Consolidated financial statements

Enablence Technologies Inc.

For the years ended June 30, 2014 and 2013
(in thousands of United States dollars and shares)

Enablence Technologies Inc.
June 30, 2014 and 2013

Table of contents

Deloitte LLP
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

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, 2014, June 30, 2013 and July 1, 2012, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years ended June 30, 2014 and June 30, 2013, 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, 2014, June 30, 2013 and July 1, 2012, and its financial performance and its cash flows for the years ended June 30, 2014 and June 30, 2013 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 $16,068 for the year ended June 30, 2014, and as of that date had an accumulated deficit of $94,036 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 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 28, 2014
Ottawa, Ontario

Enablence Technologies Inc.

Consolidated balance sheets
as at June 30, 2014, June 30, 2013 and July 1, 2012

(in thousands of United States dollars)

	2014	2013	2012
	$	$	$
		(Note 21)	(Note 21)
Assets			
Current assets			
Cash and cash equivalents (Note 4)	**1,187**	589	1,973
Accounts and other receivables (Note 5)	**1,417**	2,099	2,659
Inventories (Note 6)	**3,334**	3,916	4,648
Prepaid expenses and deposits	**419**	50	113
Assets held for disposal (Note 22)	**-**	54	3,963
	6,357	6,708	13,356
Property, plant and equipment (Note 7)	**2,862**	3,583	5,320
Intangible and other assets (Note 8)	**34**	120	337
Investment in joint venture (Note 21)	**-**	4,108	6,181
	9,253	14,519	25,194
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**4,591**	3,906	5,439
Current portion of notes payable (Note 9)	**2,873**	13,927	17,105
Deferred revenue	**432**	28	-
Liabilities related to assets held for disposal (Note 22)	**-**	609	816
	7,896	18,470	23,360
Notes payable (Note 9)	**-**	1,816	2,559
Other long-term liabilities	**281**	-	176
	8,177	20,286	26,095
Shareholders' equity (deficiency)			
Share capital (Note 11)	**84,906**	62,388	52,606
Contributed surplus	**10,103**	9,710	9,198
Accumulated other comprehensive income (loss)	**103**	(6)	(404)
Deficit	**(94,036)**	(77,859)	(62,301)
	1,076	(5,767)	(901)
	9,253	14,519	25,194

Approved by the Board:

" Louis De Jong "	*" John Roland "*
Director	Director

See accompanying notes to the consolidated financial statements.

Enablence Technologies Inc.

Consolidated statements of comprehensive loss
years ended June 30, 2014 and 2013
(in thousands of United States dollars and shares, except per share data)

	2014	2013
	$	$ (Note 21)
Revenues	**4,686**	7,490
Cost of revenues	**7,302**	6,740
Loss on inventory impairment	**749**	1,366
Gross margin	**(3,365)**	(616)
Operating expenses		
Research and development	**4,770**	4,660
Sales and marketing	**605**	573
General and administration	**3,227**	3,215
Stock-based compensation (Note 11)	**393**	512
Restructuring recoveries (Note 13)	**-**	(352)
	8,995	8,608
Loss from operations	**(12,360)**	(9,224)
Other income (expense)		
Finance and other income	**9**	5
Finance expense	**(370)**	(2,200)
Equity loss from joint venture	**(1,474)**	(2,148)
Impairment loss on investment in joint venture (Note 21)	**(2,947)**	-
Foreign exchange gain (loss)	**70**	(254)
Loss on transfer of property, plant and equipment to Sunblence (Note 21)	**-**	(104)
Gain on debt settlement (Note 11)	**399**	-
Gain on sale of property, plant and equipment	**-**	39
Write-down of intangible and other assets (Note 8)	**(59)**	(121)
Net loss from continuing operations	**(16,732)**	(14,007)
Net income (loss) from discontinued operations (net of tax) (Note 22)	**555**	(1,551)
Net loss	**(16,177)**	(15,558)
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	**109**	398
Comprehensive loss	**(16,068)**	(15,160)
Net loss per share, basic and diluted (Note 12)		
Continuing operations	**(0.12)**	(0.38)
Continuing and discontinued operations	**(0.12)**	(0.42)
Weighted average number of outstanding shares		
Basic and diluted (Note 12)	**137,359**	36,824

See accompanying notes to the consolidated financial statements.

Enablence Technologies Inc.

Consolidated statements of changes in shareholders' equity (deficiency)
years ended June 30, 2014 and 2013
(in thousands of United States dollars and shares)

	Number of shares	Share capital (Note 11)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Equity (deficiency)
		$	$	$	$	$
Balance at July 1, 2012	466,546	52,606	9,198	(404)	(62,301)	(901)
Stock-based compensation (Note 11)	-	-	512	-	-	512
Issuance of common shares (Note 11)						
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 11)	(634,720)	-	-	-	-	-
Issuance of common shares (Note 11)						
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, 2014 issuance	150	33	-	-	-	33
Net loss	-	-	-	-	(15,558)	(15,558)
Exchange differences on translating operations	-	-	-	398	-	398
Balance at June 30, 2013	53,511	62,388	9,710	(6)	(77,859)	(5,767)
Stock-based compensation (Note 11)	-	-	393	-	-	393
Issuance of common shares (Note 11)						
September 9, 2013 private placement	60,000	11,430	-	-	-	11,430
September 9, 2013 conversion of bridge loan	20,000	2,948	-	-	-	2,948
September 9, 2013 private placement shares issued for commission and expenses	3,960	1,471	-	-	-	1,471
September 9, 2013 debt settlement	20,045	7,447	-	-	-	7,447
Share issuance costs	-	(1,702)	-	-	-	(1,702)
Issuance of common shares (Note 11)						
June 26, 2014 private placement	6,667	924	-	-	-	924
Net loss	-	-	-	-	(16,177)	(16,177)
Exchange differences on translating operations	-	-	-	109	-	109
Balance at June 30, 2014	**164,183**	**84,906**	**10,103**	**103**	**(94,036)**	**1,076**

See accompanying notes to the consolidated financial statements.

