Condensed Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

For the three months ended September 30, 2012 and 2011
(in thousands of United States dollars)

(Unaudited)

ENABLENCE TECHNOLOGIES INC.
Condensed Consolidated Financial Statements
September 30, 2012 and 2011
(Unaudited)

ENABLENCE TECHNOLOGIES INC.

Condensed Consolidated Balance Sheets

(Unaudited - In thousands of United States dollars)

	Note	September 30, 2012	June 30, 2012
CURRENT ASSETS			
Cash and cash equivalents	3	**$ 2,047**	$ 3,974
Accounts receivable	4	**2,966**	2,663
Inventories	5	**5,241**	4,733
Prepaid expenses, deposits and taxes		**1,198**	1,191
Assets held for disposal	6	**2,183**	3,963
		13,635	16,524
PROPERTY, PLANT AND EQUIPMENT		**8,259**	8,710
INTANGIBLE AND OTHER ASSETS		**333**	337
		$ 22,227	$ 25,571
CURRENT LIABILITIES			
Trade and other payables		**$ 5,305**	$ 5,476
Current portion of notes payable	7	**18,662**	17,105
Liabilities related to assets held for disposal	6	**811**	816
		24,778	23,397
NOTES PAYABLE	7	**2,348**	2,559
OTHER LONG-TERM LIABILITIES		**541**	516
		27,667	26,472
DEFICIENCY			
Share capital		**52,606**	52,606
Contributed surplus		**9,314**	9,198
Accumulated other comprehensive loss		**(929)**	(404)
Deficit		**(66,431)**	(62,301)
		(5,440)	(901)
		$ 22,227	$ 25,571

GOING CONCERN (Note 2 (i))

See accompanying notes to the unaudited condensed consolidated financial statements

APPROVED BY THE BOARD

"*R. Stephen Bower*"
Chair of the Audit Committee

"*Dan Hilton*"
Director

ENABLENCE TECHNOLOGIES INC.

Condensed Consolidated Statements of Comprehensive Loss

For the three months ended September 30, 2012 and 2011

(Unaudited - In thousands of United States dollars and shares except per share data)

	Note	Three months ended September 30, 2012	2011
Revenues		**$ 2,197**	$ 5,008
Cost of revenues		**1,757**	3,859
Gross margin		**440**	1,149
Operating expenses:			
Research and development		**1,289**	1,327
Sales and marketing		**160**	222
General and administration		**1,126**	1,083
Stock-based compensation		**116**	240
Depreciation and amortization		**250**	175
		2,941	3,047
Operating loss		**(2,501)**	(1,898)
Other income (expenses):			
Finance and other income		**-**	21
Finance expense		**(556)**	(271)
Foreign exchange gain (loss)		**531**	(941)
Loss before income taxes		**(2,526)**	(3,089)
Deferred income tax recovery		**-**	104
Net loss from continuing operations		**(2,526)**	(2,985)
Net loss from discontinued operations		**(1,604)**	(2,496)
Net loss		**(4,130)**	(5,481)
Other comprehensive loss:			
Foreign currency translation loss		**(525)**	(350)
Comprehensive loss		**$ (4,655)**	$ (5,831)
Net loss per share, basis and diluted:			
Continuing operations		**$(0.01)**	$(0.01)
Net loss		**$(0.01)**	$(0.01)
Weighted average number of outstanding shares:			
Basic and diluted	9	**466,546**	466,546

See accompanying notes to the unaudited condensed consolidated financial statements

ENABLENCE TECHNOLOGIES INC.

