQ4 2009
Americas	$ 8,830	$7,729	$9,766
Asia Pacific	3,320	2,750	1,305
Europe	1,944	1,850	2,978
Total	**$ 14,094**	**$12,329**	**$14,049**

During FQ4 2010, one customer accounted for 11% of the Company's total revenue and no one customer accounted for greater than 10% of the accounts receivable balance at April 30, 2010. During FQ3 2010, one customer accounted for 24% of the Company's total revenue and no one customer accounted for greater than 10% of the accounts receivable balance at January 31, 2010. During FQ4 2009, one customer accounted for 11% of the Company's total revenue and one customer accounted for 14% of the accounts receivable balance at April 30, 2009.

Cost of Revenues

Cost of revenues, prior to taking into account the change in valuation reserves for inventory, rose from $9,313 in FQ3 2010 to $10,484 in FQ4 2010, an increase of $1,171 (13%). During the same period, gross margins, prior to taking into account the change in valuation reserves for inventory, increased from 24.5% to 25.6%.

The Company started a detailed review of the various elements of its cost of revenues with a view of identifying which elements have the greatest impact on the cost of revenues and, once identified, determining how to reduce these cost elements.

OPERATING EXPENSES

The following table presents the operating expenses of the Company on a summary comparative basis for FQ4 2010, FQ3 2010 and FQ4 2009.

	FQ4 2010		FQ3 2010		FQ4 2009	
	$	% of Rev	$	% of Rev	$	% of Rev
Research & Development	$ 3,540	25.1%	$3,120	25.3%	$4,959	35.3%
Sales & Marketing	2,314	16.4%	2,295	18.6%	3,440	24.5%
General and Administration	2,346	16.6%	1,870	15.2%	2,178	15.5%
Stock-based Compensation	225	1.6%	382	3.1%	324	2.3%
Amortization	1,148	8.1%	1,879	15.2%	1,337	9.5%
Restructuring Charges	1,788	12.7%	141	1.1%	-	-
Total	**$ 11,361**	**80.5%**	**$9,687**	**78.5%**	**$12,238**	**87.1%**

The following table sets out in detail the key elements of each category of our operating expenses.

	FQ4 2010		FQ3 2010		FQ4 2009		Increase (decrease) FQ4 10 to FQ3 10		Increase (decrease) FQ4 10 to FQ4 09	
	$	% of Exp	$	% of Exp	$	% of Exp	$	%	$	%
Research & Development										
Compensation	$2,243	63%	$1,969	63%	$3,681	74%	$274	14%	$(1,438)	-39%
Other R&D Expenses	1,297	37%	1,151	37%	1,278	26%	146	13%	19	2%
Total R&D Expense	$3,540	100%	$3,120	100%	$4,959	100%	$420	14%	$(1,419)	-29%
R&D Staff	59		61		97		(2)	-3%	(38)	-39%
Sales & Marketing										
Compensation	$1,379	60%	$1,481	65%	$2,109	61%	$(102)	-7%	$(730)	-35%
Other S&M Expenses	935	40%	814	35%	1,331	39%	121	15%	(396)	-30%
Total S&M Expense	$2,314	100%	$2,295	100%	$3,440	100%	$19	1%	$(1,126)	-33%
S&M Staff	52		43		50		9	21%	2	4%
General and Administration										
Compensation	$1,137	49%	$905	48%	$1,100	51%	$232	26%	$37	3%
Other G&A Expenses	1,209	51%	965	52%	1,078	49%	244	25%	131	12%
Total G&A Expense	$2,346	100%	$1,870	100%	$2,178	100%	$476	25%	$168	8%
G&A Staff	28		33		29		(5)	-15%	(1)	-3%
Stock-based Compensation	$225		$382		$324		$(157)	-41%	$(99)	-31%
Amortization										
In G&A										
PP&E	$322		$356		$626		$(34)	-10%	$(304)	-48%
Intangibles	826		1,523		711		(697)	-46%	115	16%
	1,148		1,879		1,337		(731)	-39%	$(189)	-14%
In Cost of Revenues	419		419		531		-	-	(112)	-21%
Total Amortization	$1,567		$2,298		$1,868		$(731)	-32%	$(301)	-16%
Restructuring charges	$1,788		$141		$ -		$1,647	1,168%	$1,788	100%
Impairment charges										
Impairment of goodwill	$ -		$ -		$ -					
Impairment of intangible assets	-		4,355		-		$(4,355)	100%	-	-
Future income tax recovery	-		(1,755)		-		1,755	100%	-	- %
	$ -		$2,600		$ -		$(2,600)	100%	$ -	-%

