ENABLENCE TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements
For the years ended June 30, 2013 and 2012

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enablence Technologies Inc.

We have audited the accompanying consolidated financial statements of Enablence Technologies Inc. (the "Company"), which comprise the consolidated balance sheets as at June 30, 2013 and June 30, 2012, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Enablence Technologies Inc. as at June 30, 2013 and June 30, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Company incurred a comprehensive loss of $15,160 for the year ended June 30, 2013, and as of that date had an accumulated deficit of $77,859 and a shareholders' deficiency of $5,767 as well as financial obligations that must be met. The ability of the Company to continue as a going concern is dependent upon the Company's ability to maintain the continuing support of its creditors and lenders, raise additional financing and achieve a profitable level of operations. These conditions, along with other matters, as set forth in Note 2, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

October 29, 2013
Ottawa, Ontario

ENABLENCE TECHNOLOGIES INC.
Consolidated Balance Sheets
(In thousands of United States dollars)

	Note		June 30, 2013		June 30, 2012
CURRENT ASSETS					
Cash and cash equivalents	4	$	938	$	3,974
Accounts and other receivable	5		2,285		2,663
Inventories	6		4,223		4,733
Prepaid expenses and deposits			80		1,191
Assets held for disposal	22		54		3,963
			7,580		16,524
PROPERTY, PLANT AND EQUIPMENT	7		7,339		8,710
INTANGIBLE AND OTHER ASSETS	8		120		337
		$	15,039		25,571
CURRENT LIABILITIES					
Accounts payable and accrued liabilities		$	4,454	$	5,476
Current portion of notes payable	10		13,927		17,105
Liabilities related to assets held for disposal	22		609		816
			18,990		23,397
NOTES PAYABLE	10		1,816		2,559
LONG-TERM LIABILITIES			-		516
			20,806		26,472
SHAREHOLDERS’ DEFICIENCY					
Share capital	12		62,388		52,606
Contributed surplus			9,710		9,198
Accumulated other comprehensive loss			(6)		(404)
Deficit			(77,859)		(62,301)
			(5,767)		(901)
		$	15,039	$	25,571

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

“John Roland” — Chair of the Board of Directors

“Louis De Jong” — Director

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Comprehensive Loss
(In thousands of United States dollars and shares except per share data)

	Note		Year ended June 30, 2013		Year ended June 30, 2012
Revenues		$	7,879	$	13,389
Cost of revenues			7,216		12,251
Loss on inventory impairment			1,366		-
Gross margin			(703)		1,138
Operating expenses					
Research and development			4,306		5,198
Sales and marketing			573		839
General and administration			5,078		4,292
Stock-based compensation	12		512		255
Depreciation and amortization			653		740
Restructuring (recoveries) charges	14		(352)		493
			10,770		11,817
Operating loss			(11,473)		(10,679)
Other income (expense)					
Finance and other income			103		44
Finance expense			(2,200)		(1,059)
Foreign exchange loss			(254)		(616)
(Loss) gain on transfer of intangibles and fixed assets to Sunblence	21		(104)		2,482
Gain on sale of equipment			42		-
Write-down of goodwill and intangibles	8,9		(121)		(5,697)
Loss before income taxes			(14,007)		(15,525)
Deferred income tax recovery			-		1,769
Net loss from continuing operations			(14,007)		(13,756)
Net (loss) income from discontinued operations (net of tax)	22		(1,551)		7,729
Net loss			(15,558)		(6,027)
Other comprehensive income, net of tax					
Foreign currency translation gain			398		346
Comprehensive loss		$	(15,160)	$	(5,681)
Net loss per share, basic and diluted	13				
Continuing operations		$	(0.38)	$	(0.59)
Continuing and discontinued operations			(0.42)		(0.26)
Weighted average number of outstanding shares					
Basic and diluted	13		36,824		23,327

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Deficiency

(In thousands of United States dollars and shares)

	Number of shares	Share capital (Note 12)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Equity/ (Deficiency)
Balance at July 1, 2011	466,546	$ 222,567	$ 8,631	$ (750)	$ (226,235)	$ 4,213
Stock-based compensation (Note 12)	-	-	567	-	-	567
Reduction of share capital to deficit (Note 12)	-	(169,961)	-	-	169,961	-
Net loss	-	-	-	-	(6,027)	(6,027)
Foreign currency translation gain	-	-	-	346	-	346
Balance at June 30, 2012	466,546	52,606	9,198	(404)	(62,301)	(901)
Stock-based compensation (Note 12)	-	-	512	-	-	512
Issuance of common shares (Note 12)						
November 5, 2012 private placement	124,133	2,032	-	-	-	2,032
November 26, 2012 private placement	77,447	1,267	-	-	-	1,267
Share consolidation (Note 12)	(634,720)	-	-	-	-	-
Issuance of common shares (Note 12)						
February 19, 2013 private placement	9,121	2,930	-	-	-	2,930
February 19, 2013 conversion of notes	10,834	3,520	-	-	-	3,520
May 31, 2013 issuance	150	33	-	-	-	33
Net loss	-	-	-	-	(15,558)	(15,558)
Foreign currency translation gain	-	-	-	398	-	398
Balance at June 30, 2013	53,511	$ 62,388	$ 9,710	$ (6)	$ (77,859)	$ (5,767)

See accompanying notes to the consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(In thousands of United States dollars)

		Year ended June 30, 2013		Year ended June 30, 2012
Cash provided by (used in):				
Operating activities				
Net loss	$	(15,558)	$	(6,027)
Loss (income) from discontinued operations		1,551		(7,729)
Adjusted for the following non-cash items:				
Depreciation and amortization		2,018		2,142
Stock-based compensation (Note 12)		512		255
Loss (gain) on transfer of intangible and fixed assets to Sunblence (Note 21)		104		(2,482)
Gain on sale of equipment		(42)		-
Write down of goodwill and intangible assets (Notes 8 and 9)		121		5,697
Unrealized foreign exchange (gain) loss		(22)		722
Deferred income tax recovery		-		(1,769)
		(11,316)		(9,191)
Changes in non-cash working capital (Note 20)		555		4,967
Cash used in operating activities – continuing operations		(10,761)		(4,224)
Cash from (used in) operating activities – discontinued operations		303		(4,734)
Cash used in operating activities		(10,458)		(8,958)
Investing activities				
Purchase of property, plant and equipment		(491)		(5,795)
Cash on consolidation of Sunblence		-		6,222
Cash (used in) from investing activities – continuing operations		(491)		427
Cash from (used in) investing activities – discontinued operations		1,464		(610)
Cash provided by (used in) investing activities		973		(183)
Financing activities				
Repayment of notes payable		(394)		(2,062)
Net proceeds from issuance of common shares		6,229		-
Cash from (used in) financing activities – continuing operations		5,835		(2,062)
Cash provided by (used in) financing activities		5,835		(2,062)
Effect of foreign currency translation on cash and cash equivalents		259		(327)
Decrease in cash and cash equivalents		(3,391)		(11,530)
Cash and cash equivalents, beginning of year		4,329		15,859
Cash and cash equivalents, end of year		938		4,329
Less cash of discontinued operations at end of year (Note 22)	22	-		(355)
Cash and cash equivalents, end of year – continuing operations	$	938	$	3,974
Interest paid	$	980	$	456
Interest received		103		43

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Enablence Technologies Inc. ("Enablence" or the "Company") is incorporated under the Canada Business Corporations Act. The head office of Enablence is located at 390 March Road, Suite 119, Ottawa, Ontario, K2K 0G7, Canada. Enablence is a publicly traded company listed on the TSX Venture Exchange. The Company designs, manufactures and sells optical components and subsystems for access, metro and long-haul markets to a global customer base. The Company's product lines address all three segments of optical networks: access, connecting homes and businesses to the network; metro, communication rings within large cities; and long-haul, linking cities, countries and continents.

