ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2009

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The MD&A is for THE THREE AND NINE MONTHS ENDED JANUARY 31, 2009 (thousands of Canadian Dollars, except per share amounts or unless specified otherwise). Enablence's fiscal year ends April 30. In this MD&A, quarterly references relate to the Company's fiscal year so "FYTD 2009" and "FQ3 2009" refers to the nine months and fiscal third quarter ending January 31, 2009, respectively and similarly for other periods.

The following is a discussion and analysis of the unaudited consolidated financial statements of Enablence Technologies Inc. ("Enablence", or the "Company") for the three and nine months ended January 31, 2009, which are the third quarter and first three quarters respectively of the Company's fiscal 2009 year, and should be read in conjunction with the Company's Annual Information Form, audited annual financial statements and MD&A and other securities filings available on www.sedar.com. The effective date of this MD&A is March 27, 2009. 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 January 31, 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 that 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

Enablence continues to grow organically and through acquisitions. The Company has been organized along two divisions: Systems Division and Optical Components & 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.

Fibre optic deployments in the access and metro markets continue to show growth despite the economic slowdown, with broadband infrastructure development as an element of various economic stimulus packages internationally (including the US). Enablence management believes that with greater emphasis placed in improved telecommunications infrastructure based on high speed broadband, the growth in this sector will be steady and may even grow. If the intended objectives translate into actions, then there is a general expectation that Enablence's efforts in vertical integration will have a greater chance of success despite an overall economic slowdown. As such, Enablence plans to continue to build on its vertical integration strategy and take advantage of potential consolidation opportunities to position itself to become a leader in integrated photonic solutions and wired broadband systems worldwide. The Company will be paying special attention to cost factors to ensure that they are under control with a view to bringing the divisional operations to cash flow positive in the next two quarters and towards profitability by the end of the next fiscal year. The Company's expectation is that the vertical integration strategy and the cost reductions undertaken at the time of the Pannaway acquisition will assist in bringing the divisional operations to cash flow positive in the next fiscal year.

The Company continues to receive increased interest among its peers and believes that it will experience sales growth, however modest, in FY2009 (ending April 30, 2009) as it plans to roll out new integrated planar lightwave circuit ("PLC") based products, introduce new optical product lines integrated with Optical Network Terminals ("ONTs") and, together with Optical Line Terminals ("OLTs"), provide end-to-end solutions for worldwide broadband and Fibre-to-the-Home ("FTTH") and Fibre-to-the-Business ("FTTx") deployments.

FQ3 2009 (period ending January 31, 2009) highlights include:

The major highlight during FQ3 2009 was the acquisition of Pannaway Technologies Inc. ("Pannaway") on November 19, 2008, a business that complements both the markets addressed by the Company and the technological solutions it provides. This acquisition resulted in significant growth in FQ3 2009 revenues to $14.8 million compared to $8.8 million in FQ3 2008, an increase of 68%. The Company also wrote down its intangible assets and goodwill by a total of $40.3 million during the quarter to better reflect the value of these assets in the light of the current recessionary economic conditions.