The Company's total research and development ("R&D") expenses increased by $420 (14%) from FQ3 2010 to FQ4 2010. This was comprised of a $274 (14%) increase in compensation, of which $177 was for contractual bonuses to key R&D staff. The $146 (13%) increase in other R&D expenses is the net result of:

- a $182 write-down of inventory related to the Company's transceiver products,
- $94 more in outsourced R&D project expenditures; offset by
- a general decrease in materials consumed in R&D projects.

The Company will be reducing the size and scope of some of its outsourced R&D projects during FY 2011.

Sales and marketing expenses increased by $19 (1%) from FQ3 2010 to FQ4 2010. This increase is a combination of a decrease of $102 (7%) in compensation expense, as the Company made changes to the Systems division's sales force, and a $121 increase in other selling expenses.

The Company's general and administration ("G&A") expenses increased by $476 (25%) from FQ3 2010 to FQ4 2010. Of this increase, $232 (26%) was for compensation. This was comprised of $192 in contractual bonuses to key executives, with the remainder attributable to the addition of a key executive. The $244 (25%) increase in other G&A expenses was due to a number of reasons including an increase in the allowance for doubtful accounts of $77, increase in capital tax of $40 as a result of the higher capitalization of the Company, increased travel expenses of $52, and other increases related to the increasing size of the Company including increased, insurance costs and consulting fees.

Stock-based compensation expense decreased by $157 (41%) during FQ4 2010. This is largely due to the full amortization of a large number of options granted in February 2008.

Amortization expenses comprise two major elements: amortization of property, plant and equipment over their useful lives; and amortization of intangible assets over a three year period from the date of acquisition. The $34 (10%) decrease from FQ3 2010 to F4 2010 is a reflection of the reduced net book value of some of the Company's fabrication assets. The decrease of $697 (46%) in amortization of intangible assets during FQ4 2010 is due to the write down of intangible assets taken in FQ3 2010.

During FQ3 2010 the Company determined that the current economic conditions represented a change in circumstances in the Company's operating environment. As such, in accordance with its accounting policies, the Company performed impairment tests on its intangible assets at January 31, 2010 and recorded a write down of $4,355. This loss of fair value was offset partially by a recovery of $1,755 in future tax obligations. There was no comparable event during FQ4 2010.

During FQ4 2010 the Company entered into an agreement to terminate the employment of an executive. In accordance with the terms his employment agreement, the Company agreed to pay $1,750 in termination costs to this individual. The cost of terminating other senior personnel cost the Company an additional $38 during FQ4 2010.

INTEREST INCOME

Enablence invests cash and cash equivalents in short-term investments with a Canadian chartered bank. During FQ4 2010, Enablence earned interest income on these investments of $11, as compared to $2 during FQ3 2010. This increase in interest income in FQ4 2010 is the result of holding higher average cash and cash equivalents in short-term investments balances during FQ4 2010 than in FQ3 2010.

INCOME TAXES

Future income tax recovery is due to the amortization of the intangible assets recognized on acquisitions and the related future tax liability that was accrued at that time. The liability is drawn down as that portion of the asset value is amortized. No other future tax recovery on losses is recorded in earnings and will not be until, in the opinion of management it is more likely than not that the future tax assets will be realized.

During FQ4 2010, the Company recorded a provision for future income taxes of $693 as compared to a recovery of $2,448 during FQ3 2010. The FQ3 amount comprised of 1,755 related to the write down of the Company's intangible assets and $694 for the amortization of intangible assets. During FQ4 2010 the provision for income taxes was for the amortization of intangible and tangible assets.

NET LOSS

The net loss for FQ4 2010 was $8,631, compared to $10,391 during FQ3 2010. The decrease in net loss is attributable to the reasons set out above.

LOSS PER COMMON SHARE

The table below presents the basic and diluted loss per common share for each of the comparative quarters.

