



ENABLENCE TECHNOLOGIES INC.

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

FOR THE FISCAL YEAR ENDED APRIL 30, 2009

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

The following is a discussion and analysis of the audited consolidated financial statements of Enablence Technologies Inc. for the fiscal year ended April 30, 2009 and should be read in conjunction with other securities filings available on www.sedar.com. The effective date of management's discussion and analysis is August 7, 2009. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian dollars. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian currency unless specified otherwise. The financial statements include all of the assets and liabilities and expenses of Enablence Technologies Inc. and its subsidiaries. References made herein to "Enablence", "the Company", "we" and "our" mean Enablence Technologies Inc. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of April 30, 2009 and has concluded that these are effective in providing reasonable assurance that material information relating to the Company has been appropriately disclosed.

FORWARD LOOKING STATEMENTS

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

OVERVIEW

HIGHLIGHTS AND SUMMARY

Despite the recent global economic crisis, Enablence has continued to grow through acquisitions and organically. In part, the Company has taken advantage of opportunities that have allowed it to develop a customer base and geographic presence through which it has been able to market its products successfully.

The Company is organized along two divisions: Systems division and Optical Components and Subsystems division. This divisional structure is based on the markets and products of each of the division and customer opportunities, optimization of a vertical integration strategy and maximization of synergies and efficiencies among the operational units. The two divisions are complementary and this structure allows the Company to support two sets of clients – those that rely on Enablence components and those that depend on a full system solution in the access segment of the optical market.

Fibre optic deployments in the access and metro markets continue to show growth despite the economic slowdown. It is the Company's expectation that once the rationalization of the product portfolio in the Optical Components and Subsystems division is completed and higher value added products are offered, there will be a marked improvement in the margins and profitability of the division. It is the Company's expectation that this will be completed before the end of the fiscal 2010, as previously indicated. In the meantime, as the results of the last quarter of fiscal 2009 show, the gross margins will deteriorate before they improve largely due to the fact that materials already purchased are utilized and new materials with lower cost and new sub-system products are qualified. This is usually a three to six month process. The Company's anticipation is that some visible positive indications of the operating profit before non-cash charges will likely occur towards the end of FY2010 (year ending April 30, 2010).

On the Systems side of the business, broadband infrastructure development is a major element of various economic stimulus packages internationally (including the US). Enablement management believes that with greater emphasis placed in improved telecommunications infrastructure based on high speed broadband, the growth in this sector will be steady. However, as these are new government led initiatives, the development of the processes for obtaining the funding under these programs lag the announcement, with the first projects under the U.S. stimulus package for rural infrastructure to be considered only in our second quarter with the actual disbursements of funds occurring late in calendar 2009 or sometime early in calendar 2010. As such, with some customers postponing decisions until such funds are available, there will likely be a slight drop or only a modest increase in sales in the first and second quarters of FY2010 with the subsequent quarters showing sales growth. This is particularly true for the US market. On the international side, as it is not subject to similar factors in so far as the Company's markets are concerned, we anticipate an increase in international sales in the second quarter largely due to announcements of wins made subsequent to the year end.

The Company's vertical integration strategy is showing positive development, with the Company being seen by customers as having the ability to provide secure supply at a time when critical component suppliers are experiencing financial difficulties.

A big area of concern for the Company is controlling costs at all levels. Taking full advantage of consolidated operations so that economies of scale lead to better pricing is a key priority. This involves consolidation not only of contract manufacturing operations but also integration of general administration, research and development activities, administration of intellectual property portfolio as well as health and benefits plans, and streamlining of travel policies and practices. Certain measures have already been taken in the current quarter addressing some of these items and we expect that in the subsequent quarters, the impact of these changes should manifest themselves through a further reduction of G&A expenses as a percentage of revenue. The Company has also undertaken efforts in the subsequent to the year end to reduce the staff complement by a further 21 staff to further reduce its R&D staff and expenditures in the Systems Division and outsourcing some of the activities. These efforts are expected to yield a further 25-30% reduction in costs in this area in the Systems Division. The full impact of these changes will be felt starting in the later half of FY 2010, most notably in the fourth quarter. In the Optical Components and Subsystems division, with the bulk of the R&D activities in the development of the transceiver completed, the research team's efforts are now directed towards new product development for other applications with initial contracts already in hand. Already, this change in direction has assisted in the recovery of about 25-30% of the costs through a number of NRE (non-recurring engineering) contracts already in hand. The Company plans to

have a larger percentage of the costs recovered, mostly through NRE contracts or with government backed funding programs with a view to a further reduction in overall R&D expenditure for this group by the end of the third quarter of FY2010.

The need for continued growth, both as a means to expand market share and leadership position will be critical in the coming months. This is an opportune time to explore some of these opportunities that will provide the Company with immediate access to new markets and a customer base. The Company plans to explore and examine those opportunities as they emerge and to evaluate them.

The Company continues to receive increased interest among its peers and believes that if the negative impacts of the recession do not become severe, it will experience overall sales growth in the FY2010 as the needs of its current and expanded customer base grow in North America and internationally.