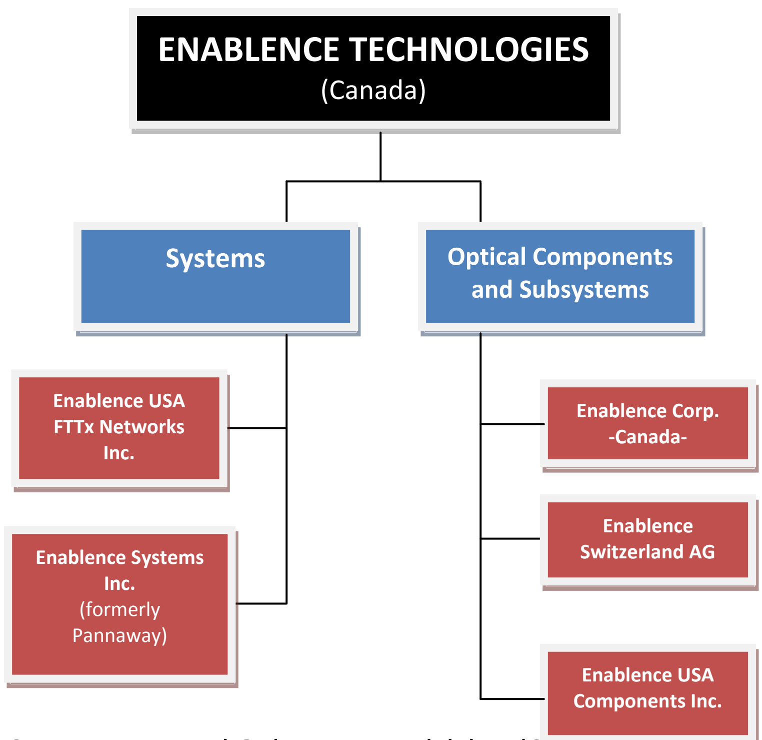
ENABLENCE BUSINESS

Enablence has, at its core, the vision to create value for its shareholders by becoming a leading global supplier of end-to-end broadband solutions and leading edge PLC-based optical components and subsystems. To accomplish this goal the company is continuing to strengthen its technological, product and market position through a combination of organic growth and a series of vertical integration activities to maintain and consolidate its leadership position in integrated photonics solutions and broadband systems worldwide. With the acquisition of Pannaway, the Company is now able to provide a complete array of broadband solutions from DSL to FTTH on a single platform and therefore provide the copper-based customers an easier migration path towards FTTH deployment.

Enablence continues to evolve as it targets the broadband growth market using its strength in PLC based products. The Company is no longer a single product company having diversified, largely through vertical integration and acquisitions from its initial PLC-based transceiver research and development activity and single product line to a complete suite of products for the long-haul, metro loop and broadband or access networks. The Company continues to expect that over the long term the full benefits of its vertical integration strategy will be realized by retaining markets and providing customers with a reliable source, especially in the current uncertain economic environment.

Enablence is organized into two divisions: the Optical Components and Subsystems Division and the Systems Division (formerly FTTX Networks Division). The Optical Components and Subsystems division has a broad portfolio of products using the 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. This growth and expansion is in line with its business plan and vision through its vertical integration strategy.

The corporate organization chart below depicts the corporate organization at January 31, 2009.



Enablence Optical Components and Subsystems Division (OCSD)

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

- design and integration of PLC based optical transceivers and custom integrated solutions, an activity led by the team in Ottawa, Canada;
- production of PLC based arrayed waveguide grating devices, using the silica on silicon fab at the Company's facilities in Fremont, California;
- production of proprietary PLC-based reconfigurable switching devices (ROADMs) using silica-on-silicon technology from our Fremont California operations and polymer PLC from our production facilities in Wilmington, Massachusetts; and
- production of advanced photodiodes using gallium arsenide and indium phosphide fabrication facility in Zurich, Switzerland.

With these capabilities within the Optical Components and Subsystem Division, Enablence is considered the one company known to possess 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) onto one platform. The optical performance, the level of assembly automation, and the suitability for mass-production associated with this technology are believed by management to rival or surpass that of competitive alternatives.

Enablence's core technology is portable to numerous markets including metro area fibre optic networks that require filtering technology to separate and multiplex various wavelengths. This filtering feature of the Enablence technology makes it a platform technology that is also suitable for an array of biomedical and aerospace applications, instrumentation, and sensor systems which are seeing a demand due to infrastructure projects worldwide.

Enablence Systems Division (formerly FTTX Networks Division)

On May 5, 2008, the Company acquired Wave7 Optics, Inc. (subsequently renamed Enablence USA FTTx Networks, Inc.). Enablence USA FTTx Networks is a global provider of FTTH systems that deliver voice, video and data services over fibre optic lines. Today, the company produces ONTs for the home or business markets and the OLT (Optical Line Terminal) at the central office for the various service providers. This division has established relationships with more than 100 customers on six continents. The Company's patented technology handles multiple protocols (EPON, GPON & Point-to-Point Ethernet). The Company's ONTs rely on optical transceivers at their core.