Condensed Consolidated Statements of Changes in Equity

For the three months ended September 30, 2012 and 2011

(Unaudited - In thousands of United States dollars and shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Deficiency
Balance at July 1, 2011	466,546	$222,567	$ 8,631	$ (750)	$(226,236)	$ 4,212
Stock-based compensation	-	-	541	-	-	541
Net loss	-	-	-	-	(5,481)	(5,481)
Foreign currency translation loss	-	-	-	(350)	-	(350)
Balance at September 30, 2011	466,546	$222,567	$ 9,172	$ (1,100)	$(231,717)	$ (1,078)
Balance at July 1, 2012	466,546	$ 52,606	$ 9,198	$ (404)	$ (62,301)	$ (901)
Stock-based compensation	-	-	116	-	-	116
Net loss	-	-	-	-	(4,130)	(4,130)
Foreign currency translation loss	-	-	-	(525)	-	(525)
Balance at September 30, 2012	**466,546**	**$ 52,606**	**$ 9,314**	**$ (929)**	**$ (66,431)**	**$ (5,440)**

See accompanying notes to the unaudited condensed consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Condensed Consolidated Statements of Cash Flows
For the three months ended September 30, 2012 and 2011
(Unaudited - In thousands of United States dollars)

	Note	Three months ended September 30, 2012	2011
Cash provided by (used in)			
Operating activities			
Net loss		**$ (4,130)**	$ (5,481)
Loss from discontinued operations		**1,604**	2,496
Adjusted for the following non-cash items			
Amortization		**581**	518
Stock-based compensation		**116**	240
Unrealized foreign exchange (gain) loss		**(548)**	1,110
Deferred income tax recovery		**-**	(104)
		(2,377)	(1,221)
Changes in non-cash working capital	12	**(989)**	559
Cash used in operating activities - continuing operations		**(3,366)**	(662)
Cash provided by operating activities - discontinued operations	6	**211**	3,402
Cash (used in) provided by operating activities		**(3,155)**	2,740
Investing activities			
Purchase of property, plant and equipment		**(126)**	(162)
Increase in investments		**-**	(8)
Cash used in investing activities - continuing operations		**(126)**	(170)
Cash provided by investing activities - discontinued operations		**-**	72
Cash used in investing activities		**(126)**	(98)
Financing activities			
Advances from (repayment of) notes payable		**1,371**	(375)
Cash provided by (used in) financing activities - continuing operations		**1,371**	(375)
Cash provided by (used in) financing activities		**1,371**	(375)
Effect of foreign currency translation on cash and cash equivalents		**8**	(2,017)
(Decrease) increase in cash and cash equivalents		**(1,902)**	250
Cash and cash equivalents, beginning of period		**4,329**	11,927
Cash and cash equivalents, end of period		**2,427**	12,176
Less cash of discontinued operations at end of period	6	**(380)**	(4,655)
Cash and cash equivalent, end of period - continuing operations		**$ 2,047**	$ 7,521
Interest paid		**$ 62**	$ 144
Interest received		**-**	21

See accompanying notes to the unaudited condensed consolidated financial statements

These unaudited condensed consolidated financial statements should be read in conjunction with Enablence Technologies Inc.'s annual, audited financial statements approved by the Company's Board of Directors on October 29, 2012. "Enablence" and the "Company" mean either Enablence Technologies Inc. and its subsidiaries, joint ventures and associated companies collectively or the entity Enablence Technologies Inc., as the context dictates. Amounts reported are in thousands of U.S. dollars, except where noted.

1. CORPORATE INFORMATION

Enablence is incorporated under the Canada Business Corporations Act. Its head office 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 (TSXV – ENA). The Company designs, manufactures and sells optical components and subsystems 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 PRESENTATION

(i) Going Concern

These Condensed Consolidated 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 September 30, 2012, excluding discontinued operations, the Company has cash of $2,047 (including $1,369 held in its joint venture company in China, Sunblence Technologies Co., LTD. ("Sunblence") and $5 of restricted cash (see note 3, negative working capital of $12,515 and used $3,366 of cash in its operating activities for the quarter ended September 30, 2012. The Company has sustained significant losses since its inception. Enablence has a deficit of $66,431 at September 30, 2012. The Company was in violation of certain bank covenants for secured notes payable amounting to $1,745 at September 30, 2012, and as such, these notes have been reclassified as current (see note 7). The Company currently has $18,662 of notes payable that are due in the next 12 months, including $11,213 of subordinated notes payable that are in default and $3,006 of convertible notes payable that are in default, and the terms of these notes payable are in the process of being renegotiated. In addition, Enablence is in the process of raising new debt and equity financing, although no assurances can be given that the refinancing will be completed as planned.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows, and its ability to refinance the current portion of notes payable, and its ability to obtain sufficient additional cash in order to execute its business plan, including funding operating losses.