2. BASIS OF PREPARATION

(i) Going Concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis. This assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At June 30, 2013, the Company had cash of $938 (including $350 held in its joint venture company in China and $21 of restricted cash (see note 4), and, negative working capital of $10,855 (not including working capital held in discontinued operations) and used cash of $10,761 in its operating activities (not including $303 of cash provided by discontinued operations) for the year ended June 30, 2013. The Company has sustained significant losses since its inception. As at June 30, 2013, the Company has an accumulated deficit of $77,859. The Company has $13,927 of notes payable that are due in the next 12 months, including $11,633 of subordinated notes payable that are in default.

These conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. However, subsequent to year end, the Company has been successful in obtaining additional financing and settling the subordinated notes payable in full. See Subsequent Events Note 23 for further detail.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow and the ability to execute its business plan, including funding operating losses, as well as possible future sources of financing.

2. BASIS OF PREPARATION (continued)

(i) Going Concern continued)

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

(ii) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS. IFRS accounting policies were adopted retrospectively by the Company in its previous fiscal year ended June 30, 2012.

(iii) Basis of measurement

These consolidated financial statements have been prepared mainly on an historical cost basis. Other measurement bases used are described in the applicable notes.

(iv) Approval of consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on October 29, 2013.

(v) Presentation currency

The presentation currency of the Company's financial statements is the United States dollar ("US$"). This change was adopted by the Company for its year ended June 30, 2012. Financial statements previously reported by the Company as at or prior to June 30, 2011 were presented in Canadian dollars ("Cdn$").

While each of the Company's subsidiaries has its own functional currency, the functional currency of the parent company, Enablence Technologies Inc., is the Canadian dollar. However, the majority of the revenues, cost of revenues and operating expenses from significant subsidiaries are denominated in US$. Furthermore, the majority of the Company's debt is in US$. Presenting these financial statements in US$ also allows investors to more easily compare the Company's results with most of its direct competitors. Refer to Note 3 for the functional currencies of each of the subsidiaries.

2. BASIS OF PREPARATION (continued)

(vi) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities.

Significant estimates in the accompanying financial statements relate to the allowance for doubtful accounts, realizable amounts from receivable/holdback amounts, valuation of debt and equity instruments, inventory provisions and valuation, asset impairments, accruals and provisions, unearned revenue, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, deferred income taxes and indirect taxes, the carrying values of intangible assets and goodwill. Actual results could differ from these estimates.

Significant judgements in the accompanying financial statements relate to the purchase price allocations with respect to acquisitions, the going concern assessment, functional currency determinations and determination of cash generating units (“CGU”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The financial statements include the accounts of Enablence Technologies Inc., its subsidiaries and its proportionate share of its joint venture . The chart below summarizes the entities consolidated in the financial statements as at June 30, 2013 and 2012, with the exception of the Swiss subsidiary as follows: as a result of the sale of the shares of the Swiss subsidiary, Enablence Switzerland AG (“ENA Switzerland”) effective November 19, 2012, the balance sheet of ENA Switzerland has been included in the Company’s Consolidated Balance Sheet at June 30, 2012 but not at June 30, 2013; the financial results of Switzerland have been included in the Company’s Consolidated Statements of Comprehensive Loss to the date of the close of the transaction, November 19, 2012.

(In thousands of United States dollars and shares)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following chart summarizes the entities consolidated in the financial statements as at June 30, 2013:

Name of entity	Place of incorporation	Percentage of ownership	Functional currency
Continuing Operations			
Enablence Technologies Inc.	Canada	Parent	Cdn$
Enablence USA Inc.	Delaware, USA	100%	US$
Enablence USA Technologies Inc.	Delaware, USA	100%	US$
Enablence USA Components Inc.	Delaware, USA	100%	US$
Enablence Canada Inc.	Canada	100%	Cdn$
Sunblence Technologies Co. LTD	China	49%	(Renminbi) RMB
Discontinued Operations			
Enablence Switzerland AG	Switzerland	0%	Swiss Franc (“CHF”)
Enablence USA FTTx Networks, Inc.	Delaware, USA	100%	US$
Enablence Systems Inc.	Delaware, USA	100%	US$

i. Business Combinations:

Acquisitions on or after May 1, 2010
For acquisitions on or after May 1, 2010, the Company measured goodwill at the acquisition date as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, relating to a business combination are expensed as incurred.

Acquisitions prior to May 1, 2010

As part of its transition to IFRS, in accordance with the provisions of IAS 1, the Company elected to restate only those business combinations that occurred on or after May 1, 2010. In respect of acquisitions prior to May 1, 2010, goodwill represents the amount recognized under Canadian GAAP.

ii. Wholly-owned Subsidiaries

Wholly-owned subsidiaries are entities controlled by the Company and where the parent owns 100% of the shares. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of wholly-owned subsidiaries are included in the Company’s financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

iii. Jointly controlled entities

Joint ventures are those entities over whose activities the Company shares joint control. The Company determines joint control when there is existence of a contractual agreement to share continuing power with other participating parties to determine strategic operating, investing, and financing activities of the joint venture.

In the fiscal year ended June 30, 2011, the Company made an investment in a joint venture named Sunblence Technologies Co., LTD ("Sunblence"). In the fiscal year ended June 30, 2012, the Company transferred certain intellectual property and know-how and capital equipment as part of its initial investment in Sunblence. As at June 30, 2012, the Company had completed its initial contributions required as part of its initial investment into the joint venture.

Sunblence has 5 board members, of which 2 are appointed by Enablence. The approval of all Sunblence board members is required with respect to significant issues related to Sunblence, including business strategy, budgets, material change in nature or scope of the joint venture, duration of the joint venture, mergers or changes in capital, operation and management system and personnel plans, the appointment and remuneration of key employees (including the CFO, CTO, General Manager and deputy General Manager).

As a result, the Company has proportionately consolidated its 49% interest in Sunblence as at June 30, 2013 and 2012. The results of Sunblence since inception have been reflected on a proportional consolidation basis in the consolidated financial statements.

iv. Transactions eliminated upon consolidation:

All intercompany balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the financial statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Multiple-element arrangements

When a single sales transaction requires the delivery of more than one product or service ("multiple elements"), the revenue recognition criteria are applied separately to identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer. The consideration is allocated to deliverables based on their relative fair values. The fair value of each component is determined using vendor specific objective evidence, third party evidence of selling price, or estimated selling price.

Revenue is not recognized when payment is received for services not rendered and is recognized over the term of the contract. Revenue may also be deferred under certain contractual arrangements whereby delivery is not considered to have occurred until all elements of the product or service have been delivered and accepted. If these criteria are not met, then revenue is deferred until such criteria are met or until the period(s) over which the last element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value.

Service related revenue contracts require judgment by management to determine the stage of completion, as this requires the ability to accurately estimate costs incurred and accurately estimate costs required to complete contracts.

Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average method. Write-downs are taken for excess and obsolete inventory and for reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings; and, differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Management assesses the recoverability of deferred tax assets based upon an estimation of the Company's projected taxable income using existing tax laws, and its ability to utilize future tax deductions before they expire. Actual results could differ from expectations.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition. All assets are depreciated using the straight-line method. Depreciation is calculated based on the cost of an asset less its residual value and is recognized over the anticipated useful life of the asset as follows:

Asset class	*Depreciation term*
Machinery and equipment	3 to 10 years
Lab equipment and tooling	3 to 5 years
Photomasks	3 years
Computer equipment	3 to 5 years
Office furniture and equipment	3 and 5 years
Leasehold improvements	Lesser of 10 years or term of lease

The Company also capitalizes equipment into Construction in Progress; however, no deprecation is recorded until the assets are available for use.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Expenditures for repairs and maintenance are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets consist of intellectual property, customer relationships, brand names, patents and software. Costs incurred to acquire patents are recorded at cost and amortized over ten years, the expected useful life of the patents. Software is recorded at cost and amortized straight-line over an estimated useful life of 3 years.

Intangible assets acquired in a business combination represent intellectual property, customer relationships and brand names and are recorded at fair value estimated by management based on the expected discounted future cash flows associated with the acquired intangible assets. Acquired intangible assets are amortized on a straight-line basis over three to five years based on their expected future life.

Goodwill

Goodwill is calculated as the excess of the fair value of consideration paid over the fair value of tangible and intangible assets acquired and liabilities assumed in a business combination.

Impairment of long-lived assets

The carrying values of all property, plant and equipment, intangible assets and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is not amortized and is tested annually for impairment (or more frequently if events or circumstances indicate there may be impairment) in the third quarter of each fiscal year. Determining whether goodwill is impaired requires an estimation of the value of the entity that gave rise to the goodwill.

The impairment analysis requires management to estimate the future cash flows expected to arise from operations and to make assumptions regarding economic factors, discount rates, tax rates, and annual growth rates. Actual operating results and the related cash flows could differ from the estimates used for the impairment analysis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recorded when the recoverable amount of an asset or its CGU is less than its carrying amount. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Where an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the CGU in prior years.

The reversal of impairment requires management to re-assess several indicators that led to the impairment. It requires the valuation of the recoverable amount by estimating the future cash flows expected to arise from the CGU and the determination of a suitable discount rate in order to calculate its present value. Significant judgment is made in establishing these assumptions.

Financial instruments

Non-derivative financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset not carried at fair value through earnings is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Company's financial assets and liabilities comprise (a) loans and receivables and (b) other financial liabilities.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at cost, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities:

The Company initially recognizes debt liabilities on the date that they are originated. All other financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value minus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Company has applied to each of its significant categories of financial instruments outstanding:

Financial instrument	Classification
Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Notes payable	Other financial liabilities

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Repayable royalty-bearing grants received for approved research and development projects are recognized at the time the Company is entitled to such grants. The liability to repay the Government is calculated as a royalty percentage of the Company's actual qualifying revenues, and is included in liabilities. During fiscal 2013, the total of grants received was $181 (2012 - $176). Total of grants recognized by reducing related expenses was $357 (2012 – $nil). At June 30, 2013 and 2012, no liability for royalties was payable.

Grants received which are not repayable are recognized as a reduction of expenses at the time the Company has received such grants. The Company evaluates the requirements for repayment of these grants and, if none are present, the grants are recognized in earnings. During fiscal 2013, the total of grants received and recognized by reducing related expenses was $nil (2012 - $390).

Capital asset subsidy grants received in approved capital asset purchases are recognized at the time the Company receives such grants. As these grants compensate the Company for upfront costs of purchasing certain capital assets that will be used over time, the Company records such grants as a contra account to Property, plant and equipment on the balance sheet. The Company offsets depreciation on a systematic basis consistent with the depreciation of the capital assets purchased. During fiscal 2013, the total of grants received was $nil (2012 - $2,329) and depreciated $2,149 (2012 - $78).

Stock-based compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the period the employees unconditionally become entitled to the awards. For awards with graded vesting, the fair value of each tranche is recognized over the respective vesting period. The amount recognized as an expense is adjusted for expected forfeitures, such that the amount of stock based compensation expense recognized is based on the number of awards that are ultimately expected to vest.

Research and development costs

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the financial performance is re-presented as if the operation had been discontinued form the start of the comparative period. The financial position of the discontinued operation is only reclassified for periods presented subsequent to the decision to discontinue the operation.

Non-current assets held for sale

Non-current assets, or disposal groups comprising of assets and liabilities, that are expected to be recovered primarily through sale rather than through continued use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are re-measured in accordance with the Company's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro-rata basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in earnings. Gains are not recognized in excess of any cumulative impairment loss.

Foreign currency transactions

Items included in the consolidated financial statements of Enablence and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net loss for the period.

Foreign currency translation

Assets and liabilities of entities with functional currencies other than United States dollars are translated at the period end rates of exchange, and the results of their operations are translated at the exchange rates prevailing at the dates of transactions. The resulting translation adjustments are included in accumulated other comprehensive income (loss) in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similarly to basic earnings per share, except that the weighted average number of shares outstanding is increased to include additional shares for the effects of all dilutive potential common shares, which comprise convertible notes, warrants and shares options granted to employees and directors. The effects of anti-dilutive potential common shares are ignored in calculating diluted EPS.

Future changes in accounting policies

The IASB recently issued a number of new accounting standards. The new standards determined to be applicable to the Company are disclosed below. Other standards have been excluded as they are not applicable.

i. Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in October 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

ii. Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, Consolidation - Special Purpose Entities and IAS 27, Consolidated and Separate Financial Statements. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its financial statements for the year ending June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future changes in accounting policies (continued)

iii. Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, except for joint operations, thereby eliminating the proportionate consolidation method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Enablence is currently evaluating the impact of IFRS 11 on its financial statements and expects that it will account for its investment in Sunblence (Note 22) using the equity method for its fiscal year ending June 30, 2014.

iv. Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), was issued by the IASB in May 2011. IFRS 12 incorporates the disclosure requirements for all strategic investments including interests in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. IFRS 12 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of IFRS 12 on its financial statements.

v. Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13"), was issued by the IASB in May 2011. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of IFRS 10 on its financial statements for the year ending June 30, 2014.

vi. Presentation of Financial Statements

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"), which are effective for annual periods beginning on or after July 1, 2012, are to be applied retroactively. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company has adopted this standard in the presentation of its financial statements beginning with the year ended June 30, 2013.

(In thousands of United States dollars and shares)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future changes in accounting policies (continued)

vii. Investments in Associates and Joint Ventures

In May 2011, the IASB issued amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which are effective for interim and annual periods commencing January 1, 2013. These amendments require any retained portion of an investment in an associate or joint venture that has not been classified as held-for-sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendments require for it to be continued to be accounted for under the equity method. The amendments also disallow the re-measurement of any retained interest in an investment upon the cessation of significant influence or joint control. The Company does not expect material changes to the financial statements from the adoption of this standard.

4. CASH AND CASH EQUIVALENTS

Cash balance includes restricted cash. Restricted cash represents cash that has been provided as security against guarantees or otherwise not currently available for use. The Company had $21 of restricted cash at June 30, 2013. (June 30, 2012 - $1,200)

Subsequent to June 30, 2012, $1,200 of the restricted cash was used to reduce one of the Company's secured notes payable.