FQ4 2009 (Period Ending April, 2009) Highlights

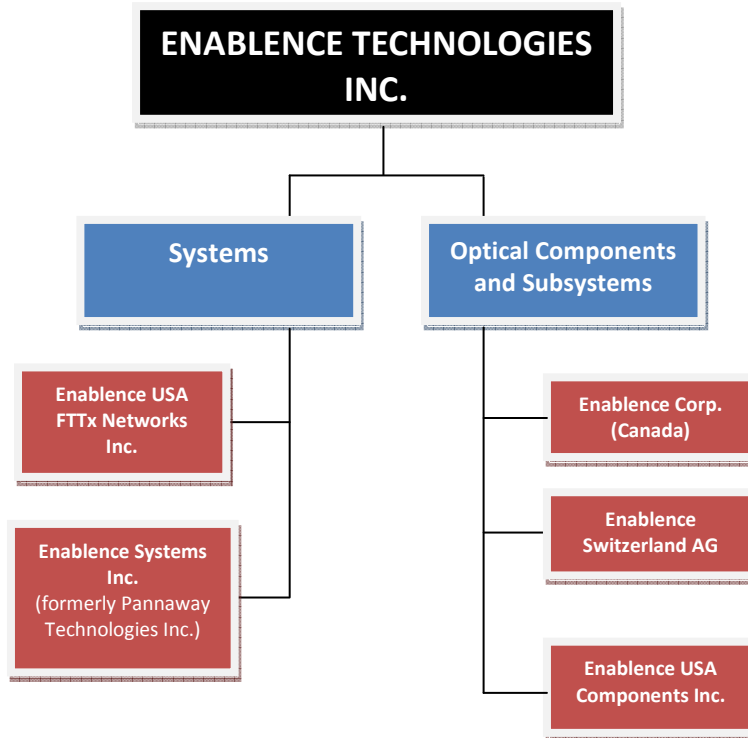
The major highlight during FQ4 2009 have been new contract wins, including wins in Egypt, France and the U.S. Revenues resulting from these new announcements, however, generally appear in one or two quarters following the announcement, due to lead times for production and delivery. In the current quarter (FQ4 2009), management took a number of measures aimed at streamlining operations with a view to longer term cost reduction in each of the divisions. Thus, the results of FQ4 2009 reflect a mix of the impact of these activities.

Although not a factor in FQ4 2009, the Company started the process of strengthening its financial capabilities during the quarter, an initiative that was successfully completed on May 12, 2009 by raising \$13.8 million in a common share and warrant offering.

ENABLENCE BUSINESS

Enablence is a vertically integrated business, utilizing its patented technologies including PLC-based intellectual property, know-how and trade secrets in the production of an array of photonics components and broadband equipment that address the long-haul, metro loop and access markets. Headquartered in Ottawa, Canada, Enablence is organized into two divisions: the (i) Optical Components and Subsystems; and (ii) Systems (formerly FTTX Networks Division). The Optical Components and Subsystems division has a broad portfolio of products using the planar lightwave circuit ("PLC") technology that allows the Company to supply high value-added products to its customers. The Systems division provides a complete broadband system solution to allow for increased broadband deployments worldwide using Enablence's products. These two divisions are complementary to each other and form part of the same value chain and complement each other.

The corporate organization chart below depicts the corporate organization at April 30, 2009.



Enablence Optical Components and Subsystems Division

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

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

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

Enablence’s core technology is portable to numerous markets including long-haul and metro area fibre optic networks that require filtering technology to separate and multiplex various optical signals. The chip-based integration capabilities of the Enablence platform technology

makes it also suitable for an array of biomedical and aerospace applications, instrumentation, and sensor systems which are experiencing growing demand due in part to infrastructure projects worldwide.

Enablence Systems Division

The core competencies of the Systems division are:

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

The Company’s patented technology handles multiple protocols (Ethernet Passive Optical Network “EPON”, Gigabit Passive Optical Network “GPON” & Point-to-Point Ethernet). The Company’s ONTs rely on optical transceivers at their core.

On May 5, 2008, the Company acquired Wave7 (renamed Enablence USA FTTx Networks Inc.). Enablence USA FTTx Networks is a global provider of FTTH systems that delivers voice, video and data services over fibre optic lines. Currently, the Company produces ONTs for the home and business markets and OLTs for the central office for the various service providers. On November 18, 2008, the Company acquired Pannaway. Pannaway has established relationships with over 300 customers in the USA and Canada, delivering solutions that allow customers to leverage their existing DSL networks while introducing FTTH to selected elements of their market from the same technology platform.

The addition of these network capabilities has transformed Enablence into a supplier that is able to provide a system solution for broadband networks, and therefore, has increased its addressable market, its competitive position and ability to directly deal with carriers deploying networks worldwide while providing complete product solutions to meet customer needs.

The Systems division has installed broadband solutions with over 400 customers, in the USA and in several other countries worldwide. Irrespective of which OLT is deployed (Trident7, Magnm or MagnmFX) at a customer’s central office, an integrated ONT, incorporating a transceiver is used at each end user’s location, allowing the Company to leverage its ONT technology across a significantly larger customer base.

The Company uses contract manufacturers worldwide, including those in the United States, Canada, and South Korea to assist in the production of its various product lines. Management continues to assess these relationships to ensure that the arrangements and agreements are cost effective and meet the on-going needs and requirements consistent with market and competitive circumstances. The Company plans to consolidate its manufacturing operations to take advantage of volume, cost and integration in the regular course of business. The Company is reviewing all aspects of its manufacturing operations with a view to cost reduction, increased yields and integrated solutions.

Growth Strategy

A number of product developments are planned for FY2010, including the further customized integration of optical chips into the ONT platform, initially using transceivers and eventually by incorporating the optical sub assembly (“OSA”) directly on the ONT board. This integration is expected to reduce the overall cost of an ONT and increase gross margins. Furthermore, a move to high-value added products from optical components to a greater integration and the introduction of ROADM subcomponents and similar high value products for the metro and long haul markets is anticipated. This is made possible as a result of acquisitions allowing the Company to produce sub-components and to build higher value subsystems in-house.