	FQ4 2010	**FQ3 2010**	**FQ4 2009**
Basic and Diluted Loss per Common Share	$0.03	$0.04	$0.06
Weighted Average Number of Common Shares	270,084	254,701	208,486

NON-GAAP FINANCIAL MEASURES

Non-GAAP Financial Measures

This section describes the non-GAAP financial measures we use in the MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable Canadian GAAP financial measures.

Operating Cash Flows

We define Operating Cash Flows as the sum of Net Cash Flows from (used in) Operating Activities and the net changes to working capital, net of any changes in inventory write-downs.

The term Operating Cash Flows does not have any standardized meaning according to GAAP. Therefore it may not be readily comparable to data that may be presented by other companies. Operating Cash Flows, however, are presented on a consistent basis in our Financial Statements from period to period.

We use Operating Cash Flows, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense, stock based compensation and other expenses not affecting cash. We exclude amortization expense and stock based compensation because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of property and equipment, and intangible assets

Operating Cash Flows allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use Operating Cash Flows to measure a company's ability to fund operations, working capital, capital expenditures and repayment of debt obligations. As such, it serves as a useful measure.

The table below is a reconciliation of Net cash flows from (used in) operating activities to Operating Cash Flows.

	FQ4 2010	FQ3 2010	FQ4 2009
Net cash flows used in operating activities	$(7,698)	$(3,556)	$(6,060)
Net changes in working capital	1,451	(2,286)	(1,410)
Inventory write down	(61)	1,748	--
Operating Cash Flows	$(6,308)	$(4,094)	$(7,470)

LIQUIDITY AND CAPITAL RESOURCES

Enablence has historically financed its operations primarily through the issuance of common shares. The Company assumed a US$3,735 note payable and a $1,000 operating loan on the acquisition of ANDevices, Inc. The lending institution that provided the operating loan to ANDevices advised the Company that it would not renew the operating line of credit and the Company repaid this $864 credit facility in May 2009. Subsequent to April 30, 2010 the note payable, with a principal of US$1,879 was repaid from the proceeds of a new US$5,000 note payable with a different bank. As a result, the Company received, after payment of loan placement costs and fees, net cash proceeds of US$3,090.

In consideration of acquiring 100% of the outstanding shares of Teledata, the Company:

- issued subordinated secured 5% notes payable totaling $10,384 (US$10,000), with a maturity date of June 23, 2012;
- issued 54,932 common shares, representing $30,762 (US$30,000) at market value; and
- $10,384 (US$10,000) of cash.

In addition, the Company provided $3,691 (US$3,600) of cash to Teledata to secured operating lines of credit. The use of these funds was restricted by the Israeli banks that provided the US$3,600 in credit facilities. One of the two credit facilities has been retired, using $615 of restricted cash.

The Company expects that its current level of cash and cash equivalents is sufficient to fund its operations, working capital and capital expenditures for more than the next 12 months, based on its operating forecasts. These forecasts include assumptions regarding:

- revenue growth as the global economic conditions improve and the economic stimulus packages in the U.S. and elsewhere are accessed by the Company's customer base;
- an increase in design services revenues and margins from key optical component customers;
- improved gross margins as a result of the transfer of polymer fabrication capacity and key personnel, and subsequent closing of the Company's Wilmington Massachusetts facility;
- improvements in supply chain and inventory management performance; and
- improved treasury management, particularly as it relates to accounts receivable.

Enablence may receive cash proceeds on the issue of additional common shares on the exercise of options and warrants depending in part on the market price for its shares. The Company is also discussing the opportunity to raise funds from an operating line of credit.

The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves to protect itself from the effects of the current unpredictable economic conditions.

The table below sets out the cash, cash equivalents and short-term investments and working capital at the end of each of the comparative quarters, (in $000).

	FQ4 2010	**FQ3 2010**	**FQ4 2009**
Cash and Cash Equivalents	$23,407	$5,868	$11,503
Working Capital	$31,237	$12,047	$17,689

During FQ4 2010, the Company consumed $7,698 of cash in operating activities and invested $656 in property, plant and equipment and software. A further $234 was used in partial repayment of a note payable assumed on the acquisition of ANDevices. The net increase of $17,539 in cash and cash equivalents during FQ4 2010 was comprised of $26,772 in net proceeds from the issuance of common stock, reduced by the $9,233 used during FQ4 2010.