Cash at Sunblence consists of Enablence's share of cash held within the Sunblence legal entity. As per Sunblence's shareholder agreement, Sunblence will not make any distributions of profit in the first three financial years of its existence, unless such a resolution is passed by Sunblence's Board of Directors.

	June 30, 2013	June 30, 2012
Cash	**$ 567**	$ 767
Restricted Cash	**21**	1,205
Cash at Sunblence	**350**	2,002
	$ 938	$ 3,974

(In thousands of United States dollars and shares)

5. ACCOUNTS RECEIVABLE

	June 30, 2013	June 30, 2012
Trade	**$ 2,109**	$ 2,520
Other	**219**	194
Allowance for doubtful accounts	**(43)**	(51)
	2,285	2,663

6. INVENTORIES

	June 30, 2013	June 30, 2012
Raw materials	**$ 2,486**	$ 3,418
Work-in-progress	**1,627**	1,282
Finished goods	**149**	136
Inventory at customer sites	**8**	172
Allowance for obsolescence	**(47)**	(275)
	4,223	4,733

The amount of inventory materials, inclusive of the loss on inventory impairment, recognized as cost of revenues for the year ended June 30, 2013 was $3,974 (2012 - $7,121).

(In thousands of United States dollars and shares)

7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2013		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 13,822	$ 7,677	$ 6,145
Lab equipment and tooling	3,183	2,950	233
Photomasks	960	669	291
Computer equipment	74	73	1
Office furniture and equipment	405	281	124
Leasehold improvements	774	290	484
Construction in progress	61	-	61
	$ 19,279	$ 11,940	$ 7,339

	June 30, 2012		
	Cost	Accumulated Depreciation	Net book Value
Machinery and equipment	$ 10,675	$ 6,417	$ 4,258
Lab equipment and tooling	3,306	2,797	509
Photomasks	884	535	349
Computer equipment	76	70	6
Office furniture and equipment	370	253	117
Leasehold improvements	778	206	572
Construction in progress	2,899	-	2,899
	$ 18,988	$ 10,278	$ 8,710

8. INTANGIBLE AND OTHER ASSETS

	June 30, 2013			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Software	265	204	-	61
Other assets	162	103	-	59
Patents	382	261	121	-
	$ 809	$ 568	$ 121	$ 120

(In thousands of United States dollars and shares)

8. INTANGIBLE ASSETS (continued)

	June 30, 2012			
	Cost	Accumulated Amortization	Cumulative Impairments	Net Book Value
Intellectual property	$ 13,931	$ 1,479	$ 12,452	$ -
Customer relationships	10,052	326	9,726	-
Software	274	172	-	102
Brand name	1,682	12	1,670	-
Other assets	162	88	-	74
Patents	392	231	-	161
	$ 26,493	$ 2,308	$ 23,848	$ 337

Long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the twelve months ended June 30, 2013, the Company recorded impairment losses on patents for the continuing operations of $121 (2012 - $nil).

9. GOODWILL

The changes in carrying amounts of goodwill are as follows:

Balance as at June 30, 2011	5,697
Impairment	(5,697)
Balance at June 30, 2012 and 2013	$ -

Goodwill is tested for impairment annually, during the third fiscal quarter, or more frequently if events or changes in circumstances indicate that the carrying amount may be more than its recoverable amount.

In fiscal 2012, the Company performed impairment tests on its goodwill at March 31, 2012 and recorded an impairment expense of $5,697. The impairment of goodwill was due to the poor financial results of the business. The goodwill had been generated from the acquisition of ANDevices Inc. in February 2008. This cash generating unit is held in the entity Enablence USA Components Inc. and operates primarily from California, USA.

(In thousands of United States dollars and shares)

10. NOTES PAYABLE

		June 30, 2013		June 30, 2012
Secured note 1 (a)	**$**	**1,313**	$	2,252
Secured note 2 (b)		**1,797**		3,369
Bridge Loan (c)		**1,000**		-
5% Subordinated notes (d)		**11,633**		11,037
5% Convertible notes (e)		**-**		3,006
		15,743		19,664
Less: current portion		**13,927**		17,105
Net long-term portion	**$**	**1,816**	$	2,559

(a) On July 16, 2010, a secured note payable, with a principal of $1,879 at the time of redemption, was repaid from the proceeds of a new $5,000 secured note. The new secured note of $5,000 had a maturity date of July 20, 2013. The interest rate at June 30, 2013 was 5.50% (June 30, 2012 – 4.75%). The note was repayable as interest only for the first six months, then monthly payments of $181 per month for interest and principal thereafter. In December 2012, the maturity date of the bank loan was extended to December 2015, resulting in monthly payments of principal and interest being reduced to $52. The note is secured by the assets of Enablence USA Components Inc. and is subject to certain financial performance and asset coverage covenants of the subsidiary. The Company was in breach of certain of these covenants during the year ended June 30, 2013. Subsequent to the financing received in September 2013 (see Note 23), the Company was in compliance with these covenants.

(b) On May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of $3,500, secured by $1,200 of cash on deposit and a lien on the shares in the Company's investment in Sunblence. The note has a maturity date of April 20, 2016 and an interest rate of 5.50% at June 30, 2013 (June 30, 2012 – 5.50%). The note was repayable as interest only for the first twelve months, then monthly payments of $82 per month for interest and principal thereafter. As partial consideration for the loan, the Company issued to the bank warrants to purchase up to 400,000 pre-consolidated common shares of Enablence, at an exercise price of Cdn$0.22 per share, which expired on April 9, 2013. The warrants were valued at $42 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model. Subsequent to June 30, 2012, the $1,200 of cash reflected as restricted cash (Note 4) was used to pay down the loan.

10. NOTES PAYABLE (continued)

(c) In July 2012, the Company obtained a $3,000 bridge loan from a U.S. Bank ("Bridge Loan"), to fund Enablence's operations through October 2012. The Bridge Loan, which was guaranteed by a third party, was secured by the proceeds from the sale of ENA Switzerland, and the assets of the Company. On November 20, 2012, following the sale of ENA Switzerland, the Company repaid $2,000 on the Bridge Loan. In conjunction with the Bridge Loan, the Company previously entered into a priorities and standstill agreement with the holders of the Secured Notes (defined below), which are subordinated notes with principal and interest owing of $11,633 at June 30, 2013. This agreement provided the Bridge Loan lender with senior security to the Secured Notes as well as certain restrictions on the Secured Notes holders from initiating enforcement action against the Company. This agreement was intended from provide the Company the time it needed to complete the negotiation and documentation of amendments to the Company's loan obligations. The Bridge Loan was paid in full subsequent to the close of the equity financing described in the subsequent events note (Note 23).

(d) Subordinated notes, with a principal amount of $10,000, are secured by a subordinated lien on the Company's North American assets. The notes had a maturity date of June 23, 2012 and an interest rate of 5%. The interest rate increased to 12% as a result of payments being in default, effective for the period from July 1, 2012 to the final settlement subsequent to June 30, 2013. Principal and interest are payable at maturity. As at June 30, 2012 and 2013, these notes remained unpaid, and thus are included as current liabilities. On July 1, 2012, the Company entered into a standstill agreement with the holders of the Secured Notes to negotiate revised terms for the notes. Subsequent to June 30, 2013, an agreement was reached to settle the notes in full as part of the equity financing described in the subsequent events note (Note 23).