Enablence Technologies Inc.

Consolidated statements of cash flows
years ended June 30, 2014 and 2013
(in thousands of United States dollars)

	2014	2013
	$	$
		(Note 21)
Operating activities		
Net loss	**(16,177)**	(15,558)
(Income) loss from discontinued operations	**(555)**	1,551
Adjusted for the following non-cash items:		
Depreciation and amortization	**1,704**	1,967
Stock-based compensation (Note 11)	**393**	512
Equity loss from joint venture	**1,474**	2,148
Impairment loss on investment in joint venture (Note 21)	**2,947**	-
Loss on transfer of property, plant and equipment to Sunblence (Note 21)	**-**	104
Gain on debt settlement (Note 11)	**(399)**	-
Accretion expense	**53**	-
Gain on sale of property, plant and equipment	**-**	(39)
Write down of intangible and other assets (Note 8)	**59**	121
Unrealized foreign exchange gain	**-**	(22)
	(10,501)	(9,216)
Changes in non-cash working capital (Note 20)	**2,278**	(275)
Cash used in operating activities - continuing operations	**(8,223)**	(9,491)
Cash from operating activities - discontinued operations	**-**	303
Cash used in operating activities	**(8,223)**	(9,188)
Investing activities		
Purchase of property, plant and equipment	**(979)**	(141)
Cash used in investing activities - continuing operations	**(979)**	(141)
Cash from investing activities - discontinued operations	**-**	1,464
Cash (used in) provided by investing activities	**(979)**	1,323
Financing activities		
Repayment of notes payable	**(6,060)**	(394)
Advances from operating line of credit	**962**	-
Net proceeds from issuance of common shares	**15,005**	6,229
Cash from financing activities - continuing operations	**9,907**	5,835
Cash provided by financing activities	**9,907**	5,835
Effect of foreign currency translation on cash and cash equivalents	**(107)**	291
Increase (decrease) in cash and cash equivalents	**598**	(1,739)
Cash and cash equivalents, beginning of year	**589**	2,328
Cash and cash equivalents, end of year	**1,187**	589
Supplementary information		
Interest paid	**187**	980

See accompanying notes to the consolidated financial statements.

1. Description of business

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 (TSXV - ENA). 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 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 June 30, 2014, the Company had cash of $1,187 and negative working capital of $1,539 and had used cash of $8,223 in its operating activities for the year ended June 30, 2014. The Company incurred a comprehensive loss of $16,068 for the year ended June 30, 2014 and as of that date had an accumulated deficit of $94,036. The Company has $2,873 of notes and debt payable that are due in the next 12 months.

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. 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.

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.

(iii) Basis of measurement

These consolidated statements have been prepared on an historical cost. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

(iv) Approval of consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on October 27, 2014.

(in thousands of United States dollars and shares)

2. Basis of preparation (continued)

(v) Presentation currency

The presentation currency of the Company's consolidated financial statements is the United States dollar ("US$").

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$ 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.

(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, revenues and expenses and the related disclosures of contingent assets and liabilities.

Significant estimates in the accompanying consolidated financial statements relate to the impairment of intangible assets and the joint venture, allowance for doubtful accounts, valuation of debt and equity instruments, inventory provisions and valuation, asset impairments, certain accruals and provisions. Actual results could differ from these estimates.

Significant judgements in the accompanying consolidated financial statements relate to the functional currency determinations, recognition of deferred tax assets and determination of cash generating units ("CGU").

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of Enablence Technologies Inc. and its subsidiaries. Its 49% share of the investment in a joint venture is reported using the equity method of accounting. The chart below summarizes the entities included consolidated financial statements as at June 30, 2014 and 2013, with the exception of the Swiss subsidiary. As a result of the sale of the shares of Enablence Switzerland AG ("ENA Switzerland"), effective November 19, 2012, the financial results of Switzerland have been included in the Company's comparative June 30, 2013 consolidated statements of comprehensive loss to the date of the close of the transaction, November 19, 2012.

The following chart summarizes the entities consolidated in the financial statements as at June 30, 2014:

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 Components Inc.	Delaware, USA	100	US
Enablence Canada Inc.	Canada	100	Cdn
Discontinued operations			
Enablence USA FTTx Networks, Inc.	Delaware, USA	100	US
Enablence Systems Inc.	Delaware, USA	100	US

3. Significant accounting policies (continued)

Basis of consolidation (continued)

i. 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 consolidated financial statements from the date that control commences until the date that control ceases.

ii. 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. This includes transactions with the joint venture to the extent of the Company's interest therein.

iii. Equity investment

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures,* and the guidance contained in a related interpretation*, SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers,* has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Company reviewed and assessed the classification of the Company's investment in its joint arrangement in accordance with the requirements of IFRS 11. The Company concluded that the investment in Sunblence, which was classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should now be classified as a joint venture commencing in the fiscal year 2014 in accordance with IFRS 11, and accounted for using the equity method (see Note 21).