The common shares of Enablence commenced trading on the TSX Venture Exchange on July 28, 2006 under the symbol “ENA” or “ENA.V”.

OFF BALANCE SHEET ARRANGEMENTS

A Canadian chartered bank has issued a letter of guarantee in the amount of US$1,425 on behalf of the Company, to secure a performance guarantee of US$2,850. This letter of guarantee has been secured with a cash deposit in that bank. This cash deposit is recorded as restricted cash on the Company’s balance sheet. In addition, the same Canadian chartered bank has issued a letter of guarantee on behalf of the Company to secure a performance bond. This letter of guarantee is secured by a guarantee by a third party, which, in turn, is indemnified by the Company.

Enablence has not entered into any other material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, or derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

FINANCIAL AND OTHER INSTRUMENTS

Enablence's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable and convertible notes. Unless otherwise noted, it is the opinion of Enablence's Management that Enablence is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

TRANSACTIONS WITH RELATED PARTIES

During FQ4 2010 the Company entered into an agreement to terminate the employment of an executive. In accordance with the terms of his employment agreement, the Company agreed to pay $1,750 in termination costs to this individual. The Company subsequently entered into a one year consulting contract at a value of $300.

SUMMARY OF CONTRACTUAL OBLIGATIONS

The table below presents the Company's contractual obligations.

	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Facilities Leases	$4,781	$1,571	$1,696	$667	$847

CAPITAL RESOURCE REQUIREMENTS

The Company expects to invest up to $1,000 during the next year on component manufacturing equipment to improve manufacturing processes with the ultimate objective of improving gross margins and product offerings, and on design and test equipment for the Systems division.

OUTLOOK

The primary challenge facing the Optical Components and Subsystems division is the need to improve margins in a highly competitive environment, particularly in the U.S. A rigorous review of the division's sales mix, product costs and marketing and sales efforts are critical to achieving this. Certain actions in this regard have already been taken and more are anticipated.

Management will focus on the following priorities during the remainder of calendar 2010:

- continued growth of Optical Components and Subsystems Division revenue through the introduction of new, higher margin products
- the shift of the polymer based products from the Wilmington, Massachusetts fabrication facility to an expanded fabrication facility in Fremont, California;
- pursuing winnable opportunities in North America for the Systems Division;
- leveraging Teledata's BroadAccess VDSL products in to North American markets;
- leveraging the sale of Trident 7 products in to Teledata's markets;
- improvement of margins in the Systems Division by:
  - reductions in the cost of manufacturing by completing the transfer of production to a different contract manufacturer; and
  - introduction of a lower cost ONT into the product mix
- integration of Teledata and existing Enablence operations and administration; and
- managing working capital.

Closing the Wilmington fabrication facility will result in a $1,000 restructuring charge. However, the cost savings, once the transition of the polymer product fabrication is completed during the three months ended December 31, 2010, should result in savings of $250 per quarter.

During the three months ended September 30, 2010 the Company expects revenues to be $35,000. Operating cash flows (see Non-GAAP Financial Measures above) are expected to be negative during that three month period. For the three months ended December 31, 2010, the Company expects revenues of $35,000, with Operating cash flows improving to marginally positive.

It is not possible to predict the impacts of the general global economic slowdown and the state of the U.S. economy, and therefore there is no guarantee that these results will be achieved. The U.S. market remains an important source of the Company's revenues. Any negative economic trends may have an unfavourable influence on the Company achieving its goals and objectives. The Company's ability to reach profitability is dependent on achieving higher volumes and increased gross margins. There are no assurances that Enablence will gain adequate market acceptance, nor are there any guarantees that the Company will achieve higher gross margins, even though the Company is able to hold a relatively steady sales picture in the current conditions, nor is the Company presently able to fully assess any negative impact of the current global economic conditions on its operations or financial condition. The Company has not yet earned operating profits and expects to incur further operating losses before realizing profits. The Company believes that the existing working capital coupled with revenues will be sufficient, notwithstanding the above reservations, to cover the Company's anticipated operating costs beyond July 31, 2011.