On November 19, 2008 the Company acquired Pannaway Technologies Inc. ("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 company 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 Enablence Systems Division, with the addition of the Pannaway operations, has installed broadband solutions with over 400 customers, in the USA and in 60 other nations. 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 in the United States, Canada, and Japan to assist in the production of its various product lines. Management will continue to review these agreements to ensure that they 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. It is the

Company's expectation that some of the results of the Company's efforts in this direction, including improving overall gross margins, are likely to be realized before the end of the next fiscal year.

GROWTH STRATEGY

A number of product developments are planned for the next 12 months, 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 will reduce the overall cost of an ONT and increase the gross margins; and move to high-value added products from optical components to providing subsystems such as integration and the introduction of fully Reconfigurable Optical Add/Drop Module ("ROADM") subcomponents and similar high value products for the metro and long haul markets. This is made possible because the Company now produces its own sub-components and has in house ability to build higher value sub-systems.

Enablence intends to continue to pursue product strategies directed primarily at the access, metro area fibre optic networks, long-haul networks, and datacom and later in the biophotonic solutions, instrumentation, aerospace and defence sectors. The Company will continue to look at consolidation and further vertical integration opportunities if they add to growth and gross margins and if they assist in the Company growing its market share for both its systems products and its component products.

SIGNIFICANT ACCOUNTING POLICIES

Enablence's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of 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 disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements include 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, valuation of intangible assets and goodwill.

Revenue recognition

The Company records revenue when persuasive evidence of sales arrangements exist, delivery has occurred or services have been rendered, the buyer's price is fixed or determinable and collection is reasonably assured.

The Company enters into transactions that represent multiple-element arrangements, which may include training and post-sales technical support and maintenance to our customers as needed to assist them in installation or use of our products. and make provisions for these costs in the periods of sale. Multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting. Revenues and costs from multiple-element arrangement are separated into more than one unit of accounting if all of the following criteria are met:

- the delivered item(s) has value to the customer on a stand-alone basis;
- there is objective and reliable evidence of the fair value of the undelivered item(s); and
- the arrangement includes a general right of return relative to the delivered item(s) and delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

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.

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 has had no impact on the Corporation's consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated over the anticipated useful lives of the assets at the following rates:

Machinery and equipment	- 12 years straight-line and 7 years diminishing balance
Lab equipment and tooling	- 3 years straight-line
Office furniture and equipment	- 3 years straight-line and 7-10 years diminishing balance
Manufacturing and test equipment	- 5 years straight-line
Software	- 2 years straight-line and 3 years straight-line
Photomasks	- 3-5 years diminishing balance
Leasehold improvements	- lesser of 10 years or term of lease

Intangible assets

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

Intangible assets also include patents. Costs incurred to acquire patents are recorded at cost and amortized over ten years, the expected useful life of the patents.

Impairment of long-lived assets

Long-lived assets are evaluated whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Goodwill

Goodwill is calculated as the excess of the fair value of consideration paid over the fair value of tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is tested in the fourth quarter of each fiscal year or if factors indicative of impairment are present.

Foreign currency translation

The Company has entered into certain transactions in foreign currencies. These transactions are converted to Canadian dollars at the exchange rate in effect at the time the transaction occurs. Monetary assets and liabilities which are denominated in currencies other than Canadian dollars are translated to Canadian dollars at period-end exchange rates. Exchange gains and losses resulting from the translation of these amounts are included in earnings for the period.

Enablence Holdings LLC, was considered to be an integrated foreign operation and as a result the financial statements of this subsidiary were translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the end of the period and the resulting gains or losses are recorded in earnings. Enablence Holdings LLC was dissolved and a certificate of cancellation was issued on May 8, 2007.

All other subsidiaries are considered to be self-sustaining foreign operations and as a result the financial statements of these subsidiaries are translated into Canadian dollars using the current rate method of foreign currency translation. Under this method assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date and revenues and expenses are translated at the average rate of exchange for the period. Gains and losses resulting from translation of the accounts are recorded in equity as accumulated other comprehensive income or loss.