2. BASIS OF PRESENTATION (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 Condensed Consolidated Financial Statements were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 – Interim Financial Reporting. These Condensed Consolidated Financial Statements were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 3, Significant Accounting Policies in our audited consolidated financial statements for the year ended June 30, 2012. The condensed consolidated financial statements do not include all of the notes required in annual financial statements.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 29, 2012.

(iii) 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, inventory provisions and valuation, asset impairments, accruals, unearned revenue, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, deferred income taxes and the carrying values of intangible assets. Actual results could differ from these estimates.

Significant judgements in the accompanying financial statements relate to the going concern assessment and the determination of cash generating units.

(iv) Future changes in accounting policies:

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

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

2. BASIS OF PRESENTATION (continued)

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.

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.

Joint Arrangements
IFRS 11, Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 provides a view of joint arrangements by based 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 expects that it will account for its investment in Sunblence (Note 22) using the equity method for its fiscal year ending June 30, 2014 rather than the proportionate consolidation method after adopting IFRS 11. Details of Sunblence’s financial position and results of operations are provided in Note 13 to these financial statements.

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.

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 adoption of this standard is not expected to have a material impact on the Company's financial statements.

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

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

2. BASIS OF PRESENTATION (continued)

to profit or loss. The Company is currently evaluating the impact of amendments to IAS 1 on its financial statements.

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 adoption of this standard is not expected to have a material impact on the Company's financial statements.

3. CASH AND CASH EQUIVALENTS

	September 30, 2012	June 30, 2012
Cash	**$ 673**	$ 767
Restricted Cash	**5**	1,205
Cash at Sunblence	**1,369**	2,002
Total Cash and cash equivalents	**$ 2,047**	$ 3,974

4. ACCOUNTS RECEIVABLE

	September 30, 2012	June 30, 2012
Trade	**$ 2,924**	$ 2,520
Other	**93**	194
Allowance for doubtful accounts	**(51)**	(51)
Total accounts receivable	**$ 2,966**	$ 2,663

5. INVENTORIES

	September 30, 2012	June 30, 2012
Raw materials	**$ 3,464**	$ 3,418
Work-in-progress	**1,803**	1,282
Finished goods	**249**	136
Inventory at customer sites	**-**	172
Allowance for obsolescence	**(275)**	(275)
Total Inventory	**$ 5,241**	$ 4,733

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

6. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In July 2012, the Company announced its intention to sell its wholly-owned photodiode subsidiary located in Switzerland (“ENA Switzerland”). ENA Switzerland was subsequently sold on November 19, 2012 for cash proceeds of $2,000 plus an intercompany amount of $82 due to Enablence to be paid with the next twelve months (see note 14).

Presentation of Discontinued Operations Financial Information

The assets and liabilities related to ENA Switzerland have been presented as assets or liabilities held for disposal on the interim consolidated balance sheets as at September 30, 2012, and comparative period amounts have been restated. Operating results related to these assets and liabilities have been included in results from discontinued operations on the condensed consolidated statements of loss, and comparative period amounts have been restated.

The assets and liabilities related to the Systems segment have been presented as assets and liabilities held for disposal on the condensed consolidated balance sheets as at September 30, 2012 and 2011. Operating results related to these assets and liabilities have been included in results from discontinued operations on the condensed consolidated statements of loss, and comparative period balances have been restated.