(e) Convertible notes, with a principal amount of $3,000, were unsecured with an interest rate of 5%, which rose to 18% on default of payment in January 2012, and maturity date of November 19, 2018. The notes were issued on November 19, 2008. For the first 36 months, monthly interest only payments were required to be made. These notes were convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default (at the holders option), 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 $0.317 (Cdn$0.365) in the first two years, $0.349 (Cdn$0.402) in the third year, $0.384 (Cdn$0.442) in the fourth year and $0.422 (Cdn$0.486) in the fifth year. The maximum number of shares that could be issued pursuant to the notes was 9,464 shares. The notes could also be converted in the event of a default of payment.

The Company recorded the entire value of the convertible notes as debt as the Company determined there was no value associated with the equity component.

At June 30, 2012, these notes remained unpaid and the Company was in default as a result of missed payments (the Company stopped making payments on these notes in January 2012). This debt was reclassified to current liabilities at June 30, 2012 as a result of the event of default. On February 19, 2013, the Convertible Notes were settled by conversion to 10,834 common shares of Enablence at Cdn$0.33 per share (Note 12).

(In thousands of United States dollars and shares)

11. INCOME TAXES AND INVESTMENT TAX CREDITS

A reconciliation of the expected income tax recovery to the actual income tax recovery reported in the consolidated statements of loss and comprehensive loss is as follows:

<u>**Deferred income tax liability**</u>		**June 30, 2012**		June 30, 2012
Deferred tax assets	**$**	**2,241**	$	2,750
Deferred tax liabilities		**(2,241)**		(2,750)
	$	**-**	$	-

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those losses can be carried forward and temporary differences are deductible. The amount of the deferred tax assets considered realizable could change materially in the near term, based on future taxable income during the carry-forward period.

At June 30, 2013, deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	June 30, 2013	June 30, 2012
Tax losses (i)	**266,098**	261,640
Tax losses (ii)	**28,628**	29,340
Unused credits (iii)	**4,130**	3,837
Deductible temporary differences	**25,183**	24,324

(i) Related to tax losses that are non-capital in nature; these tax losses begin to expire in 2014.
(ii) Related to tax losses that are capital in nature
(iii) Unused investment tax credits that can be used to offset future income taxes payable begin to expire in 2025.

At June 30, 2012, the Company had $241,845 of foreign non-capital tax losses available for carry-forward. $236,834 of these losses were generated in the United States subsidiaries, and $185,910 of these United States losses are pre-acquisition losses which are subject to annual limitations under section 382 of the Internal Revenue Code of the United States.

(In thousands of United States dollars and shares)

12. SHARE CAPITAL

Authorized capital stock consists of:
Unlimited number of preferred shares: nil preferred shares issued and outstanding
Unlimited number of common shares: 53,511 common shares issued and outstanding

	Number of common shares		Amount
Balance at June 30, 2011	466,546	$	222,567
Reduction of share capital to deficit	-		(169,961)
Balance at June 30, 2012	466,546		52,606
Issuance of common shares			
November 5, 2012 private placement	124,133		2,032
November 26, 2012 private placement	77,447		1,267
Share consolidation	(634,720)		-
February 19, 2013 private placement	9,121		2,930
February 19, 2013 conversion of notes	10,834		3,520
May 31, 2013 issuance to Board member	150		33
Balance at June 30, 2013	**53,511**	**$**	**62,388**

In November 2012, Enablence completed private placements for a total of 201,580 common shares, on a pre-consolidated share basis (10,079 on a post-consolidated basis), for gross proceeds of $3,346 and net proceeds of $3,299. Two existing shareholders of the Company participated in the equity offering. Subsequent to the private placement, one of the shareholders held directly or indirectly 16.5% of the Company's issued and outstanding shares and the other held directly or indirectly 19.5% of the Company's issued and outstanding shares.

The first tranche of the non-brokered private placement financing closed on November 5, 2012 with the sale of 124,133 common shares on a pre-consolidated basis (6,207 on a post-consolidated basis), for gross proceeds of $2,060 and net proceeds of $2,032. The first tranche was completed at two different prices: (i) Cdn$462 at a price of Cdn$0.005 per share with the sale of 92,370 common shares of Enablence, using the TSX Venture Exchange Policy on Temporary Relief from Certain Pricing Requirements ("TRCPR"), and (ii) Cdn$1,588 at a price of Cdn$0.05 per share with the sale of 51,578 common shares of Enablence. The second tranche closed on November 26, 2012 with the sale of 77,447 common shares for gross proceeds of $1,286 and net proceeds of $1,267. The second tranche was completed at two different prices: (i) Cdn$288 at a price of Cdn$0.005 per share with the sale of 57,630 common shares of Enablence, using the TRCPR, and (ii) Cdn$991 at a price of Cdn$0.05 per share with the sale of 19,817 common shares of Enablence. The shares are subject to a four-month hold period which expired on March 24, 2013, pursuant to applicable securities laws.

(In thousands of United States dollars and shares)

12. SHARE CAPITAL (continued)

On December 5, 2012 the Company received shareholder approval and subsequent TSX Venture Exchange approval to consolidated its common share capital on the basis of one (1) post-consolidation common share for every twenty (20) pre-consolidation common shares held (“Share Consolidation”) following shareholder and TSX Venture Exchange approval. The Share Consolidation reduced the Company's 668,126 issued and outstanding common shares at that time to 33,406 post-consolidation common shares. The exercise or conversion price of outstanding stock options and warrants, and the number of such options and warrants outstanding, was proportionately adjusted based upon the Share Consolidation. The Company’s share and per share data for prior periods has been restated to give effect to the Share Consolidation.

On February 19, 2013, Enablence completed a private placement of 9,121 common shares at a price of Cdn$0.33 per share for net cash proceeds of $2,930 and gross proceeds of $2,963. Two existing shareholders of the Company participated in the equity offering. Subsequent to the private placement, one of the shareholders held directly or indirectly 18.9% of the Company’s issued and outstanding shares and the other held directly or indirectly 19.9% of the Company’s issued and outstanding shares.

Also on February 19, 2013, Enablence issued 10,834 common shares on the conversion and cancellation of unsecured convertible notes held by the former shareholders of Pannaway, who assumed the unsecured convertible notes on the sale of Pannaway to Enablence. The shares were issued at a price of Cdn$0.33 per share and resulted in the repayment of debt of US$3,520 (Cdn$3,575).

On May 31, 2013, Enablence issued 150 common shares to one of its Board members in lieu of compensation at a price of Cdn$0.33 per share. The compensation expense was originally recorded in the year ending June 30, 2012.

Warrants

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

	Year ended June 30, 2013		Year ended June 30, 2012	
	Number of warrants (pre-consolidation)	**Weighted average exercise price (Cdn$)**	Number of warrants (pre-consolidation)	Weighted average exercise price (Cdn$)
Outstanding and exercisable, beginning of year	**1,864**	**0.50**	4,451	$ 0.44
Share consolidation	**(1,771)**	**-**	-	-
Expired	**(93)**	**10.00**	(2,587)	0.40
Outstanding, and exercisable end of year	**-**	-	1,864	$ 0.50

(In thousands of United States dollars and shares)

12. SHARE CAPITAL (continued)

The following table summarizes information for pre-consolidation warrants outstanding:

Exercise price per share (Cdn$)	Expiry	**June 30, 2013**	June 30, 2012
$ 0.58	December 5, 2012	**-**	1,464
$ 0.22	April 9, 2013	**-**	400
		-	1,864

Stock option plan

The Company has established a stock option plan available for directors, officers, employees and consultants, and authorized a stock option pool equal to 10% of the outstanding common shares. At June 30, 2013, the available option pool was a total of 5,351 (2012 - 2,333) on a post share consolidation basis. The Board of Directors administers the stock option plan.