The Company will continue to evaluate and assess growth opportunities that will allow it to rapidly expand into new markets, expand its customer base and increase gross margins and any need for additional capital for growth.

CURRENCY RISK

The Company is exposed to currency risk as a significant volume of its transactions are denominated in U.S. dollars, and Swiss Francs. With the acquisition of Teledata, the Company is now exposed to currency risk on Israeli Shekels. Management is evaluating foreign exchange risk management strategies. However, the Company has not entered into forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates.

PROPOSED TRANSACTIONS

As noted above under "Capital Resources", the Company will continue to review opportunities to enhance shareholder value through strategic vertical integration strategies. There are currently no material proposed asset or business acquisitions or dispositions that have been approved by the board of directors of Enablence Technologies Inc.

SUBSEQUENT EVENTS

Subsequent to the end of FY2010, the Company acquired Teledata. In consideration of receiving 100% of the outstanding shares of Teledata, the Company:

- paid $10,384 (US$10,000) in cash:
- issued $10,384 (US$10,000) in subordinated secured notes payable, bearing interest at 5% and maturing on June 22, 2012; and
- issued 54,932 common shares, equivalent to $30,762 (US$30,000)

Subsequent to the end of FY2010, the Company entered into a note payable for US$5,000. The note payable:

- matures on July 20, 2013;
- bears interest at the greater of 5% and 1.5 % over the prime rate as published in the Wall Street Journal;
- is secured by the assets of one of the subsidiaries of the Company; and
- is subject to certain financial performance and asset coverage covenants of one of the Company's subsidiaries.

The note payable is to be repaid as interest only for the first six months, then interest plus $175 per month thereafter.

US$1,879 of the proceeds of this new note payable was used to retire an existing note payable.

SHARE CAPITAL

COMMON SHARES

Enablence is authorized to issue an unlimited number of common shares of which 384,419 common shares are issued and outstanding as of July 22, 2010. The following table details the issued and outstanding shares of the company (in thousands):

	Number of Common Shares	Amount
April 30, 2008	172,691	$109,575
Exercise of Broker Warrants	1,000	492
Issued for Acquisition of Wave7 Optics, Inc.	2,078	3,547
Issued for Acquisition of Assets from DuPont Photonics	6,848	9,724
Issued for Acquisition of Pannaway Technologies Inc.	25,750	7,725
Issued on Exercise of Options	160	65
April 30, 2009	208,527	$131,128
Issued for Cash, net of $3,776 of issuance Costs	117,875	38,774
Exercise of broker warrants	738	400
Exercise of options	75	35
Cancellation of shares in escrow	(40)	(68)
April 30, 2010	**327,175**	**$170,269**
Exercise of broker warrants	1,362	408
Exercise of stock options	950	351
Issued for Acquisition of Teledata Networks Ltd.	54,932	30,762
July 22, 2010	**384,419**	**$ 201,790**

On May 5, 2008, the Company acquired all of the outstanding shares of Wave7 Optics, Inc. for consideration of $10,568 (US$10,500) in cash and 2,078 common shares valued at $1.69 per share or $3,547 at time of closing plus $265 of transactions costs. Wave7 Optics, Inc. was renamed Enablence USA FTTx Networks, Inc. It is a global provider of Fibre-to-the-Home ("FTTH") systems that deliver voice, video, and data services.

The property and equipment is comprised of a fully operational facility located in Alpharetta, Georgia. The intangible assets associated with the acquisition are mainly the customer relationships developed by Enablence USA FTTx Networks Inc. The fair value of the customer relationships was determined using a discounted cash flow methodology taking into consideration anticipated market demand of both current and future customers. The acquisition was accounted for by the purchase method, whereby the results of operation of the acquired company are included in the consolidated statements of earnings and cash flows since the acquisition date. The net purchase price of $14,389 was allocated based on the fair value of the net identifiable assets over the cost of the purchase, which is sometimes referred to as negative goodwill. The negative goodwill was allocated on a pro-rata basis to the fair value of the long-term tangible and intangible assets acquired. The intangible assets will be amortized on a straight-line basis over a 5 year period from the date of acquisition.

The following table summarizes the purchase price based on estimated fair values.