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.

3. Significant accounting policies (continued)

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. 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 judgement 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.

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. To date, no deferred tax assets have been recognized. Actual results could differ from expectations.

3. Significant accounting policies (continued)

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

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.

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 three years.

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.

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).

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 judgement is made in establishing these assumptions.

3. Significant accounting policies (continued)

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.

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
Trade receivables	Loans and receivables
Other receivables	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 2014, the total of grants received was $305 (2013 - $181). Total of grants recognized by reducing related expenses was $168 (2013 - $357). At June 30, 2014, liability for royalties payable was $319 (2013 - $NIL) of which $281 (2013 - $NIL) is included as a long-term liability. 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.

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 or 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.

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 from 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.

3. Significant accounting policies (continued)

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.

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.

New and revised IFRS issued but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not yet been adopted by the Company:

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the 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. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective January 21, 2018.

3. Significant accounting policies (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 *Financial Instruments: Presentation* clarify certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 Levies (“IFRIC 21”)

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time.
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 Revenue from Contracts with Customers

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is applicable to an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017.

The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

(in thousands of United States dollars and shares)

4. Cash and cash equivalents

The cash and cash equivalents balance includes guaranteed investment certificates and restricted cash. Restricted cash represents cash that has been provided as security against guarantees or is otherwise not currently available for use.

	2014	2013	July 1, 2012
	$	$	$
Cash	**1,177**	563	763
Guaranteed investment certificate	**5**	5	5
Restricted cash	**5**	21	1,205
	1,187	589	1,973

5. Accounts and other receivable

	2014	2013	July 1, 2012
	$	$	$
Trade	**1,165**	1,923	2,516
Allowance for doubtful accounts	**(2)**	(43)	(51)
	1,163	1,880	2,465
Other	**254**	219	194
	1,417	2,099	2,659

Included in Other accounts receivable is an amount of $81 (2013 - $NIL; July 1, 2012 - $NIL) from a related party, Irixi Holding Ltd., (Note 19), and an amount of $117 (2013 - $133; July 1, 2012 - $NIL) related to investment tax credits receivable.

6. Inventories

	2014	2013	July 1, 2012
	$	$	$
Raw materials	**1,985**	2,417	3,628
Work-in-progress	**1,476**	1,471	1,282
Finished goods	**32**	75	13
Allowance for obsolescence	**(159)**	(47)	(275)
	3,334	3,916	4,648

The amount of inventory materials, inclusive of the loss on inventory impairment, recognized as cost of revenues for the year ended June 30, 2014 was $4,229 (2013 - $3,974).

(in thousands of United States dollars and shares)

7. Property, plant and equipment

	Machinery and equipment	Lab equipment and tooling	Photomasks	Office furniture and equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
As at June 30, 2013	10,189	3,129	960	439	774	15,491
Additions	666	194	85	-	27	972
Dispositions	-	(45)	-	-	-	(45)
As at June 30, 2014	10,855	3,278	1,045	439	801	16,418
Accumulated amortization						
As at June 30, 2013	7,668	2,940	669	341	290	11,908
Amortization	1,332	123	110	17	66	1,648
Dispositions	-	-	-	-	-	-
As at June 30, 2014	9,000	3,063	779	358	356	13,556
Carrying value						
As at June 30, 2014	1,855	215	266	81	445	2,862

	Machinery and equipment	Lab equipment and tooling	Photomasks	Office furniture and equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
As at June 30, 2012	10,127	3,204	884	446	774	15,435
Additions	62	-	76	-	-	138
Dispositions	-	(75)	-	(7)	-	(82)
As at June 30, 2013	10,189	3,129	960	439	774	15,491
Accumulated amortization						
As at June 30, 2012	6,344	2,695	534	333	205	10,111
Amortization	1,324	320	135	8	85	1,872
Dispositions	-	(75)	-	-	-	(75)
As at June 30, 2013	7,668	2,940	669	341	290	11,908
Carrying value						
As at June 30, 2013	2,521	189	291	98	484	3,583

(in thousands of United States dollars and shares)

8. Intangible and other assets

	Software	Other assets	Patents	Total
	$	$	$	$
Cost				
As at June 30, 2013	265	162	382	809
Additions	3	-	-	3
Dispositions	-	-	-	-
As at June 30, 2014	268	162	382	812
Accumulated amortization				
As at June 30, 2013	204	103	261	568
Amortization	30	-	-	30
Impairment	-	59	121	180
As at June 30, 2014	234	162	382	778
Carrying value				
As at June 30, 2014	34	-	-	34

	Software	Other assets	Patents	Total
	$	$	$	$
Cost				
As at June 30, 2012	274	162	392	828
Additions	(9)	-	-	(9)
Dispositions	-	-	(10)	(10)
As at June 30, 2013	265	162	382	809
Accumulated amortization				
As at June 30, 2012	172	88	231	491
Amortization	32	15	30	77
Impairment	-	-	121	121
As at June 30, 2013	204	103	382	689
Carrying value				
As at June 30, 2013	61	59	-	120

During the year ended June 30, 2014, the Company recorded impairment losses on other assets of $59. During the year ended June 30, 2013, impairment losses of $121 were recorded on patents.