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

	September 30, 2012	June 30, 2012
Assets		
Cash and cash equivalents	**$ 380**	$ 355
Accounts receivable	**271**	348
Inventories	**605**	600
Prepaid expenses and deposits	**121**	178
Property, plant and equipment	**806**	2,482
Total assets held for disposal	**$ 2,183**	$ 3,963
Liabilities		
Trade and other payables	**811**	816
	$ 811	$ 816

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

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

	Three months ended	
	September 30, 2012	September 30, 2011
Revenue	**$ 759**	$ 9,015
Cost of revenue	**377**	5,448
Gross margin	**382**	3,567
Operating expenses:		
Research and development	**144**	3,347
Sales and marketing	**58**	1,819
General and administrative	**54**	303
Stock-based compensation	**-**	301
Amortization	**21**	157
Restructuring recovery	**-**	(134)
Operating expenses	**277**	5,793
Operating income (loss)	**105**	(2,226)
Interest income	**-**	1
Interest expense	**(3)**	(697)
Property, plant and equipment Impairment loss	**(1,676)**	-
Foreign exchange (loss) gain	**(30)**	416
Loss before income taxes	**(1,604)**	(2,506)
Recovery of deferred income taxes	**-**	10
Loss from discontinued operations	**$ (1,604)**	$ (2,496)

As a result of the sale of ENA Switzerland on November 19, 2012, the Company has determined that there was an impairment of net assets within discontinued operations relating to ENA Switzerland, and as a result an impairment charge of $1,676 has been recorded in the quarter. The impairment charge was calculated based on the sale price net of costs of the sale. The impairment loss is included in the Net Loss from discontinued operations on the Statement of Comprehensive loss.

7. NOTES PAYABLE

		September 30, 2012	June 30, 2012
Bank Loan 1	(a)	**$ 1,745**	$ 2,252
Bank Loan 2	(b)	**2,046**	3,369
Bridge Loan	(c)	**3,000**	-
Secured Notes	(d)	**11,213**	11,037
Convertible Notes	(e)	**3,006**	3,006
		21,010	19,664
Less current portion		**18,662**	17,105
Long term portion		**$ 2,348**	$ 2,559

7. NOTES PAYABLE (continued)

(a) On July 16, 2010, a secured note payable with a U.S. Bank, with a principal balance of $1,879 was repaid from the proceeds of a new $5,000 secured note. The new secured note of $5,000 ("Bank Loan 1") had a maturity date of July 20, 2013. The interest rate was 4.75% at September 30, 2012 (June 30, 2012 – 4.75%), based on the Wall Street Journal prime rate plus 1.50%. Bank Loan 1 is repayable by monthly payments of $181 for interest and principal, is secured by the assets of Enablence USA Components Inc. and is subject to certain financial performance and asset coverage covenants of the subsidiary. At June 30, 2012, the Company was in breach of certain covenants on this note payable. During the quarter ended September 30, 2012, the Company renegotiated Bank Loan 1 and was no longer in breach.

(b) On May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of $3,500 ("Bank Loan 2"), secured by $1,200 of cash on deposit and a lien on the shares in the Company's investment in Sunblence. Bank Loan 2 has a maturity date of April 20, 2016 and an interest rate of 5.5% at September 30, 2012 (June 30, 2012 5.5%), based on the greater of 5.5% or the Wall Street Journal Prime Rate plus 1.5%. Bank Loan 2 is repayable by monthly payments of $82 for interest and principal. As partial consideration for Bank Loan 2, the Company issued to the bank warrants to purchase up to 400,000 common shares of Enablence, at an exercise price of Cdn$0.22 per share, expiring 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. During the three months ended September 30, 2012, $1,200 of cash previously reflected as restricted cash (note 3) was used to partially repay Bank Loan 2.