Financial instruments

The Company classifies financial assets and liabilities into categories that have prescribed accounting treatments. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company’s designation of such instruments.

Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income. The Company has designated its cash and cash equivalents and short-term investments as held-for-trading.

Financial liabilities designated as held-for-trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value recorded as other interest expense. These are accounted for in the same manner as held-for-trading assets. The Company has not designated any non-derivative financial liabilities as held-for-trading.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest rate method. The Company has not designated any financial assets as held-to-maturity.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost. The Company has not designated any of its financial assets as available-for-sale.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method. The Company has designated its accounts receivable and loans receivable as loans and receivables.

Other financial liabilities

Other financial liabilities are recorded at amortized cost using the effective interest rate method and include all financial liabilities, other than derivative instruments. The Company has designated its accounts payable, accrued liabilities note payable and convertible note as other financial liabilities.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other financial liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest rate method.

Effective interest rate method

The Company uses the effective interest rate method to recognize interest income or expense which includes transactions costs or fees, premiums or discounts earned or incurred for financial instruments.

Comprehensive income

Comprehensive income is the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-shareholder sources. It includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income includes net earnings and other comprehensive income ("OCI"). OCI refers to changes in net assets from certain transactions and other events and circumstances, other than transactions with shareholders. These changes are recorded directly as a separate component of shareholders' equity and excluded from net earnings. OCI includes the unrealized gain or loss on translating the financial statements of self-sustaining foreign operations. A statement of comprehensive loss has been included in the financial statements.

CHANGES IN ACCOUNTING POLICIES SINCE APRIL 30, 2008

Inventories

Effective May 1, 2008, the Company adopted CICA Handbook Section 3031, *Inventories.* This section provides guidance on the measurement and disclosure requirements for inventories. The adoption of this standard did not have a material impact on the Company'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 consolidated financial statements. The new disclosures pursuant to these Sections are included in Note 10 of the January 31, 2009 financial statements.

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 11 of the January 31, 2009 financial statements.

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of its internal control over financial reporting as of January 31, 2009, pursuant to the requirements of Multilateral Instrument 52-109. The CEO and CFO have concluded, based on this evaluation, that the company's disclosure controls and procedures are effective, and that the design of internal control over financial reporting provides reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the company's financial statements for external purposes in accordance with (Canadian) GAAP.

On July 25, 2007, the officers and employees who had previously received options granted on December 12, 2006 and March 7, 2007 agreed voluntarily to refrain from exercising these options while the OSC conducted an investigation into the trading activities of Enablence shares and related corporate events. Enablence cooperated fully with this investigation. Enablence also conducted an independent review of all of its internal procedures. This third party investigation confirmed management's view of there being no impropriety in the decision or grant of these options. This hold was lifted in December 2007 for all non-management staff and on February 23, 2008 for management in order to allow employees the benefits afforded by these options. There are currently no voluntary vested stock options that are being withheld from being exercised for any employee – management or non-management.

RESULTS OF OPERATIONS

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 January 31, 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;