(in thousands of United States dollars and shares)

9. Notes payable

	2014	2013	July 1, 2012
	$	$	$
Secured note 1 (a)	**770**	1,313	2,252
Secured note 2 (b)	**1,141**	1,797	3,369
Line of credit (c)	**962**	-	-
5% subordinated notes (d)	**-**	11,633	11,037
5% convertible notes			3,006
Bridge loan (e)	**-**	1,000	-
	2,873	15,743	19,664
Less current portion	**2,873**	13,927	17,105
Net long-term portion	**-**	1,816	2,559

(a) This represents the balance of a secured note of $5,000 with a maturity date of December 2015 and monthly payments of principal and interest of $42. The interest rate at June 30, 2014 was 5.50% (June 30, 2013 - 5.50%). 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.

(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. During the quarter ended September 30, 2012, $1,200 of cash was used to pay down the loan. The note has a maturity date of April 20, 2016 and monthly payments of principal and interest of $52. The loan has an interest rate of 5.50% at June 30, 2014 (June 30, 2013 - 5.50%).

(c) On May 6, 2014, the Company obtained a variable rate revolving line of credit loan of $1,500 for working capital purposes. The loan is secured by the accounts receivable of the Company. As further collateral, $500 has been deposited with the lending bank by a related party, related due to a 12% ownership interest in the Company, to protect against the possibility that the accounts receivable will not completely satisfy a future default under the loan. This deposit will be repaid by the Company upon the closing of the next financing. The loan has a maturity date of June 1, 2015 and an interest rate based on the Wall Street Journal prime rate plus 3.25% resulting in an interest rate of 6.50% at June 30, 2014. Monthly payments of interest only are required beginning July 1, 2014. The loan balance consisting of principal and accrued unpaid interest is due on June 1, 2015.

The Company is required to comply with certain financial covenants with respect to secured note 1 and secured note 2 and the Line of credit. As at June 30, 2014, the Company was in contravention of certain of these banking covenants, therefore the full amount of the secured notes 1 and 2 have been classified as current liabilities.

(d) Subordinated notes, with a principal amount of $10,000, were 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 in September 2013. Principal and interest were payable at maturity. 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. The notes were settled in full in September 2013 subsequent to the close of equity financing completed in September 2013 (Note 11).

(in thousands of United States dollars and shares)

9. Notes payable (continued)

(e) 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 to 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 completed in September 2013 (Note 11).

10. Income taxes and investment tax credits

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to loss on continuing operations before income taxes, shown as follows:

	2014	2013
	$	$
Expected tax rate	**26.50%**	26.50%
Expected tax benefit from loss	**(4,287)**	(4,123)
Increase (decrease) in taxes from		
Permanent differences	**317**	864
Benefit of loss carryforwards	**4,893**	4,349
Rate differential on tax jurisdictions	**(1,880)**	(974)
Other	**957**	(116)
	-	-

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, 2014, deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2014	2013
	$	$
Tax losses (i)	**284,516**	266,098
Tax losses (ii)	**27,155**	28,628
Unused credits (iii)	**4,319**	4,130
Deductible temporary differences	**16,582**	25,183

10. Income taxes and investment tax credits (continued)

(i) Related to tax losses that are non-capital in nature; these tax losses begin to expire in 2015.
(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, 2014, the Company had $264,673 of foreign non-capital tax losses available for carry-forward. $264,673 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.

11. Share capital

Authorized capital stock consists of:
Unlimited number of preferred shares: NIL preferred shares issued and outstanding
Unlimited number of common shares: 164,183 common shares issued and outstanding

In June 2014, the Company initiated a non-brokered private placement for up to 66,667 shares at a price of Cdn$0.15 for gross proceeds of Cdn$10,000, to be subscribed for in tranches by new strategic shareholders as well as certain existing shareholders of the Company.

The first tranche of the financing closed on June 26, 2014 with the sale of 6,667 shares for gross proceeds of $937 and net proceeds of $924 after share issuance costs. The shares are subject to a four-month hold period pursuant to applicable securities law. The balance of the financing is expected to close subsequent to June 30, 2014 (Note 23).

On September 9, 2013, the Company completed a $14,325 financing transaction (the “Financing Transaction”) and retired all of the remaining secured subordinated promissory notes in conjunction with the financing (Note 9).

The Financing Transaction was comprised of an $11,430 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 $14,325 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, and 360 shares were issued to cover expenses, both of which were recorded at a fair value for accounting purposes of $0.372 per share. The fair value reflects a 10% discount from the closing market price on the date of the transaction. Management believes the discount is appropriate given the volatility of the stock and the four-month holding period that the shares were subject to.

11. Share capital (continued)

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) approximately $11,725 of principal and accrued interest. These notes were exchanged for total cash payments of $3,861 and the issuance of 19,865 common shares of Enablence recorded at a fair value for accounting purposes of $0.372 per share. There were an additional 180 shares issued by the Company to the holders of these secured subordinated promissory notes which were recorded at the same fair value for accounting purposes of $0.372. The cash payments combined with the issuance of the shares represented a full and final settlement of these subordinated notes. As a result, the Company recorded a gain of $399 on the settlement of these subordinated notes. The fair value reflects a 10% discount from the closing market price on the date of the transaction. Management believes the discount is appropriate given the volatility of the stock and the four-month holding period that the shares were subject to.

In November 2012, Enablence completed private placements for a total of 10,079, 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 6,207 common shares 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 were subject to a four-month hold period which expired on March 24, 2013, pursuant to applicable securities laws.