Enablence intends to continue to pursue product strategies directed primarily at access networks, metro-area fibre optic networks, long-haul networks, and datacom. The Company has also recently begun work through NRE contracts for other applications and expects that this activity will grow as its technology is seen to be applicable in new areas including those in instrumentation, biophotonic applications, aerospace and defence sectors. As the Company grows, it will continue to review and consider further vertical integration opportunities if they add to the growth of revenues and gross margins and if they assist the Company in expanding its market share and its geographic reach for both its divisions.

CHANGES IN ACCOUNTING POLICIES

(a) Current Changes

Inventories

Effective May 1, 2008, the Company implemented the new CICA Handbook Section 3031, “Inventories”, which is effective for fiscal years beginning on or after January 1, 2008. This new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. It provides further guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and circumstances for their subsequent reversal. It also provides more restrictive guidance on the cost methodologies that are used to assign costs to inventories and describes additional disclosure requirements. The adoption of this standard resulted in additional disclosure in the Corporation’s consolidated financial statements.

Financial Instruments

Effective May 1, 2008, the Company adopted two new CICA standards, Handbook Section 3862, *Financial Instruments Disclosures*, and Section 3863, *Financial Instruments Presentation*, which replaces Handbook Section 3861, *Financial Instruments Disclosure and Presentation*. The new presentation standards carry forward the former presentation requirements and increase the emphasis on the disclosure of risks associated with both recognized and unrecognized financial instruments and how those risks are managed.

The adoption of these new Handbook sections did not have a material impact on the Company’s earnings or other comprehensive income. The new disclosures pursuant to these Sections are included in Note 20 of the Company’s audited consolidated financial statements as at and for the year ended April 30, 2009.

Capital Disclosures

Effective May 1, 2008, the Company adopted the new CICA standard, Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about a company's capital and how it is managed. The required disclosure of information about the Company's objectives, policies and processes for managing capital is included in Note 21 of the financial statements. The adoption of this standard did not have a material impact on the Company's consolidated audited financial statements as at and for the year ended April 30, 2009.

(b) Future Changes

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit oriented enterprises that are responsible to large or diverse groups of stakeholders. The official change-over date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt for the fiscal year beginning May 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

Management expects to develop its plan for IFRS implementation over the next two quarters.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning May 1, 2009. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises.

Consolidated Financial Statements and Non-controlling Interests

CICA 1601, Consolidated Financial Statements and CICA 1602, Non-Controlling Interests, together replace CICA 1600, Consolidated Financial Statements. CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 established standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The policy applies to interim and annual consolidated financial statements relating to fiscal years beginning January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new policies on the consolidated financial statements.

Financial Assets and Financial Liabilities

The Emerging Issues Committee (“EIC”) issued a new abstract on January 20, 2009 concerning the measurement of financial assets and financial liabilities (“EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”). There has been diversity in practice as to whether an entity’s own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial instruments. The EIC reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. The Abstract is effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of the Abstract with retrospective application without restatement of prior periods.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure. Enablence’s Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings that the Company’s disclosure controls and procedures for the year ended April 30 2009 are effective to provide reasonable assurance that material information related to Enablence is made known to them.

RESULTS OF OPERATIONS

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

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

Years Ended	April 30, 2009	April 30, 2008
Revenue	\$ 45,238	\$ 3,152
Gross Profit	11,127	1,183
Sales & Marketing	9,734	363
General & Administrative	9,109	4,093
Research & Development	16,805	5,702
Stock Based Compensation	1,705	2,424
Amortization	9,649	2,796
Restructuring Charges	474	-
Operating Loss for the Year	<u>(36,349)</u>	<u>(14,195)</u>
Net Loss for the Year	<u>(76,823)</u>	<u>(11,347)</u>
Basic and Diluted Loss Per Share	<u>\$ (0.40)</u>	<u>\$ (0.08)</u>

The nature and size of Enablence's business has changed significantly during the last 12 months. During the year ended April 30, 2008, we had operations in Ottawa, Canada, Zurich, Switzerland and, for the period February 7 through April 30, 2008, in Fremont, California. During the year ended April 30, 2009, the Company acquired Wave7 Optics, Inc. (May 5, 2008), the assets of the DuPont Photonics business unit (July 31, 2008) and Pannaway Technologies, Inc. (November 18, 2008). As a consequence of these acquisitions, the results of operations for FY 2009 are not reasonably comparable to those of FY2008.

SUMMARY OF UNAUDITED QUARTERLY RESULTS

The following table sets forth unaudited summary results of operations for the past eight (8) quarters. The information has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the last eight quarters ended April 30, 2009 and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented. The table and ensuing discussion and analysis presents the information in thousands of Canadian dollars except share and per share related data.