	FY 2009		FY 2008					FY 2007
Quarter ended	**January 31, 2009**	**October 31, 2008**	July 31, 2008	April, 30, 2008	January 31, 2008	October 31, 2007	July 31, 2007	April 30, 2007
Revenue	**$14,790**	**$8,765**	$7,634	$2,445	$261	$145	$301	$ 72
Gross Profit	**4,547**	**1,669**	1,988	828	171	28	156	5
Expenses								
Research & Development	**4,743**	**3,458**	3,644	2,205	1,457	1,009	1,030	391
Sales, General & Administrative	**5,331**	**4,337**	3,552	1,867	1,317	631	725	867
Stock Based Compensation	**532**	**509**	341	500	539	599	787	845
Amortization	**3,854**	**2,433**	2,025	1,667	397	363	369	326
Restructuring charge	**474**	**-**	-	-	-	-	-	-
Operating Loss	**(10,388)**	**(9,068)**	(7,574)	(5,410)	(3,540)	(2,575)	(2,754)	(2,423)
Impairment of intangible assets and goodwill	**(47,700)**	**-**	-	-	-	-	-	-
Net Loss for the Period	**$(49,450)**	**$(7,721)**	$(6,844)	$(5,216)	$(2,642)	$(2,270)	$(2,494)	$(2,170)
Weighted Average Shares Outstanding	**203,329,012**	**182,617,055**	175,514,353	171,827,815	161,553,851	120,146,388	117,247,187	108,145,645
Basic and Diluted Loss Per Share	**$(0.24)**	**$(0.04)**	$(0.04)	$ (0.03)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED JANUARY 31, 2009 AND THE THREE MONTHS ENDED OCTOBER 31, 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 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 nine months ended January 31, 2008, we had operations in Ottawa, Canada and Zurich, Switzerland. During the first week of FQ4 2008 (the quarter ended April 30, 2008) we acquired ANDevices Inc. (now called Enablence USA Components, Inc.). During the first week of FQ1 2009 (the quarter ended July 31, 2008) we acquired Wave7 Optics, Inc. On the last day of FQ1 2009 we acquired the assets of the DuPont Photonics Technologies. Finally, in the first month of FQ3 2009 we acquired Pannaway Technologies Incorporated. As a consequence of these acquisitions, the results of operations for each of FQ3 2009 and FYTD 2009 are not reasonably comparable to those of FQ3 2008 and FYTD 2008, respectively. However, the results of operations are comparable between FQ3 2009 and FQ2 2009 and are analyzed below.

The table below sets out, on a comparative basis, the divisional revenues and the elements of the Company's cost of revenues, for FQ3 2009, FQ2 2009 and FQ1 2009.

	FQ3 2009	**FQ2 2009**	**Change**	**% Change**
Revenues				
Systems	$10,758	$4,908	$5,850	119.2%
Optical components & subsystems	4,032	3,857	175	4.5%
	14,790	8,765	6,025	68.7%
Cost of revenues				
Variable costs	9,117	6,080	3,037	50.0%
Facility overhead	600	596	4	0.7%
Amortization	526	420	106	25.2%
	10,243	7,096	3,147	44.4%
Gross Profit	$4,547	$1,669	$2,878	172.4%
Gross Margin – actual	30.7%	19.0%		11.7% pts
Gross Margin – excluding amortization	34.3%	23.8%		10.5% pts

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, video and data services to the premises.

The 119.2% ($5,850) increase in Systems division revenues is comprised of $7,680 (US$6,231) attributable to the customer base acquired in the Pannaway transaction, for which there is no comparable amount in FQ2 2009. This was offset partially by a $1,990 (US$1,600) decrease in sales from the comparable customer base of FQ2 2009. The $160 remaining increase is attributable to the change in the average exchange rate between the Canadian and United States dollars in FQ3 2009 compared with FQ2 2009.

The 4.5% ($175) increase in Optical Components and Subsystem Division revenues in FQ3 2009 over FQ2 2009 was due almost entirely to the higher exchange rates.

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

	Property, plant, equipment, intangible assets and goodwill ($000)			
	Jan 31 2009	**Oct 31 2008**	**Jul 31 2008**	**Apr 30 2008**
Optical Components	$25,116	$62,583	$57,767	$54,741
FTTx Networks	27,400	10,495	9,406	-
Total	**$52,516**	**$73,078**	**$67,173**	**$54,741**

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)	
	FQ3 2009	**FQ2 2009**	**Jan 31 2009**	**Oct 31 2008**
Americas	$10,975	$4,976	$49,388	$66,250
Asia Pacific	1,612	1,673	--	--
Europe	2,203	2,116	3,128	6,828
Total	**$14,970**	**$8,765**	**$52,516**	**$73,078**

During FQ3 2009 no single customer accounted for greater than 10% of the Company's total revenue while one customer accounted for 19% of the accounts receivable balance at January 31, 2009. During FQ2 2009 one customer accounted for 17% of the Company's total revenue and one customer accounted for 31% of the accounts receivable balance at October 31, 2008.