Options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options generally vest in four equal annual portions starting one year after the date of grant. Options granted to directors vest over a two-year period. All options expire on the 10th anniversary of the grant. After termination of employment, unvested options are forfeited immediately and vested options expire 90 days subsequent to termination.

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

		Year ended June 30, 2013		Year ended June 30, 2012
	Number of options	**Weighted average exercise price (Cdn$)**	Number of options (pre-consolidation)	Weighted average exercise price (Cdn$)
Outstanding, beginning of year	**11,097**	**$ 0.90**	28,687	$ 0.74
Share consolidation	**(10,542)**	**-**	-	-
Granted	**5,020**	**0.33**	-	-
Forfeited	**(46)**	**13.00**	(9,629)	0.61
Expired	**(197)**	**14.80**	(7,061)	0.67
Outstanding, end of year	**5,332**	**$ 1.49**	11,097	$ 0.90
Exercisable, end of year	**1,201**	**$ 5.14**	8,843	$ 0.98

(In thousands of United States dollars and shares)

12. SHARE CAPITAL (continued)

The following table summarizes the post-consolidation options outstanding and exercisable as at June 30, 2013:

Options Outstanding			Options Exercisable	
Exercise Price ($) (Cdn$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price ($) (Cdn$)
$ 0.33	5,020	9.7	925	$ 0.33
7.40	68	3.2	68	7.40
10.00	66	4.6	59	10.00
12.00	59	7.3	31	12.00
16.00	26	3.7	25	16.00
23.00	12	5.1	12	23.00
46.00	75	4.6	75	46.00
47.80	6	3.9	6	47.80
$ 0.90	5,332	6.3	1,201	$ 5.14

The fair value of options granted is determined using the Black-Scholes option pricing model with the following assumptions updated quarterly for the following grant periods:

	Year ended June 30, 2013	Year ended June 30, 2012
Risk-free interest rate	1.21%	n/a
Expected life of options (years)	5	n/a
Expected annualized volatility	110%	n/a
Expected dividend yield	Nil	n/a
Weighted average Black-Scholes value of each option	$0.16	n/a

Stock-based compensation is recorded as an increase to contributed surplus and transferred to share capital when the underlying options are exercised. The stock-based compensation expense for the Company is as follows:

	Year ended June 30, 2012	Year ended June 30, 2012
Stock-based compensation	$ 512	$ 255
Stock-based compensation – discontinued operations	-	311
Increase in share based payment reserves	$ 512	$ 566

Grant date fair value of options issued during the twelve months ended June 30, 2013 was $819 (2012 - $nil).

(In thousands of United States dollars and shares)

12. SHARE CAPITAL (continued)

In December 2011, a shareholders' resolution was passed to reduce the stated share capital of the common shares to an amount more representative of the value of the Company's net realizable assets. The Company elected to remove the $169,961 cumulative impacts of the Systems segment from deficit. This adjustment was made during the quarter ended December 31, 2011, resulting in a decrease in share capital, and an offsetting decrease in accumulated deficit. The net impact of this change on total equity was $nil.

13. LOSS PER SHARE

As a result of the net losses in continuing operations in each of the reporting periods, the potential effect of the exercise of stock options, convertible notes and warrants was anti-dilutive; therefore, 5,332 potentially dilutive shares at June 30, 2013 (2012 – 12,961) have not been included in the calculation of diluted loss per common share for the years ended June 30, 2013 and 2012.

The weighted average number of shares outstanding for the year ended June 30, 2012 have been recalculated to reflect the Company's 1:20 share consolidation in December 2012 (Note 12).

14. RESTRUCTURING CHARGES

As at June 30, 2013 restructuring costs in the amount of $150 were included in Accounts payable and accrued liabilities (2012 - $583). During the year ended June 30, 2013, the Company did not incur any restructuring costs (2012 - $493).

For the year ended June 30, 2012, the restructuring costs of $493 related to a) activities to shut down the Toronto, Ontario head-office, including not renewing the contract of the Company's former Chief Executive Officer, and b) the restructuring accruals at Wilmington related to the closing of that office in previous years. For the year ended June 30, 2013, the Company paid $81 and reversed $352 of restructuring costs relating to the provisions previously provided for, as a result of various settlements.

		Corporate	Wilmington	Total
Balance as at June 30, 2011	$	-	230	230
Restructuring costs incurred		493	-	493
Restructuring costs paid		-	(140)	(140)
Balance as at June 30, 2012		493	90	583
Restructuring costs paid		(81)	-	(81)
Change in estimated restructuring costs		(262)	(90)	(352)
Balance as at June 30, 2013	**$**	**150**	**-**	**150**

15. FINANCIAL INSTRUMENTS

Carrying values and fair values

Financial instruments are classified into one of the following categories: fair-value through profit or loss ("FVTPL"), held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments.

	June 30, 2013	June 30, 2012
Loans and receivables (1)	$ **4,262**	$ 6,637
Other financial liabilities (2)	**20,197**	25,140

(1) Includes cash and cash equivalents and accounts receivable
(2) Includes accounts payable and accrued liabilities, current portion of notes payable and notes payable

IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. There are three levels of the fair value hierarchy as follows:

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

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

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

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

(In thousands of United States dollars and shares)

15. FINANCIAL INSTRUMENTS (continued)

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company primarily invests its excess cash in high quality financial instruments with large, high quality financial institutions. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. Two customers accounted for approximately 50% of the accounts receivable balance at June 30, 2013 (26% and 24% individually). At June 30, 2012 two customers accounted for approximately 50% of the accounts receivable balance (32% and 18% individually).

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

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

During the fiscal year ended June 30, 2013, $32 of accounts receivable was written off. The age of trade accounts receivable (gross of the allowance of $43 at June 30, 2013 (June 30, 2012 - $51), is summarized as follows:

		June 30, 2013		June 30, 2012
Current or under 60 days	**$**	**1,527**	$	2,071
Past due 61 to 90 days		**61**		17
Past due more than 90 days		**521**		432
Total trade accounts receivable	**$**	**2,109**	$	2,520

Of the $521 of past due accounts receivable more than 90 days at June 30, 2013, $432 has been collected between July 1, 2013 and October 25, 2013.

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

		Year ended June 30, 2013		Year ended June 30, 2012
Balance, beginning of year	**$**	**51**	$	170
Reclassified to discontinued operations		**-**		(170)
Decrease in allowance for doubtful accounts during the year from collection of accounts		**(8)**		51
Balance, end of year	**$**	**43**	$	51

(In thousands of United States dollars and shares)

15. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Company is exposed to interest rate risk on its secured notes payable. The Company does not use derivative instruments to reduce its exposure to interest rate risk as the risk is considered manageable.