On December 5, 2012, the Company received shareholder approval and subsequent TSX Venture Exchange approval to consolidate 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.

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.

Also on February 19, 2013, Enablence issued 10,834 common shares on the conversion and cancellation of unsecured convertible notes. 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 ended June 30, 2012.

(in thousands of United States dollars and shares)

11. Share capital (continued)

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 period is presented below:

	2014		2013	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		(Cdn$)		(Cdn$)
Outstanding and exercisable, beginning of year	**-**	**-**	1,864	0.50
Share consolidation	**-**	**-**	(1,771)	-
Expired	**-**	**-**	(93)	1.00
Outstanding and exercisable, end of year	**-**	**-**	-	-

Stock option plan

The Company has established a stock option plan available for directors, officers, employees and consultants, and has authorized a stock option pool equal to 10% of the outstanding common shares. At June 30, 2014, the available option pool was a total of 1,812 (2013 - 5,351) 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 tenth 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:

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options (pre-consolidation)	Weighted average exercise price
		(Cdn$)		(Cdn$)
Outstanding, beginning of year	**5,332**	**1.49**	11,097	0.90
Share consolidation	**-**	**-**	(10,542)	-
Granted	**9,340**	**0.15**	5,020	0.33
Forfeited	**(20)**	**4.66**	(46)	13.00
Expired	**(46)**	**0.49**	(197)	14.80
Outstanding, end of year	**14,606**	**0.63**	5,332	1.49
Exercisable, end of year	**2,676**	**2.54**	1,201	5.14

(in thousands of United States dollars and shares)

11. Share capital (continued)

Stock option plan (continued)

The following table summarizes the post-consolidation options outstanding and exercisable as at June 30, 2014:

Options outstanding			Options exercisable	
Weighted average Exercise price	**Number outstanding**	**Weighted average remaining contractual life**	Number exercisable	Weighted average Exercise price
(Cdn$)	**#**	**(years)**	#	(Cdn$)
0.15	**9,340**	**9.90**	-	0.15
0.33	**4,960**	**8.70**	2,384	0.33
7.40	**68**	**2.20**	68	7.40
10.00	**65**	**3.60**	65	10.00
12.00	**57**	**6.30**	43	12.00
16.00	**26**	**2.70**	26	16.00
23.00	**9**	**4.10**	9	23.00
46.00	**75**	**3.60**	75	46.00
47.80	**6**	**3.70**	6	47.80
0.63	**14,606**	**9.40**	2,676	2.54

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

	2014	2013
Risk-free interest rate	**1.22%**	1.21%
Expected life of options (years)	**7**	5
Expected annualized volatility	**122%**	110%
Expected dividend yield	**NIL**	NIL
Weighted average fair value of each option	**$0.10**	$0.16

Stock-based compensation is recorded as an increase to contributed surplus and is transferred to share capital when the underlying options are exercised. Grant date fair value of options issued during the twelve months ended June 30, 2014 was $934 (2013 - $819). Total stock-based compensation expense related to current and prior year grants was $393 (2013 - $512).

12. 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 is anti-dilutive; therefore, 14,606 potentially dilutive shares at June 30, 2014 (2013 - 5,332) have not been included in the calculation of diluted loss per common share for the years ended June 30, 2014 and 2013.

(in thousands of United States dollars and shares)

13. Restructuring charges

As at June 30, 2014, no restructuring costs were included in accounts payable or accrued liabilities (2013 - $150). During the year ended June 30, 2014, the Company did not incur any restructuring costs (2013 - $NIL).

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.

For the year ended June 30, 2014, $150 of costs accrued in previous years for not renewing the contract of the Company's former Chief Executive Officer, were paid out.

	Corporate	United States	**Total**
	$	$	**$**
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**
Restructuring costs paid	(150)	-	**(150)**
Balance as at June 30, 2014	-	-	**-**

14. Financial instruments

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.

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.

	2014	2013	July 1, 2012
	$	$	$
Loans and receivables [(1)]	**2,604**	2,688	4,632
Other financial liabilities [(2)]	**7,464**	19,649	25,103

[(1)] Incudes cash and cash equivalents and accounts and other receivables
[(2)] Includes accounts payable and accrued liabilities and notes payable

(in thousands of United States dollars and shares)

14. 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 and other receivable. The Company's maximum credit risk is $2,604 (2013 - $2,688; 2012 - $4,632). The Company primarily invests its excess cash in high quality financial instruments with large, high quality financial institutions. 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 Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. Three customers accounted for approximately 47% of the accounts receivable balance at June 30, 2014 (21%, 14% and 12% individually). At June 30, 2013, two customers accounted for approximately 50% of the accounts receivable balance (26% and 24% individually).

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, 2014, $43 of previously allowed for accounts receivable was written off. The age of trade accounts receivable, gross of the allowance of $2 at June 30, 2014 (June 30, 2013 - $43), is summarized as follows:

	2014	2013	July 1, 2012
	$	$	$
Current or under 60 days	**869**	1,341	2,071
Past due 61 to 90 days	**98**	61	17
Past due more than 90 days	**198**	521	377
Total trade accounts receivable	**1,165**	1,923	2,465

Of the $198 in accounts receivable past due more than 90 days at June 30, 2014, $22 has been collected between July 1, 2014 and October 27, 2014. The balance is expected to be offset against accounts payable to the customer.