Cost of revenues rose from $7,096 in FQ2 2009 to $10,243 in FQ3 2009. This increase of $3,147 (44%) is comprised of increases of $3,037 in variable product costs, $4 of facility overhead costs, both of which are largely attributable to the incremental sales to the Pannaway customer base, and an increase of $106 in the amortization of property, plant and equipment.

Overall gross margins rose from 19% to 31%, while gross margins excluding amortization rose from 24% to 34%. This is a reflection of the impact of the addition of the higher margin broadband systems products to the Company's product mix arising from the Pannaway acquisition and the economies of scale associated with acquisitions. The Company sells a wide range of products which, in turn, have a wide range of gross margins. Depending on the product mix sold during the period the Company's gross margin will vary.

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 products. These actions are supplemented by the actions taken by the Company in reducing the total staff by 88 people realizing net overall expense synergies on integration in the order of $2.8 million per quarter.

OPERATING EXPENSES

The following table presents the operating expenses of the Company on a summary comparative basis for FQ3 2009 and FQ2 2009.

	FQ3 2009		FQ2 2009		Change	
	$000	% of Rev	$000	% of Rev	$000	% Change
R&D	$4,743	32.1%	$3,458	39.5%	$1,285	-7.4%
Sales & Marketing	2,893	19.6%	1,804	20.6%	1,089	-1.0%
G&A	2,439	16.5%	2,533	28.9%	(94)	-12.4%
Stock based compensation	532	3.6%	509	5.8%	23	-2.2%
Amortization	3,854	26.1%	2,433	27.8%	1,421	-1.7%
Restructuring charges	474	3.2%	-	-	474	3.2%
Total	**$14,935**	**101.0%**	**$10,737**	**122.5%**	**$4,198**	**-21.5%**

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

	FQ3 2009		FQ2 2009		Change	
	$000	% of Exp	$000	% of Exp	$000	% Change
R&D						
Compensation	$3,313	70%	$2,289	66%	$1,024	44.7%
Other R&D expenses	1,430	30%	1,168	34%	262	22.4%
Total R&D expense	$4,743	100%	$3,457	100%	$1,286	37.2%
R&D staff	94		72		+22	30.5%
Sales & Marketing						
Compensation	$1,760	61%	$1,028	57%	$732	71.2%
Other S&M expenses	1,133	39%	776	43%	357	46.0%
Total S&M expense	$2,893	100%	$1,804	100%	$1,089	60.4%
S&M staff	54		23		+31	134.8%
G&A						
Compensation	$1,108	45%	$817	32%	$291	35.6%
Other G&A expenses	1,331	55%	1,716	68%	(385)	-22.4%
Total G&A expense	$2,439	100%	$2,533	100%	$(94)	-3.71%
G&A staff	32		17		+15	88.2%
Stock-based compensation	$532		$509		$23	4.5%
Amortization						
In G&A						
PP&E	$545		$420		$125	29.8%
Intangibles	3,309		2,084		1,225	58.8%
	3,854		2,504		1,350	53.9%
In cost of revenues	526		420		106	25.2%
Total amortization	$4,380		$2,924		$1,456	49.8%
Restructuring charges	$ 474		$ -		$ 474	100.0%
Impairment charges						
Impairment of goodwill	17,500	43%	-		17,500	
Impairment of intangible assets	30,200	75%	-		30,200	
Recovery of future income tax	(7,400)	(18%)	-		(7,400)	
Net impairment charge	$40,300	100%	$ -		$40,300	

Although Enablence's total R&D expenses increased by 37% ($1,285), from FQ2 2009 to FQ3 2009 predominantly the result of adding the Pannaway R&D team, net of reductions in staffing, this expense area is expected to decrease during FQ4 2009 and subsequent periods as the remainder of the R&D transition team completes their projects and staff levels are reduced further. R&D expenses, as a percentage of revenues, dropped 7% points, a reflection of the economies of scale arising from the Pannaway acquisition. 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 FTTx 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 pre-dominantly 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.