Quarter Ended	FY 2009				FY 2008			
	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April, 30, 2008	January 31, 2008	October 31, 2007	July 31, 2007
Revenue	\$14,049	\$14,790	\$8,765	\$7,634	\$2,445	\$261	\$145	\$301
Gross Profit	2,923	4,547	1,669	1,988	828	171	28	156
Expenses								
Research & Development	4,959	4,743	3,458	3,644	2,205	1,457	1,009	1,030
Sales, General & Administrative	5,618	5,331	4,337	3,552	1,867	1,317	631	725
Stock Based Compensation	324	532	509	341	500	539	599	787
Amortization	1,337	3,854	2,433	2,025	1,667	397	363	369
Restructuring Charge	-	474	-	-	-	-	-	-
Operating Loss	(9,315)	(10,388)	(9,068)	(7,574)	(5,410)	(3,540)	(2,575)	(2,754)
Impairment of Intangible Assets and Goodwill	-	(47,700)	-	-	-	-	-	-
Net Loss for the Period	(12,808)	\$(49,450)	\$(7,721)	\$(6,844)	\$(5,216)	\$(2,642)	\$(2,270)	\$(2,494)
Weighted Average Shares Outstanding	208,485,707	203,329,012	182,617,055	175,514,353	171,827,815	161,553,851	120,146,388	117,247,187
Basic and Diluted Loss Per Share	\$ (0.06)	\$(0.24)	\$(0.04)	\$(0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.02)

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

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

The nature and size of Enablence business has changed significantly during the last 12 months. During the year ended April 30, 2008, we had operations in Ottawa, Canada, Zurich, Switzerland and, for the period February 7 through April 30, 2008, in Fremont, California. During the year ended April 30, 2009, the Company acquired Wave7 Optics, Inc. (May 5, 2008), the assets of the DuPont Photonics business unit (July 31, 2008) and Pannaway Technologies, Inc. (November 18, 2008). As a consequence of these acquisitions, the results of operations for each of FQ4 2009 and FY 2009 are not reasonably comparable to those of FQ4 2008 and FY 2008, respectively. However, the results of operations are comparable between FQ4 2009 and FQ3 2009 and are analyzed below.

Generally Accepted Accounting Principles (GAAP) requires that, for self sustaining foreign operations, we convert foreign currency denominated transactions related to the statement of loss at the average exchange rate for the year to date period. The amounts we report for our

FQ4 2009 are the difference between the annual amounts derived by multiplying the local currency by the average exchange rate between the Canadian dollar and the United States dollar (1.1442) for the 12 month period of May 1, 2008 through April 30, 2009 and the amounts for the amounts for the nine months ended multiplied by the average exchange rate between the Canadian dollar and the United States dollar (1.1112) for the 9 month period of May 1, 2008 through January 31, 2009.

REVENUES AND COST OF REVENUES

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

	FQ4 2009	FQ3 2009	Change	% Change
Revenues				
Systems	\$10,191	\$10,758	\$(567)	-5.3%
Optical Components & Subsystems	3,858	4,032	(174)	-4.3%
	<u>14,049</u>	<u>14,790</u>	<u>(741)</u>	<u>-5.0%</u>
Cost of Revenues				
Variable Costs	9,788	9,117	671	7.3%
Facility Overhead	807	600	207	34.5%
Amortization	531	526	5	1.0%
	<u>11,126</u>	<u>10,243</u>	<u>883</u>	<u>8.6%</u>
Gross Profit	<u>\$2,923</u>	<u>\$4,547</u>	<u>\$(1,624)</u>	<u>-35.7%</u>
Gross Margin – Actual	20.8%	30.7%		-9.9% pts
Gross Margin – Excluding Amortization	24.6%	34.3%		-9.7% pts

Revenues

The \$567 (5%) decrease in Systems division revenues from FQ3 2009 to FQ4 2009 is a reflection of a US\$835 (9%) decline in sales by the division offset by the change in the average exchange rate between the Canadian dollar to the United States dollar as a result of changes in the foreign exchange rates used during the year. The modest decline in sales is partially also attributable to the general slowdown due to the global economic conditions in general, and the consequent deferral of implementation of existing projects. Although the economic stimulus package in the US will accelerate the demand, slow implementation remains a factor and no new project funding announcements under this program are anticipated until late August 2009 and actual disbursements may not occur till the second half of FY2010.

The \$174 (4%) decrease in Optical Components and Subsystem Division revenues from FQ3 09 to FQ4 09 is a reflection of a US\$256 (7%) decline in sales by the division offset by the change in the average exchange rate between the Canadian dollar to the United States dollar as a result of changes in the foreign exchange rates used during the year. The modest decline in sales is partly attributable to global economic conditions that persisted throughout FQ4 2009 and likely continue in the next quarter.

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

	Revenues (\$000)		Property, Plant, Equipment and Intangible Assets (\$000)	
	FQ4 2009	FQ3 2009	Apr 30 2009	Jan 31 2009
Americas	\$9,766	\$10,975	\$43,825	\$49,388
Asia Pacific	1,305	1,612	--	--
Europe	2,978	2,203	3,008	3,128
Total	\$14,049	\$14,970	\$46,833	\$52,516

During FQ4 2009, one customer accounted for 11% of the Company's total revenue and one customer accounted for 14% of the accounts receivable balance at April 30, 2009. During FQ3 2009, no one customer accounted for greater than 10% of the Company's total revenue and one customer accounted for 17% of the accounts receivable balance at January 31, 2009.

The table below provides a comparison of the total assets for the two divisions for the past five fiscal quarters reflecting the acquisitions, operating performance and FQ3 2009 write down of intangible assets and goodwill of the businesses.