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

	2014	2013
	$	$
Balance, beginning of year	**43**	51
Increase in allowance for doubtful accounts	**2**	-
Decrease in allowance for doubtful accounts during the year from write off of accounts receivable	**(43)**	-
Decrease in allowance for doubtful accounts during the year from collection of accounts	**-**	(8)
Balance, end of year	**2**	43

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 $41 for the year ended June 30, 2014 (June 30, 2013 - $44).

(in thousands of United States dollars and shares)

14. Financial instruments (continued)

Foreign currency risk

The Company operates internationally with subsidiaries in the United States and Canada (also 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 transacted in U.S. currency, and the Company incurs expenses in both Canadian and U.S. dollars, and the Swiss Franc prior to November 19, 2012. In Sunblence, the functional 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 gain ("OCI") by the amounts shown below. A weakening of the Canadian dollar would have the opposite effect.

	2014		2013
Net loss	**OCI**	Net loss	OCI
Cdn$	**Cdn$**	Cdn$	Cdn$
357	**17**	457	(125)

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, 2014, the Company has financial liabilities which are due as follows:

	2015	2016	2017	Total
	$	$	$	$
Accounts payable and accrued liabilities	4,591	-	-	4,591
Secured notes payable	1,911	-	-	1,911
Line of credit payable	962	-	-	962
Total	7,464	-	-	7,464

15. 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; as at June 30, 2014, that totals $3,949 (2013 - $9,976). 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, 2014 management has secured bridge financing (Note 23).

(in thousands of United States dollars and shares)

16. Segmented information

The Company operates in one segment, Optical Components.

Certain assets are analyzed geographically as follows:

	2014		2013	
	Property, plant and equipment	**Intangible and other assets**	Property, plant and equipment	Intangible and other assets
	$	**$**	$	$
United States	**2,642**	**-**	3,388	59
Canada	**220**	**34**	195	61
	2,862	**34**	3,583	120

Revenue is analyzed geographically as follows:

	2014	2013
	$	$
Americas	**2,255**	3,311
Asia Pacific	**1,265**	1,679
Europe, Middle East and Africa	**1,166**	2,500
	4,686	7,490

During the year ended June 30, 2014, two customers accounted for 28% of the Company's total revenue (16% and 12% individually). One customer accounted for 26% of the Company's total revenue during the year ended June 30, 2013.

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.

	2014	2013
	$	$
Product	**4,354**	6,101
NRE	**332**	1,389
	4,686	7,490

(in thousands of United States dollars and shares)

17. Commitments

The Company leases office space and certain property and equipment under operating leases. Rental expenses under these leases were $525 for the year ended June 30, 2014 (2013 - $538). Minimum lease payments due under these leases for the next three years and beyond are as follows:

	$
2015	422
2016	209
2017 and beyond	-
	631

18. 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 11).

The following summarizes key management personnel and directors' compensation for the years ended June 30, 2014 and 2013:

	2014	2013
	$	$
Salaries and directors' fees	**459**	371
Share-based payments	**480**	328
Termination benefits	**221**	(252)
	1,160	447

19. Related party transactions

As at June 30, 2014, China TriComm Ltd. ("TriComm") owned 30,000 Enablence common shares, which represents approximately 18.27% of the issued and outstanding common shares of the Company. TriComm is controlled by Mr. Gao, a director and significant shareholder of the Company. During September 2013, as a result of equity financing received, the Company recorded $112 of legal fees owing to Win Brand Limited which is included in accounts payable and accrued liabilities at June 30, 2014. Win Brand Limited ("Win Brand") is controlled by a Director and Officer of the Company.

As at June 30, 2014, Irixi Holding Ltd. ("Irixi"), owned 20,360 Enablence common shares, which represents approximately 12.4% of the issued and outstanding common shares of the Company. In addition, Irixi holds 2,133 common share options. Irixi is a joint venture controlled by TriComm and Win Brand. During the fiscal year ended June 30, 2014, the Company ordered certain materials from suppliers on behalf of Irixi in the amount of $81 (Note 5) which is included in accounts receivable at June 30, 2014.

During the fiscal year ended June 30, 2014, the Company recorded consulting fee expense of $98 for Evan Chen and Todd Zhang. This amount is payable to Irixi and is included in accounts payable and accrued liabilities at June 30, 2014.

(in thousands of United States dollars and shares)

19. Related party transactions (continued)

The Company controls 49% of the Sunblence Joint Venture (see Note 21). During the fiscal year ended June 30, 2014, the Company fulfilled certain orders from Sunblence in the amount of $106. This amount was fully paid off during the year and the accounts receivable relating to these transactions was nil at June 30, 2014.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See also note 20 for related party transactions of the Sunblence joint venture.

20. Supplemental disclosures of cash flow information

Net change in non-cash operating working capital items:

	2014	2013
	$	$
Net inflow (outflow) of cash:		
Accounts receivable and other receivable	**681**	711
Inventories	**582**	732
Prepaid expenses and deposits	**(347)**	61
Accounts payable and accrued liabilities	**958**	(1,784)
Deferred revenue	**404**	5
	2,278	(275)

Depreciation and amortization expense for the year ended June 30, 2014 of $1,704 (2013 - $1,967) includes the following in the Consolidated statements of comprehensive loss: a) $1,362 (2013 - $1,364) included within cost of revenues, b) $178 (2013 - $249) included with general and administration, and c) $164 (2013 - $354) included within research and development.

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 for 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.

21. Joint venture (continued)

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 was 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 year ended June 30, 2013.