An increase in the interest rate of 1% would have resulted in an increase in interest expense of $44 for the year ended June 30, 2013 (June 30, 2012 - $48)

Foreign currency risk

The Company operates internationally with subsidiaries in the United States and Canada and, in Switzerland up to November 19, 2012, and is therefore subject to foreign currency risk. Enablence reports its financial results in US$. Most of the Company's revenues are based in U.S. currency, and the Company incurs expenses in both Canadian and U.S. dollars, the Swiss Franc prior to November 19, 2012 and, prior to June 30, 2012 the Israeli shekel. In Sunblence, the transaction currency for expenses and other items is the Chinese renminbi. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

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

	Year ended June 30, 2013		Year ended June 30, 2012	
	Net loss	**OCI**	Net loss	OCI
Cdn$	$ 457	$ **(125)**	$ 928	$ (1,383)

(In thousands of United States dollars and shares)

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

At June 30, 2013, the Company has financial liabilities, payments for which are due as follows including interest:

	Carrying Value	To June 30, 2014	To June 30, 2015	To June 30, 2016	Total
Accounts payable and accrued liabilities	$ 4,454	$ 4,454	$ -	$ -	$ 4,454
Secured notes payable	3,110	1,426	1,141	782	3,349
Subordinated notes payable	11,633	11,633	-	-	11,633
Bridge Loan	1,000	1,000	-	-	1,000
	$20,197	$ 18,513	$1,141	$782	$ 20,436

16. CAPITAL MANAGEMENT

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

Management defines capital as the Company's total equity(deficiency) and long-term debt. In order to maintain or strengthen its capital structure, the Company's management believes it could issue new shares or raise new debt. To date, no dividends have been paid to the Company's shareholders and none are planned. Following the fiscal year ended June 30, 2013 management determined and executed on a plan to raise new equity capital as well as substantially reduce the outstanding debt (see Note 23 Subsequent Events).

(In thousands of United States dollars and shares)

17. SEGMENTED INFORMATION

With the divestiture of certain operations (See Discontinued Operations, Note 22), the Company operates in one segment, Optical Components.

Certain assets are analyzed geographically as follows:

	June 30, 2013		June 30, 2012	
	Property, plant and equipment	**Intangible and other assets**	Property, plant and equipment	Intangible and other assets
United States	**$ 3,388**	**$ 59**	$ 4,769	$ 74
China	**3,756**	**-**	3,390	-
Canada	**195**	**61**	551	263
	$ 7,339	**$ 120**	$ 8,710	$ 337

Revenue is analyzed geographically as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
Americas	$ **3,505**	$ 6,352
Asia Pacific	**1,874**	4,632
Europe, Middle East and Africa	**2,500**	2,405
	$ 7,879	$ 13,389

During the year ended June 30, 2013, one customer accounted for 26% of the Company's total revenue. Three customers accounted for 43% of the Company's total revenue (18%, 13% and 12%, respectively) during the year ended June 30, 2012.

The Company generates revenue principally from the sale of its components and subsystems products ("Product") to leading communications systems suppliers. The company also generates revenue from Non-recurring engineering ("NRE") development services for clients.

	Year ended June 30, 2013	**Year ended June 30, 2012**
Product	**$** 6,490	$ 12,276
NRE	1,389	1,113
	$ 7,879	$ 13,389

(In thousands of United States dollars and shares)

18. COMMITMENTS

The Company leases office space and certain property and equipment under operating leases. Minimum lease payments due under these leases for the next three years and beyond are as follows:

2014	460
2015	442
2016	226
2017 and beyond	-
	$ 1,128

19. KEY MANAGEMENT PERSONNEL AND DIRECTOR COMPENSATION

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and are defined as the Chief Officers of the Company and the Company's Board of Directors. The Company's compensation program is administered by the board of directors and specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. Directors, executive officers and employees participate in the Company's stock option plans (Note 12).

(In thousands of United States dollars and shares)

19. KEY MANAGEMENT PERSONNEL AND DIRECTOR COMPENSATION (continued)

The following summarizes key management personnel and directors' compensation for the years ended June 30, 2013 and 2012:

		Year ended June 30, 2013		Year ended June 30, 2012
Salaries and directors' fees	$	371	$	751
Share-based payments		328		53
Termination benefits		(252)		402
	$	447	$	1,206

20. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

		Year ended June 30, 2013		Year ended June 30, 2012
Net inflow (outflow) of cash:				
Accounts receivable	$	378	$	2,785
Inventories		510		202
Prepaid expenses and deposits		1,077		(761)
Accounts payable and accrued liabilities		(1,410)		2,741
	$	555	$	4,967

Amortization expense for the year ended June 30, 2013 of $2,018 (June 30, 2012 - $2,142 includes the following on the Consolidated Statements of Comprehensive Loss: a) amortization expense included within the Cost of revenues of $1,364 (June 30, 2012 - $1,392), and, b) amortization in "Depreciation and amortization expense" of $653 (June 30, 2012 - $750).

21. JOINT VENTURE

The initial investments by the partners in the Sunblence joint venture were as follows:

i. $9,180 by the Sunsea Telecommunications Co. Ltd. ("Sunsea"), all in cash

ii. $8,820 by Enablence, comprising:

- $3,500 in cash
- $1,000 of capital equipment
- $4,320 in intellectual property and know-how

Sunsea owns 51% of Sunblence, and Enablence owns a 49% interest in Sunblence. Sunblence develops, manufactures and sells optical components based primarily on Enablence's planar lightwave circuit ("PLC") technology. Initial production and revenues of splitter products was achieved in June 2012.

In May 2011, the Company paid its $3,500 cash investment in Sunblence.

At June 30, 2012, the Company had completed its cash investment, and the transfer of the intellectual property and the capital equipment as required under the initial investment requirements. At that time, Enablence began accounting for Sunblence using the proportionate consolidation method, whereby Enablence has included 49% of Sunblence's results from operations and balance sheet in its consolidated financial statements.

Enablence recognized a gain on the transfer of the intellectual property and know-how of $2,203 and a gain on the transfer of the capital equipment of $279. The gain recognized by Enablence is equal to the portion of the total gain attributable to Sunsea's interest in Sunblence. In the year ended June 30, 2013, it was determined that the estimated value of the capital equipment in the initial transfer had been overvalued. Enablence transferred cash of $104 to correct for the valuation and recorded a loss on the transfer in the current year.

The investments were made by the wholly-owned subsidiary of Enablence, Enablence USA Components Inc.

Enablence has proportionately consolidated the results from operations of Sunblence since its inception in Enablence's 2012 results from operations.

The following amounts are included in the Company's financial statements as a result of the proportionate consolidation of Sunblence.

(In thousands of United States dollars and shares)

21. JOINT VENTURE (continued)

	June 30, 2013	June 30, 2012
Current assets	**$ 869**	$ 3,169
Non-current assets	**3,756**	3,390
Current liabilities	**515**	38
Non-current liabilities	**-**	340

	Year Ended	
	June 30, 2013	**June 30, 2012**
Revenue	**$ 389**	$ 4
Operating and other expenses	**2,537**	903
Net loss	**(2,148)**	(899)
Foreign currency translation gain	**(149)**	237
Comprehensive loss	**(2,297)**	(662)

Note 1 - Operations commenced in June 2012

During the year ended June 30, 2013, the joint venture had sales of $784 with Sunsea and had an accounts receivable balance from Sunsea of $168 at June 30, 2013.