	Property, Plant, Equipment, Intangible Assets and Goodwill (\$000)				
	Apr 30 2009	Jan 31 2009	Oct 31 2008	Jul 31 2008	Apr 30 2008
Optical Components	\$24,144	\$25,116	\$62,583	\$57,767	\$54,741
Systems	22,689	27,400	10,495	9,406	-
Total	\$46,833	\$52,516	\$73,078	\$67,173	\$54,741

Cost of Revenues

Cost of revenues rose from \$10,243 in FQ3 2009 to \$11,126 in FQ4 2009, an increase of \$883 (8.6%). During the same period, our gross margins decreased from 31% to 21%. These changes are predominantly a reflection of differences in our product mix between FQ3 2009 and FQ4 2009. The revenues from our Systems division was oriented more towards the lower margin ONT products during FQ4 2009, while during FQ3 2009 our Systems division revenues were more heavily weighted towards our higher margin OLT products. This is a regular occurrence for Systems division sales. At the early stage of a new contract, the higher margin OLT's are supplied and as the customer builds its subscriber base it requires ONT's for the end user which have a lower margin. The current quarter had more sales of ONTs than OLTs thus reflecting a change in margins. With the recent announcements of new contracts made during FQ4 2009 and subsequent quarter, we expect to see an increase in the OLTs delivered in FQ2 and FQ3 2010. Our Optical Components and Subsystems division continued to generate low margins as the legacy of existing low margin customer obligations continued during FQ4 2009.

The Company has taken steps to improve the variable costs of production through further integration of its operations, including shifting low volume, high unit cost production from a contract manufacturer to use of internal facilities to improve facility overhead utilization; consolidation of its contract manufacturing activities that are presently spread among various manufacturers due to different relationships established by acquired companies; seeking quotes from contract manufacturers in lower cost locations, while offering higher volumes through consolidated and integrated operations; and evaluating whether to stop producing low margin the impacts of which will likely appear in the later part of FQ2 2010 including the impact of a

further staff reduction of 21 people, most of which was a function of shifting software code development to a lower cost centre, realizing net overall expense synergies on integration in the order of \$350 per quarter.

OPERATING EXPENSES

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

	FQ4 2009		FQ3 2009		Change	
	\$000	% of Rev	\$000	% of Rev	\$000	% Change
Research & Development	\$4,959	35.3%	\$4,743	32.1%	\$216	3.2%
Sales & Marketing	3,440	24.5%	2,893	19.6%	547	4.9%
General and Administration	2,178	15.5%	2,439	16.5%	(261)	-1.0%
Stock-based Compensation	324	2.3%	532	3.6%	(208)	-1.3%
Amortization	1,337	9.5%	3,854	26.1%	(2,885)	-19.2%
Restructuring Charges	-	-	474	3.2%	(474)	-3.2%
Total	\$12,238	87.1%	\$14,935	101.0%	(\$2,697)	-13.9%

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

	FQ4 2009		FQ3 2009		Change	
	\$000	% of Exp	\$000	% of Exp	\$000	% Change
Research & Development						
Compensation	\$3,681	74%	\$3,313	70%	\$ 368	11.1%
Other R&D Expenses	1,278	26%	1,430	30%	(152)	-10.6%
Total R&D Expense	\$4,959	100%	\$4,743	100%	\$ 216	4.6%
R&D Staff	97		94		+3	3.2%
Sales & Marketing						
Compensation	\$2,109	61%	\$1,760	61%	\$349	19.8%
Other S&M Expenses	1,331	39%	1,133	39%	198	17.5%
Total S&M Expense	\$3,440	100%	\$2,893	100%	\$547	18.9%
S&M Staff	50		54		-4	-7.4%
General and Administration						
Compensation	\$1,100	51%	\$1,108	45%	\$(8)	-0.7%
Other G&A Expenses	1,078	49%	1,331	55%	(253)	-19.0%
Total G&A Expense	\$2,178	100%	\$2,439	100%	\$(261)	-10.7%
G&A Etfaff	29		32		-3	-9.4%
Stock-based Compensation	\$324		\$532		\$(208)	-39.1%
Amortization						
In G&A						
PP&E	\$626		\$545		\$81	14.9%
Intangibles	711		3,309		(2,598)	-78.5%
Total Amortization	1,337		3,854		(2,517)	-65.3%
In Cost of Revenues	531		526		5	1.0%
Total Amortization	\$1,868		\$4,380		\$(2,512)	-57.4%

	FQ4 2009		FQ3 2009		Change	
	\$000	% of Exp	\$000	% of Exp	\$000	% of Exp
Restructuring Charges	\$ -		\$ 474		\$ 474	-100.0%
Impairment Charges						
Impairment of Goodwill	-		17,500	43%	17,500	-100.0%
Impairment of Intangible Assets	-		30,200	75%	(23,068)	-100.0%
Recovery of Future Income Tax	-		(7,400)	(18%)	(1,608)	-100.0%
Net Impairment Charge	-		\$40,300	100%	\$(38,960)	-100.0%

Enablence's total research and development ("R&D") expenses increased by \$216 (6%), from FQ3 2009 to FQ4 2009 predominantly the result of differences arising from changes in the foreign exchange rates used during the year. R&D expenses, as a percentage of revenues, rose 3% points, which is a reflection of the decrease in revenues. The Company expects that R&D expense, as a percentage of revenues will continue to decline in future quarters as we rationalize our operations, increase outsourcing of some of our activities and as sales increase.

The Company's accelerated efforts to commercialize its core components technology and broadband systems are now starting to show results and the Company expects these costs to decline as commercial revenues increase on products as they move from the R&D phase to full commercialization mode. The Company is transitioning from a predominantly R&D stage company to one that is focused on the marketing and sales of its products. As this transition takes place, the Company anticipates that R&D expenditures will decline as a percentage of revenues over time and be in line with general industry practices in terms of percentage of revenues.