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

Effective July 1, 2013, the Company has adopted IFRS 11, *Joint Arrangements*. Adoption of this standard has resulted in a change in the method of accounting for the investment in the joint venture from proportionate consolidation to the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated as at the beginning of the immediately preceding period which is July 1, 2012.

In order for users of the consolidated financial statements to better understand the impact of the adoption of this new standard, the Company's consolidated balance sheets, consolidated statements of comprehensive loss and consolidated statements of cash flows have been reconciled to reflect the new standard. The following reconciliations have been provided:

i. Reconciliation of consolidated balance sheets as at:
   - July 1, 2012; and
   - June 30, 2013

ii. Reconciliation of consolidated statements of comprehensive loss for:
   - The year ended June 30, 2013

iii. Reconciliation of consolidated statement of cash flows for:
   - The year ended June 30, 2013

21. Joint venture (continued)

The following is the Company's opening comparative restated balance sheet under the equity method of accounting, as at July 1, 2012:

Reconciliation of consolidated balance sheet as at July 1, 2012
(in thousands of United States dollars)

	As reported	IFRS 11 adjustments	As adjusted
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	3,974	(2,001)	1,973
Accounts receivable	2,663	(4)	2,659
Inventories	4,733	(85)	4,648
Prepaid expenses and deposits	1,191	(1,078)	113
Assets held for disposal	3,963	-	3,963
	16,524	(3,168)	13,356
Property, plant and equipment	8,710	(3,390)	5,320
Intangible and other assets	337	-	337
Investment in joint venture	-	6,181	6,181
	9,047	2,791	11,838
	25,571	(377)	25,194
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,476	(37)	5,439
Current portion of notes payable	17,105	-	17,105
Liabilities related to assets held for disposal	816	-	816
	23,397	(37)	23,360
Notes payable	2,559	-	2,559
Other long-term liabilities	516	(340)	176
	26,472	(377)	26,095
Shareholders' deficiency			
Share capital	52,606	-	52,606
Contributed surplus	9,198	-	9,198
Accumulated other comprehensive loss	(404)	-	(404)
Deficit	(62,301)	-	(62,301)
	(901)	-	(901)
	25,571	(377)	25,194

21. Joint venture (continued)

Reconciliation of consolidated balance sheet as at July 1, 2013
(in thousands of United States dollars)

	As reported	IFRS 11 adjustments	As adjusted
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	938	(349)	589
Accounts receivable	2,285	(186)	2,099
Inventories	4,223	(307)	3,916
Prepaid expenses and deposits	80	(30)	50
Assets held for disposal	54	-	54
	7,580	(872)	6,708
Property, plant and equipment	7,339	(3,756)	3,583
Intangible and other assets	120	-	120
Investment in joint venture	-	4,108	4,108
	7,459	352	7,811
	15,039	(520)	14,519
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,426	(520)	3,906
Deferred revenue	28	-	28
Current portion of notes payable	13,927	-	13,927
Liabilities related to assets held for disposal	609	-	609
	18,990	(520)	18,470
Notes payable	1,816	-	1,816
	20,806	(520)	20,286
Shareholders' deficiency			
Share capital	62,388	-	62,388
Contributed surplus	9,710	-	9,710
Accumulated other comprehensive loss	(6)	-	(6)
Deficit	(77,859)	-	(77,859)
	(5,767)	-	(5,767)
	15,039	(520)	14,519

21. Joint venture (continued)

Reconciliation of consolidated statement of comprehensive loss for the year ended June 30, 2013
(in thousands of United States dollars and shares except per share data)

	As reported	IFRS 11 adjustments	As adjusted
	$	$	$
Revenues	7,879	(389)	7,490
Cost of revenues	7,216	(476)	6,740
Loss on inventory impairment	1,366	-	1,366
Gross margin	(703)	87	(616)
Operating expenses:			
Research and development	4,660	-	4,660
Sales and marketing	573	-	573
General and administration	5,377	(2,162)	3,215
Stock-based compensation	512	-	512
Restructuring charges	(352)	-	(352)
	10,770	(2,162)	8,608
Operating loss	(11,473)	2,249	(9,224)
Other income (expenses):			
Finance and other income	103	(98)	5
Finance expense	(2,200)	-	(2,200)
Equity loss from joint venture	-	(2,148)	(2,148)
Foreign exchange loss	(254)	-	(254)
Loss on transfer of intangibles and			-
property, plant and equipment	(104)	-	(104)
Gain on disposal of property, plant and equipment	42	(3)	39
Write-down of intangible assets	(121)	-	(121)
Net loss from continuing operations	(14,007)	-	(14,007)
Net loss from discontinued operations	(1,551)	-	(1,551)
Net loss	(15,558)	-	(15,558)
Other comprehensive income (loss):			
Foreign currency translation income (loss)	398	-	398
Comprehensive loss	(15,160)	-	(15,160)

21. Joint venture (continued)

Reconciliation of consolidated statement of cash flow for the year ended June 30, 2013
(in thousands of United States dollars)