Assets Acquired:	
Cash	$ 288
Accounts Receivable	2,595
Inventory	5,710
Prepaid expenses and Deposits	364
Property and Equipment	682
Intangible Assets	15,884
	25,523
Liabilities Assumed:	
Accounts Payable and Accrued Liabilities	2,055
Loans	1,826
Deferred Revenue	349
Future Income Tax Liability	6,904
	11,134
Total Purchase Price Consideration	$ 14,389

On July 31, 2008, the Company acquired certain assets of DuPont Photonics Technologies LLC (“DuPont Photonics”), a wholly owned subsidiary of E.I. du Pont de Nemours and Company (“DuPont”) valued at $4,613 in exchange for 3,249 common shares of Enablence valued at $1.42. Concurrent with the closing of the transaction, DuPont completed a US$5 million or $5,111 investment in the Company to acquire 3,599 common shares of the Company valued at $1.42.

The following table summarizes the assets acquired based on estimated fair values.

Assets Acquired:	
Cash	$ 5,111
Inventory	1,239
Production Equipment	1,258
Intangible Assets	2,222
Total Purchase Price Consideration	$ 9,830

The value assigned to identifiable intangibles assets was attributed to existing customer relationships. The intangible assets are being amortized on a straight-line basis over a three to five year period from the date of acquisition.

On November 19, 2008, the Company completed the acquisition of Pannaway Technologies Inc. (“Pannaway”). The operations of Pannaway were merged with the Company’s FTTX Networks Division and renamed Systems Division.

As consideration for the acquisition, the Company issued an aggregate of 20,250 common shares of Enablence, of which 3,000 shares will be held in escrow, and US$200 to Pannaway shareholders and 5,500 common shares of Enablence to a Pannaway debt holder in respect to the cancellation of certain Pannaway debt. Enablence also issued 10-year convertible notes (the "Notes") in the aggregate of US$3,000 bearing interest at 5% per annum to four debt holders. The Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of $0.365 in the first two years, $0.402 in the third year, $0.442 in the fourth year and $0.486 in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 shares.

The acquisition was accounted for by the purchase method, whereby the results of operation of the acquired company are included in the consolidated statements of earnings and cash flows since the acquisition date. The net purchase price of $11,964 was allocated based on the fair value of the net identifiable assets acquired.

Purchase Price

Investment of Cash	$ 250
Issuance of 25,750 Enablence Shares	7,725
5% Convertible Notes (US$3,000)	3,758
Transaction Costs	231
	$ 11,964

The following table summarizes the net assets acquired based on a preliminary estimate of fair values.

Assets Acquired:	
Cash	270
Restricted Cash	90
Accounts Receivable	3,366
Inventory	11,667
Other Current Assets	75
Property and Equipment	1,118
Intangible Assets	21,606
	38,192
Liabilities Assumed:	
Accounts Payable and Accrued Liabilities	9,796
Deferred Revenue	11,833
Future Income Tax Liability	4,599
	26,228
Total Purchase Price Consideration	$11,964

The assets acquired and the liabilities assumed were converted to Canadian dollars using the November 19, 2008 exchange rate of 1.2526.

The preliminary value assigned to identifiable intangible assets is attributable to existing intellectual property and customer relationships. The intangible assets are amortized on a straight-line basis over a three to five year period from the date of acquisition.

The Company estimates the fair values of assets acquired and liabilities assumed for each of its acquisitions and plans to finalize all estimates within one year of each acquisition.

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and that Management expectations may not be realized for a number of reasons. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The current global economic crises pose 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 in our Annual Information Form filed on August 11, 2009, and available at: www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates include, but are not limited to, investment tax credits, allowance for doubtful accounts, inventory provisions, inventory valuation, asset impairments, accruals, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, future income taxes, carrying value of intangible assets and goodwill.

The Company has adopted the accounting recommendations contained in the CICA Handbook Section 3870 - *"Stock-based Compensation and Other Stock-based Payments"*. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services, and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. The Company uses the fair-value based method to account for all stock-based payments to employees and non-employees by measuring the compensation cost of the stock-based payments using the Black-Sholes option-pricing model. The fair value of the stock-based compensation is recorded as a charge to operations (or share issuance costs for broker warrants) over the vesting period with a credit to contributed surplus.

ADDITIONAL INFORMATION

Additional information related to the Company can be found on SEDAR at: www.sedar.com.