Sales and marketing expenses increased by \$547 (19%) from FQ3 2009 to FQ4 2009. This increase is a reflection of US\$383 (18%) at the division level of sales and marketing expenses, with the remaining difference largely attributable to changes in the foreign exchange rates used during the year. Sales and marketing expenses during FQ4 2009, as a percentage of revenues are up 5% point from FQ3 2009, largely as a result of the reduced volume of revenues earned during FQ4 2009. The Company expects these expenses to fall marginally as a percentage of revenue from an overall increase in corporate revenues. The Company plans to continue its expanded corporate marketing function and to streamline and strengthen its sales function with a view to increasing revenues with higher margins, broader market share and global market reach. Opportunities exist to cross sell optical components and network systems to a larger number of customers. In addition, steps are being taken to structure the sales teams to make better use of the varying levels of experience and compensation. The Company will review its activities especially in the Systems division between domestic North American operations and international activities largely due to the differences in standards and the breadth and scope of its international customer base. The Company does not expect its sales and marketing expenses to decline in absolute dollars in subsequent periods but the Company does expect the percentage of sales and marketing expenses as compared with revenues to decline as we rationalize our compensation arrangements and as revenues increase.

The Company's general and administration ("G&A") expenses decreased by \$261 (1%) from FQ3 2009 to FQ4 2009. This was a result of the company's successful restructuring plan which resulted in a reduction of the Company's workforce. G&A expenses during FQ4 2009, as a percentage of revenues, remained at 16%, the same metric as FQ3 2009. It is anticipated that

this expenditure as a percentage of sales will decline as the full benefits of integration are realized with the results shown in the annual fiscal year end results. G&A expenses include administration staff compensation, professional fees, insurance, payments made to register Intellectual Property (IP) in various jurisdictions (translation & filing fees), and information technology (IT) services.

As a result of the restructuring undertaken in FQ3 2009 and the subsequent forfeiture of stock options, stock-based compensation expense decreased by \$208 (39%) during FQ4 2009.

Amortization expenses comprise two major elements: amortization of property, plant and equipment over their useful lives; and amortization of intangible assets over a five year period from the date of acquisition. The increases from quarter to quarter are primarily a reflection of the successive acquisitions made during the last 12 months. The decrease in amortization of intangible assets during FQ4 2009 is due to the write down taken in FQ3 2009.

During FQ3 2009 the Company determined that the current economic conditions represented a change in circumstances in the Company's operating environment. As such, in accordance with its accounting policies, the Company performed impairment tests on its intangible assets at January 31, 2009 and recorded a write down of \$30,200. This loss of fair value was offset partially by a recovery of \$7,400 of future tax obligations. The Company also reviewed its goodwill and recorded a \$17,500 impairment write down during FQ3 2009 in the light of the current economic conditions.

The deterioration in economic conditions that occurred during FQ3 2009 affected the demand for improved services from the end users of the Company's customers. This resulted in reduced customer demand and the consequent impact on the revenues from the Company's broadband systems. In addition, the limited availability of credit has an impact on some of the prospective customers for the Company's broadband services resulting in potential deferral of the implementation of changes to their broadband infrastructure.

This significant change in economic conditions also has an impact on the demand for the Company's optical components and subsystems. The reduced demand has caused some of the Company's competitors to reduce their prices to retain or capture market share. The cascading impact of reduced prices in the industry as a result has had a negative impact on gross margins.

The economic stimulus policies being implemented by countries around the world are expected to have a positive impact on the demand for improved broadband services by end users and on the availability of capital to our customers. This should, in turn, improve the revenue potential of the Company and therefore improve the future operating results of the Company. The Company expects that its own vertical integration strategy and consolidation efforts will also improve its gross margins above that of general industry gross margins.

INTEREST INCOME

Enablence invests cash and cash equivalents in short-term investments with a Canadian chartered bank. During FQ4 2009, Enablence earned interest income on these investments of \$32, as compared to \$133 during FQ3 2009. This decrease in interest income in each quarter is the result of holding lower average cash and cash equivalents in short-term investments balances during FQ4 2009 than in FQ3 2009 and generally lower interest rates and yields on interest bearing deposits.

INCOME TAXES

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

During FQ3 2009, the Company recorded a recovery of income taxes of \$8,410 comprised of \$7,400 related to the write down of the Company's intangible assets and \$1,010 for the amortization of intangible assets.

NET LOSS

The net loss for FQ4 2009 was \$12,808 of which \$3,300 relates to an increase in the provision for future tax liability related to intangible assets. After adjusting for this provision, the net loss is \$9,508 which is comparable to the FQ3 2009 net loss of \$9,150 after adjusting for write down of intangibles in FQ3 2009. The increase in net loss is attributable to the reasons set out above.

LOSS PER COMMON SHARE

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

	FQ4 2009	FQ3 2009
Basic and Diluted Loss per Common Share	\$0.06	\$0.24
Weighted Average Number of Common Shares	208,486	203,329

The basic and diluted loss per common share for FQ3 2009 prior to the write down of intangible assets and goodwill was \$0.04.

LIQUIDITY AND CAPITAL RESOURCES

Enablence has historically financed its operations primarily through the issuance of common shares. The Company assumed a US\$3,735 note payable and a \$1,000 operating loan on the acquisition of ANDevices, Inc. The lending institution that provided the operating loan to ANDevices advised the Company that it would not renew the operating line of credit and the Company repaid this \$864 credit facility in May 2009. The note payable of \$3,855 remains outstanding under the existing terms and conditions with a maturity date of March 31, 2012.