	As reported	IFRS 11 adjustments	As adjusted
	$	$	$
Cash provided by (used in)			
Operating activities			
Net loss	(15,558)	-	(15,558)
Loss from discontinued operations	1,551	-	1,551
Adjusted for the following non-cash items			-
Amortization	2,018	(51)	1,967
Stock-based compensation	512	-	512
Equity loss from joint venture	-	2,148	2,148
Loss on transfer of intangible and property, plant and equipment to Sunblence	104	-	104
Gain on sale of property, plant and equipment	(42)	3	(39)
Write down of intangible assets	121	-	121
Unrealized foreign exchange gain	(22)	-	(22)
	(11,316)	2,100	(9,216)
Changes in non-cash working capital	555	(830)	(275)
Cash used in operating activities - continuing operations	(10,761)	1,270	(9,491)
Cash provided by operating activities - discontinuing operations	303	-	303
Cash used in operating activities	(10,458)	1,270	(9,188)
Investing activities			
Purchase of property, plant and equipment	(491)	350	(141)
Cash used in investing activities - continuing operations	(491)	350	(141)
Cash provided by investing activities - discontinuing operations	1,464	-	1,464
Cash provided by investing activities	973	350	1,323
Financing activities			
Repayment of bank indebtedness	-	-	-
Proceeds from issuance of shares, net of issuance costs	6,229	-	6,229
Repayment of notes payable	(394)	-	(394)
Cash provided by financing activities - continuing operations	5,835	-	5,835
Cash provided by financing activities	5,835	-	5,835
Effect of foreign currency translation on cash equivalents	259	32	291
(Decrease) increase in cash and cash equivalents	(3,391)	1,652	(1,739)
Cash and cash equivalents, beginning of year	4,329	(2,001)	2,328
Cash and cash equivalents, end of year	938	(349)	589
Interest paid	980	-	980

(in thousands of United States dollars and shares)

21. Joint venture (continued)

The following is a breakdown of the Company's proportionate share of the joint venture's assets and liabilities:

	2014	2013	July 1, 2012
	$	$	$
Current assets	**740**	869	3,168
Non-current assets	**2,811**	3,756	3,390
Current liabilities	**(604)**	(517)	(37)
Long-term liabilities	**-**	-	(340)
Net investment in joint venture	**2,947**	4,108	6,181
Less: Impairment of joint venture	**(2,947)**	-	-
	-	4,108	6,181

Management performed a review of the Sunblence Joint Venture following the identification of certain impairment indicators, including continued losses and negative gross margins. As a result, through a discounted cash flow analysis, comparing the expected future cash flows results with the carrying value of the Sunblence Joint Venture, it was concluded an impairment provision was required on the equity investment at June 30, 2014 for the full amount of $2,947.

The above amounts of assets and liabilities included the following:

	2014	2013	July 1, 2012
	$	$	$
Cash	**22**	350	2,001
Short-term loan	**266**	-	-

The short-term loan was obtained by the joint venture on December 31, 2013. The loan has a maturity date of July 31, 2014 and bears interest of 7.80% per annum. The loan is payable at maturity. The loan was obtained for working capital purposes and is secured by the joint ventures' equipment.

The Company's share of the joint venture's revenue and expenses was as follows:

	2014	2013
	$	$
Revenue	**305**	389
Operating and other expenses	**1,742**	2,537
Net loss	**(1,474)**	(2,148)

During the year ended June 30, 2014, the joint venture had sales of $618 (2013 - $784) with Sunsea, the other venturer, and had an accounts receivable balance from Sunsea of $NIL at June 30, 2014 (2013 - $168).

(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 were 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 had recorded a loss on the transaction of $165, 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)**

Presentation of discontinued operations financial information

There were no assets and liabilities related to ENA Switzerland on the consolidated balance sheet as at June 30, 2014, 2013 or July 1, 2012. Operating results up to November 19, 2012 related to ENA Switzerland have been included in income from discontinued operations on the consolidated statements of comprehensive loss for the year ended June 30, 2013.

The assets and liabilities related to this business have been presented as assets or liabilities held for disposal on the consolidated balance sheets as at June 30, 2014, 2013 and July 1, 2012. There were no operating results to report for the years ended June 30, 2014 and 2013.

(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.

	2014	2013	July 1, 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

	2014	2013
	$	$
Revenues	**-**	1,314
Cost of revenue	**-**	476
Gross margin	**-**	838
Operating expenses		
Research and development	**-**	209
Sales and marketing	**-**	83
General and administrative	**-**	85
Amortization	**-**	28
Operating income	**-**	433
Impairment loss on property, plant and equipment	**-**	(1,676)
Reversal of accrued liabilities	**555**	-
Loss on sale of ENA Switzerland	**-**	(165)
Foreign exchange loss	**-**	(43)
Income (loss) before income taxes	**555**	(1,451)
Income taxes provision	**-**	(100)
Income (loss) from discontinued operations	**555**	(1,551)

Management performed a review of the $555 provision relating to discontinued operations. Based on criteria within IAS 37 in relation to provisions and contingent liabilities, it was determined that this provision no longer met the criteria under IAS 37 and as a result was reversed at June 30, 2014.

23. Subsequent events

Subsequent to year-end, the Company received short-term, non-interest bearing, unsecured bridge loans ("Bridge Loan") in the amount of $666 from certain related parties of which $473 was provided by companies controlled by directors of the Company. The Bridge Loan will be repaid on or before November 30, 2014. Those companies that have provided the Bridge Loan have been issued warrants exercisable at a price of $0.15 for an aggregate of 4,800 common shares of the Company, which expire in one year. The common shares issuable upon the exercise of the warrants are subject to a four month hold period which will expire January 26, 2015.

In addition, Irixi extended a further short-term, non-interest bearing, unsecured loan in the amount of $519.