(In thousands of United States dollars and shares)

22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In July 2012, the Company announced its intention to sell its wholly-owned photodiode business located in Switzerland. This decision to sell ENA Switzerland was approved by the board of directors prior to June 30, 2012.

The Company's decision to divest ENA Switzerland was driven by the Company's need to generate additional cash. There are limited synergies between ENA Switzerland and the remaining business, including Sunblence, and therefore there was no expected operational impact to Enablence resulting from the sale of this business.

On November 19, 2012, the Company closed the sale of ENA Switzerland to Albiva Holdings AG for total gross proceeds of $2,000 (net proceeds of $1,930) paid on closing and the repayment of an intercompany loan of $82 within twelve months of the closing. Paradigm Capital Inc., Enablence's financial advisor and a shareholder in the Company, earned a commission of 3.5% of the purchase price.

The Company has recorded a loss on the transaction of $1 65, as per the below.

Gross proceeds on disposal	$ 2,000
Commission on disposal	(70)
Net proceeds	1,930
Assets sold	2,415
Less liabilities sold	(320)
Net assets sold	2,095
Loss on disposal of net assets	(165)

In April 2011, the Company announced that it had decided to divest the Systems segment. The Systems segment manufactured and sold fiber-to-the-premises equipment and multi-service access platforms for communications across both copper and fiber-based network infrastructures. The Company's decision to divest the Systems segment was driven by the estimated cash requirements to complete the development and initial supply of key products in Systems' product roadmap and build its revenue to a predictable and cash positive level. Fluctuations in Systems' revenue level consumed a significant amount of the Company's cash resources. Enablence management further concluded that the synergy and integration opportunities between Components and the Systems segment were not as significant as previously anticipated, and the Systems Business was no longer strategic.

During fiscal 2012, the Company sold the majority of the Systems segment through four transactions:

- In September 2011, Enablence sold the Trident7™ Universal Access Platform, for certain assets valued at $5,100, which comprised of $2,000 of cash, with an additional $750 being held back, and the assumption of certain liabilities and

(In thousands of United States dollars and shares)

22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

contingent liabilities. Also included in the sale were related inventory, certain patents, certain product and process technology and customer contracts and lists. Under terms of the purchase agreement, the purchaser will honour customer contracts and agreements for Trident7 and its related product lines. Subject to certain working capital adjustments, the $750 hold back was to be paid $500 in March 2012, and $250 in October 2012. No amounts were paid during March 2012. The Company received $250 of the holdback in May 2012. The Company has been in communications with the purchaser to close out on the remaining holdback of $500.

- In September 2011, Enablence sold the MAGNM FX™ product line, by divesting certain assets, including $180 of cash, and transferring related warranty obligations, totalling $440.

- In January 2012, Enablence sold the Pannaway product line, by divesting certain assets, including $100 of cash, and transferring related warranty obligations, totalling $420.

- In March 2012, the Company completed the sale of all of its shares of Teledata, a wholly-owned subsidiary, to a special purpose vehicle established by Taldan Capital Limited for a nominal cash payment. All assets and obligations of Teledata and its subsidiaries were transferred from Enablence in the sale.

The Company has recorded a gain on the transaction of $13,356, as per the below.

Teledata assets sold	$ 8,640
Teledata liabilities sold	(21,996)
Net deficiency in assets	(13,356)
Proceeds	-
Gain on disposal	$ 13,356

Presentation of Discontinued Operations Financial Information

The assets and liabilities related to ENA Switzerland were presented as assets or liabilities held for disposal on the consolidated balance sheet as at June 30, 2012. Operating results related to these assets and liabilities have been included in income from discontinued operations on the consolidated statements of loss for the years ended June 30, 2013 and 2012.

The assets and liabilities related to the Systems segment have been presented as assets or liabilities held for disposal on the consolidated balance sheets as at June 30, 2013 and 2012. Operating results related to these assets and liabilities have been included in income from discontinued operations on the consolidated statements of loss for the years ended June 30, 2013 and 2012. There were no material amounts included in income for the year.

(In thousands of United States dollars and shares)

22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

The following table presents selected financial information related to assets held for sale.

As at June 30		2013		2012
Assets				
Cash and cash equivalents	**$**	**-**	$	355
Accounts receivable		**-**		348
Inventories		**50**		600
Prepaid expenses and deposits		**4**		178
Property, plant and equipment		**-**		2,482
Total Assets Held for Disposal	**$**	**54**	$	3,963
Liabilities				
Trade and other payables	**$**	**609**	$	816
Total Liabilities Held for Disposal	**$**	**609**	$	816

For the years ended		2013		2012
Revenues	**$**	**1,314**	$	24,650
Cost of revenue		**476**		17,984
Gross margin		**838**		6,666
Operating Expenses				
Research and development		**209**		6,937
Sales and marketing		**83**		3,912
General and administrative		**85**		1.612
Stock-based compensation		**-**		311
Amortization		**28**		336
Restructuring recovery		**-**		(1,015)
Operating income (loss)		**433**		(5,427)
Interest Income		**-**		7
Interest expense		**-**		(964)
Impairment loss on property, plant and equipment		**(1,676)**		-
Loss on sale of ENA Switzerland		**(165)**		-
Gain on sale of Teledata		**-**		13,356
Gain on sale of North American Systems		**-**		124
Foreign exchange (loss) gain		**(43)**		354
(Loss) income before income taxes		**(1,451)**		7,450
Income taxes (provision) recovery		**(100)**		279
(Loss) income from discontinued operations	**$**	**(1,551)**	$	7,729

23. SUBSEQUENT EVENTS

On September 9, 2013, the Company completed a $14,295 financing transaction (the "Financing Transaction") and retired all of the remaining secured subordinated promissory notes in conjunction with the financing.

The Financing Transaction was comprised of a $11,400 issuance of common shares (the "Equity Transaction") and a $2,895 convertible bridge loan (the " Financing Bridge Loan"). The Equity Transaction was structured as follows: China TriComm Ltd. and its affiliates subscribed for 45,000 common shares at an issue price of $0.193 and certain existing shareholders of the Company, subscribed for an additional 15,000 common shares also at $0.193 per share. China TriComm Ltd. is an investment company which is under common ownership with Zhejiang Chuangyi Technologies, a leading integrated infrastructure equipment and solution provider for the cable industry in China.

As part of the $14,295 Financing Transaction, an affiliate of China TriComm Ltd., provided Enablence with a Financing Bridge Loan for working capital purposes. The Financing Bridge loan was received in two tranches – the first tranche for $480 was received on July 15, 2013 and the second tranche for $2,415 was received on July 22, 2013. The Financing Bridge Loan automatically converted to common shares of Enablence at $0.145 per share on the closing of the Equity Transaction. A finder's fee was paid to an arm's length party in connection with the Financing Transaction in the amount of 3,600 common shares of Enablence.

The Equity Transaction was subject to certain conditions including the Noteholder Condition. In connection with the Noteholder Condition, Enablence entered into an agreement in principle with the holders of substantially all of the secured subordinated promissory notes to eliminate (pro rata to each note holder's interest) the approximately $11,725 of principal and accrued interest. These notes were exchanged for total cash payments of $3,801 and the issuance of 19,865 common shares of Enablence at $0.193 per share. The cash payments combined with the issuance of the shares represented a full and final settlement of these subordinated notes. The Company is expecting to record a realized loss of approximately $300 on the settlement of these subordinated notes.