The Company expects that its current level of cash and cash equivalents will be sufficient to meet its operations and capital expenditures for more than the next 12 months, based on its 2010 operating forecasts. These forecasts include assumptions regarding:

- revenue growth as the global economic conditions improve and the economic stimulus packages in the U.S. and elsewhere are accessed by the Company's customer base;
- improved gross margins as a result of the consolidation of our contract manufacturing are completed and the improvements to the cost elements of our optical components and subsystems; and

- the changes we have made to our R&D costs arising from the shift of some of our non-core engineering initiatives to lower cost centers and the increase in NRE projects.

However, if economic conditions deteriorate, thus preventing the Company from achieving its operating objectives or if the current banking crisis results in financial institutions requiring the Company to provide additional cash collateral in support of its credit facilities or if its lenders seek early repayment of the Company's obligations due to failure to maintain current ratio and tangible net worth covenants, the Company may not have sufficient cash and cash equivalents to meet its operations and capital expenditures for the next 12 months. Enableness may receive nominal cash proceeds on the issue of additional common shares on the exercise of options and warrants depending in part on the market price for its shares. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and facilitate possible investments and to provide sufficient cash reserves to protect itself from the effects of the current unpredictable economic conditions.

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

	FQ4 2009	FQ3 2009
Cash, Cash Equivalents and Short-term Investments	\$11,503	\$18,597
Working Capital	\$17,689	\$25,472

Pro-forma cash and cash equivalents at April 30, 2009, after reflecting the May 12, 2009 common share issuance of \$13,800 less direct costs of \$1,268 were \$24,146.

During FQ4 2009, the Company consumed \$6,060 of cash in operating activities and invested \$406 in property, plant and equipment and a further \$32 in acquisition related costs. A further \$303 was used in partial repayment of a term loan assumed on the acquisition of ANDevices. The net decrease in cash, cash equivalents and short-term investments during FQ3 2009 was \$7,094.

Subsequent to the end FY2009, the Company successfully completed a public offering and issued an aggregate of 46,000 common shares at a price of \$0.30 per share, for total gross proceeds of \$13,800. The Company incurred \$1,268 in costs related to this share offering. In addition, the Company shifted some non-core engineering work from its Systems division to a lower cost center, with a view of saving in excess of \$350 per quarter.

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

OFF BALANCE SHEET ARRANGEMENTS

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

FINANCIAL AND OTHER INSTRUMENTS

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

TRANSACTIONS WITH RELATED PARTIES

None

SUMMARY OF CONTRACTUAL OBLIGATIONS

The table below presents the Company's contractual obligations.

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Facilities Leases	\$6,683	\$1,755	\$2,351	\$1,253	\$1,324

CAPITAL RESOURCE REQUIREMENTS

The Company expects to invest up to \$500 during the next year on component manufacturing equipment to improve manufacturing processes with the ultimate objective of improving gross margins and product offerings, and on design and test equipment for the Systems division. The Company is implementing a vertical integration strategy involving the replacement of components acquired from third parties with comparable components manufactured within the consolidated enterprise. The objective of this vertical integration strategy is to improve the Company's supply chain logistics and to improve gross margins by adding higher value products in its product portfolio. The Company is unable to specify its capital resources requirements for this purpose at this time.

OUTLOOK

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

Management will continue to focus on five key goals for FY2010:

- improving sales and revenues from the Company's expanding portfolio of optical components and subsystems to its customer base, and focusing on winnable bids for broadband systems;
- improving gross margins by reducing the cost of materials by seeking better pricing from suppliers as a result of larger purchasing volumes, further integration of internally produced components, and improving yields;

- controlling R&D costs by outsourcing some of our activities with a view to reduce costs and increasing the number of NRE contracts;
- rationalization of our sales and marketing expenses and commissions structure;
- reducing G&A costs through further integration of activities and programs.

The Company expects these improvements to continue throughout FY2010, with a good measure of the benefits being realized in the second half of FY2010. Management believes that, based on its present assessment, once these efforts are completed as anticipated, the Company will have significantly reduced the operating losses incurred in FY2009 and be on the track towards profitability by the end of FY2010. The Company expects that the financial results of intervening quarters will show inconsistent outcomes due to the impact of a mix of these measures and partial outcomes.

Management remains committed to a number of additional key initiatives that it believes will positively affect the metrics that drive the business, namely: protection of intellectual property; continued R&D; vertical integration; security of supply and committed manufacturing partners.

Cash flow from operations is expected to continue to be negative until the full impact of the Company's vertical integration strategy is realized and all measures in reducing costs and increasing revenues are achieved. The Company anticipates that these results, barring the unpredictable impact of the economic conditions, will be visible starting from the third quarter leading to cash flow positive status towards the end of the next fiscal year (April 30, 2010).

It is not possible to predict the impacts of the general global economic slowdown and the state of the US economy, and therefore there is no guarantee that these results will be achieved. The US market remains an important source of the Company's revenues and therefore the prolongation of the recessionary situation may have an unfavourable influence on the Company achieving its goals and objectives as well as delayed disbursements of funds under the Stimulus package. The Company's ability to reach profitability is dependent on achieving higher volumes and increased gross margins. There are no assurances that Enablence will gain adequate market acceptance, nor are there any guarantees that the Company will achieve higher gross margins, even though the Company is able to hold a relatively a steady sales picture in the current conditions., nor is the Company presently able to fully assess any negative impact of the current global economic conditions on its operations or financial condition. The Company has not yet earned operating profits and expects to incur further operating losses before realizing profits. The Company believes that the existing working capital coupled with revenues will, with the above reservations, be sufficient to cover the Company's anticipated operating costs beyond April 30, 2010.