(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 has been guaranteed by a third party, has in turn been secured by the proceeds from the sale of ENA Switzerland, and the assets of the Company. In conjunction with this 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 $11,213 at September 30, 2012. This agreement provided the Bridge Loan lender with senior security to the Secured Notes as well as certain restrictions on the Secured Notes holders to initiate enforcement action against the Company. This agreement was intended to provide the Company the time it needs to complete the negotiation and documentation of amendments to the Company's loan obligations. Subsequent to September 30, 2012, the Company has repaid $2 million of Bridge Loan (see Note 14).

(d) Secured notes, with a principal amount of $10,000, are secured by a subordinated lien on the Company's North American assets ("Secured Notes"). These notes had a maturity date of June 23, 2012 and an interest rate of 5%. Principal and interest were payable at maturity. At September 30, 2012, the Secured Notes remained unpaid, and thus are included as current liabilities. As noted above, during the three months ended September 30, 2012, the Company entered into a standstill agreement with the holders of the Secured Notes to negotiate revised terms for the notes. Discussions are underway with the holders of the Secured Notes to resolve the default and finalize revised terms.

(e) Convertible notes, with a principal amount of $3,000, are unsecured, mature on November 19, 2018 and had an interest rate of 5% ("Convertible Notes") when they were issued on November 19, 2008. For the first 36 months, monthly interest only payments were required to be made. These notes are convertible, at the option of the holder, from the third anniversary until the fifth

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

7. NOTES PAYABLE (continued)

anniversary or in the event of a default (at the holder's 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 can be issued pursuant to the notes is 9,464 shares. The Convertible Notes can 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 has determined there was no value associated with the equity component. At September 30, 2012, the Convertible Notes remained unpaid and the Company is in default as a result of missed payments (the Company stopped making payments on these notes in January 2012). The lender has not called the loan. This debt has been reclassified as a current liability at September 30, 2012 and interest has been accrued at 18% from January 2012 to September 30, 2012 as a result of the event of default. Discussions are underway with the holders of the Convertible Notes to resolve the default and finalize revised terms.

8. SHARE CAPITAL

During the three month periods ended September 30, 2012 and 2011 there were no new issuances of common shares, stock options or share warrants.

9. LOSS PER SHARE

As a result of the net loss from continuing operations and the net loss in each of the reporting periods, the potential effect of the exercise of stock options, convertible notes and warrants was anti-dilutive. Accordingly, 12,961 potentially dilutive option shares at September 30, 2012 (2011 – 28,487) have not been included in the calculation of diluted loss per common share for the three months ended September 30, 2012 and September 30, 2011.

10. FINANCIAL INSTRUMENTS

Credit risk

The age of trade accounts receivable is summarized as follows (gross of the allowance of $51 at September 30, 2012 (June 30, 2012 - $51)):

	September 30, 2012	June 30, 2012
Current or under 60 days	**$ 2,150**	$ 2,071
Past due 61 to 90 days	**109**	17
Past due more than 90 days	**665**	432
Total Trade accounts receivable	**$ 2,924**	$ 2,520

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

10. FINANCIAL INSTRUMENTS (continued)

Management has reviewed the receivables balances in detail, and is satisfied that the allowances for uncollectible accounts are sufficient.

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 dependant on the Company's ability to secure additional financing.

At September 30, 2012, the Company has financial liabilities, payments for which are due as follows including interest:

	to June 30, 2013	to June 30, 2014	to June 30, 2015	to June 30, 2016	to June 30, 2017	Total
Trade and other payables	$ 5,305	$ -	$ -	$ -	$ -	$ 5,305
Secured notes payable	2,261	628	628	471	-	3,988
Subordinated notes payable	11,213	-	-	-	-	11,213
Convertible notes payable	845	533	512	490	1,061	3,441
Bridge loan	3,000	-	-	-	-	3,000
Total	$ 22,624	$ 1,161	$ 1,140	$ 961	$ 1,061	$26,947

As certain notes payables are in default, these have been classified as current on the balance sheet, however, the financial liabilities above have been presented based upon the initial payment terms.

11. SEGMENTED INFORMATION

The Company operates in one segment, Optical Components, with the divestiture of its systems business (Discontinued Operations, Note 6).