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

CURRENCY RISK

The Company is exposed to currency risk as an increasingly significant volume of its transactions are denominated in U.S. dollars, Euros, Yen and Swiss Francs. The Company has not entered into forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates, interest rates, or changes in share price. Enableness intends to adopt a strategy to manage these fluctuations as revenues increase.

PROPOSED TRANSACTIONS

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

SUBSEQUENT EVENTS

Subsequent to the end FY2009, the Company successfully completed a public offering and issued an aggregate of 46,000 common shares at a price of \$0.30 per share, for total gross proceeds of \$13,800. The Company incurred \$835 in costs related to this share offering.

Also subsequent to the end of FY2009 the Company repaid an operating line of credit that had \$864 outstanding at April 30, 2009.

SHARE CAPITAL

COMMON SHARES

Enableness is authorized to issue an unlimited number of common shares of which 254,733 common shares are issued and outstanding as of April 30, 2009. The following table details the issued and outstanding shares of the company (in thousands):

	Number of Common Shares	Amount
April 30, 2007	117,247	\$ 31,889
Issued for Cash, Net of \$3,848,788 Issuance Costs	42,593	53,651
Fair Value of Broker Warrants Issued		(754)
Issued on Exercise of Options	2,028	1,187
Issuance Costs	-	(31)
Redemption of Broker Warrants	1,738	1,231
Issued for Acquisition of ANDevices, Inc.	9,085	22,403
April 30, 2008	172,691	\$109,575
Exercise of Broker Warrants	1,000	492
Issued for Acquisition of Wave7 Optics, Inc.	2,078	3,547
Issued for Acquisition of Assets from DuPont Photonics	6,848	9,724
Issued for Acquisition of Pannaway Technologies Inc.	25,750	7,725
Issued on Exercise of Options	160	65
April 30, 2009	208,527	\$131,128
Issued for Cash, Net of \$1,268,004 Issuance Costs	46,000	12,532
Exercise of Broker Warrants	206	62
July 31 and August 7, 2009	254,733	\$143,722

On February 7, 2008, the Company acquired all of the outstanding shares of ANDevices for consideration of \$13,572 (US\$13,500) in cash and 9,085 common shares valued at \$2.47 per share or \$22,403 plus \$264 of transaction costs. ANDevices is a supplier of Planar Lightwave Circuit (PLC) based photonic devices for the growing access, metro and long-haul communication markets.

In addition, the Company granted 1,950 options to acquire common shares in the Corporation at \$2.30 per share to certain employees of ANDevices. These options will vest in four equal semi-annual installments over a two year period. These options are not part of the purchase price.

The following table summarizes the purchase price of ANDevices based on estimated fair values (in \$000s)

Assets Acquired:	
Cash	\$ 1,211
Accounts Receivable	1,130
Inventory	878
Prepays and Deposits	226
Property and Equipment	6,520
Intangible Assets	20,273
Future Income Tax Assets	3,078
Goodwill	<u>20,100</u>
	<u>53,416</u>
Liabilities Assumed:	
Accounts Payable and Accrued Liabilities	3,386
Loans	3,858
Future Income Tax Liability	9,933
	<u>17,177</u>
Total Purchase Price Consideration	<u>\$ 36,239</u>

The \$20,273 value assigned to identifiable intangible assets is attributable to existing technology and intellectual property, customer relationships and brand value. Existing technology and intellectual property carry a value of \$8,351, customer relationships carry a value of \$10,212 and brand value carries a value of \$1,710. The intangible assets will be amortized on a straight-line basis over a three to five year period from the date of acquisition. Due to an impairment in the value of the intangibles, during the quarter ended January 31, 2009, the above intangibles were written down to \$1,583.

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, reflects the competitive advantages the Company expects to realize from ANDevice's existing product lines and developing new markets. Due to an impairment in the value of goodwill, during the quarter ended January 31, 2009, goodwill was written down to \$7,004.

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

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

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

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

During the quarter ended January 31, 2009, intangible assets were written down to \$2,011.

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

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

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

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

On November 19, 2008, the Company completed the acquisition of Pannaway Technologies Inc. ("Pannaway"). The operations of Pannaway have been merged with the Company's FTTX Networks Division.

As consideration for the acquisition, the Company issued an aggregate of 20,250 common shares of Enablence, of which 3,000 shares will be held in escrow, and US\$200 to Pannaway shareholders and 5,500 common shares of Enablence to a Pannaway debt holder in respect to the cancellation of certain Pannaway debt. Enablence also issued 10-year convertible notes (the "Notes") in the aggregate of US\$3,000 bearing interest at 5% per annum to four debt

holders. The Notes are convertible, at the option of the holder, from the third anniversary until the fifth anniversary or in the event of a default, at a conversion price equal to the greater of (i) the closing market price on the last trading day prior to the date of the conversion notice, and (ii) the conversion price of \$0.365 in the first two years, \$0.402 in the third year, \$0.442 in the fourth year and \$0.486 in the fifth year. The maximum number of shares that can be issued pursuant to the Notes is 9,464 shares.

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

Preliminary Purchase Price

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and that Management expectations may not be realized for a number of reasons. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The current global economic crises pose additional risks and uncertainties which may materially affect Management's expectations. Any investor should also consider carefully these risks and the risks and uncertainties that are detailed in our Annual Information Form filed on August 11, 2009, and available at: www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

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

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

ADDITIONAL INFORMATION

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