Certain assets are analyzed geographically as follows:

	September 30, 2012		June 30, 2012	
	Property plant and equipment	Intangibles and other assets	Property plant and equipment	Intangibles and other assets
United States	$ 4,454	$ 70	$ 4,769	$ 74
China	3,337	-	3,390	-
Canada	468	263	551	263
Total	$ 8,259	$ 333	$ 8,710	$ 337

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

11. SEGMENTED INFORMATION (continued)

Revenue is analyzed geographically as follows:

	Three months ended	
	September 30, 2012	September 30, 2011
Americas	**$ 544**	$ 2,740
Asia Pacific	**$ 899**	$ 1,662
Europe, Middle East and Africa	**754**	606
	$ 2,197	$ 5,008

During the three months ended September 30, 2012, two customers accounted for 52% (31% and 21%, respectively) of the Company's total revenue. Two customers accounted for 21% (11% and 10% respectively) of the Company's total revenue during the three months ended September 30, 2011.

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.

	Three months ended	
	September 30, 2012	September 30, 2011
Product	**$ 2,125**	$ 5,008
NRE	**72**	-
	$ 2,197	$ 5,008

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

	Three months ended	
	September 30, 2012	September 30, 2011
Net inflow (outflow) of cash:		
Accounts receivable	**$ (65)**	$ 860
Inventories	**(406)**	(143)
Prepaid expenses and deposits	**(347)**	(48)
Trade and other payables	**(171)**	(110)
	$ (989)	$ 559

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

13. JOINT VENTURE

The following amounts are included in the Company's interim financial statements as a result of the proportionate consolidation of the Company's 49% joint venture interest in Sunblence.

	September 30, 2012	June 30, 2012
Current assets	$ **2,883**	$ 3,169
Non-current assets	**3,337**	3,390
Current liabilities	**106**	38
Non-current liabilities	**359**	340

	Three months ended	
	September 30, 2012	June 30, 2012 (note 1)
Revenue	$ **72**	$ 4
Operating and other expenses	**609**	903
Net loss	**(537)**	(899)
Foreign currency translation gain	**55**	237
Comprehensive loss	**(482)**	(662)

Note 1 - Operations commenced in June 2012

14. SUBSEQUENT EVENTS

During November 2012, the Company raised Cdn$3,329 of equity financing. The first tranche of the non-brokered private placement financing closed on November 5, 2012 with the sale of 124,133 common shares for proceeds of Cdn$2,050. 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 proceeds of Cdn$1,279, of which approximately Cdn$200 of the proceeds are conditional on the TSX Venture Exchange approval of one of the subscriber's personal information form because each of the subscribers will hold over 10% of the issued and outstanding shares of the Company. The second tranche was completed by the same investors 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 Cdn0.05 per share with the sale of 19,817 common shares of Enablence. The shares are subject to a four-month hold period which expires on March 24, 2013, pursuant to applicable securities laws.

14. SUBSEQUENT EVENTS (continued)

On November 9, 2012 the Company announced a proposed share consolidation on the basis of one post-consolidated common share for every twenty pre-consolidated common shares (the "Share Consolidation"). The Share Consolidation is subject to shareholder approval at its upcoming annual and special meeting of shareholders to be held on December 5, 2012 and issubject to TSX Venture Exchange approval. If approved, the Share Consolidation would reduce the Company's 590,679 issued and outstanding common shares to approximately 29,534 post-

consolidation common shares. The exercise or conversion price of outstanding stock options and warrants, and the number of such options and warrants outstanding, would be proportionately adjusted based upon the Share Consolidation.

On November 19, 2012 the Company closed the sale of its wholly-owned Swiss subsidiary, Enablence Switzerland, to Albiva Holdings AG for a 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.

On November 20, 2012 the Company repaid $2,000 on the $3,000 bridge loan it obtained from the Cathay Bank in July 2012.