As with the R&D expenses, the sales and marketing expenses increased by $1,089 (60%) from FQ2 2009 to FQ3 2009 as a result of the addition of the Pannaway sales team. However, sales and marketing expenses during FQ3 2009, as a percentage of revenues are down 1% point from FQ2 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 G&A expenses decreased slightly by $94 (4%) from FQ2 2009 to FQ3 2009. This was a result of the company's restructuring plan which resulted in a reduction of the Company's workforce. G&A expenses during FQ3 2009, as a percentage of revenues, fell 12.4% points from FQ2 2009, which is a reflection of the economies of scale arising from the Pannaway acquisition. The Company expects this trend to continue as the rationalization and consolidation of our G&A related activities across the Company is undertaken as revenues rise. 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 professional fees, insurance, payments made to register Intellectual Property (IP) in various jurisdictions (translation & filing fees), information technology (IT) services.

As a result of the issuance of 1,500,000 options mainly to new employees following the Pannaway acquisition during FQ3 2009, stock-based compensation expense increased by $23 (5%). The Company's stock-based compensation expense will continue at this increased level as the fair value of these stock options is amortized over the four year vesting period.

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. Since the assets of Pannaway were acquired during the first month of FQ3 2009 the Company did not have any corresponding amortization expenses related to these assets in FQ2 2009.

The current economic conditions represent changes 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 demand for 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.

As a result of these conditions, Management prepared updated forecasts for the individual business units and assessed the carrying values of the Company's intangible assets and goodwill and determined write downs totaling $47.7 million less future income tax recoveries of $7.4 million. These write downs better reflect the value of these assets. Due to its recent acquisition and valuation, Pannaway intangible assets were not affected. Excluding the Pannaway intangible assets, the total write downs amounted to 81% of the original cost of the intangible assets and goodwill. These assets would have been amortized down in the normal course of business over a three to five year period.

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 credit 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 FQ3 2009 Enablence earned interest income on these investments of $133, as compared to $252 during FQ2 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 FQ3 2009 than in FQ2 2009 and generally lower interest rates and yields on interest bearing deposits.

INCOME TAXES

In FQ3 2009, there was 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. During FQ2 2009 the Company recorded a recovery of income taxes of $587, all of which related to the amortization of intangible assets. The 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.

NET LOSS

The net loss for FQ3 2009 was $49,450, of which $40,300 relates to the write down of intangible assets and goodwill offset by the recovery of income taxes. The remaining $9,150 is comparable to the net loss of $7,721 incurred during FQ2 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.

	FQ3 2009	**FQ2 2009**
Basic and diluted loss per common share	$0.24	$0.04
Weighted average number of common shares	203,329,012	182,617,055

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 shares. Debt was assumed on the acquisition of ANDevices, Inc. The lending institution that provides these credit facilities has advised the Company that it does not intend to renew the operating line of credit ($943 at January 31, 2009) when it matures on March 31, 2009. The term loan will remain outstanding at that time 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. 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, the Company may not have sufficient cash and cash equivalents to meet its operations and capital expenditures for the next 12 months. Enablence expects to 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 is evaluating 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).

	FQ3 2009	FQ2 2009
Cash, cash equivalents and short-term investments	$18,597	$32,155
Working capital	$25,472	$38,882

During FQ3 2009, the Company consumed $12,368 of cash in operating activities and invested $404 in property, plant and equipment and a further $461 in acquisition related costs. A further $308 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 $13,558.

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

OFF BALANCE SHEET ARRANGEMENTS

Enablence 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 (in $,000s)

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Facilities leases	$7,351	$1,637	$3,430	$883	$1,401

CAPITAL RESOURCE REQUIREMENTS

The Company expects to invest up to $1.5 million 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 Component and Subsystems Division is to improve margins in the difficult economic and highly competitive environment, particularly in the US. A rigorous review of the Division's sales mix, product costs and marketing and sales efforts are critical to achieving this.

Management is focusing on four key goals for the next two fiscal quarters:

- 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 and outsourcing some of our activities with a view to reduce costs;
- rationalizing G&A costs through further integration of activities and programs.

These initiatives started in the latter part of FQ1 2009 and are likely to yield initial results by the end of the current fiscal year, with the full 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 in FY2010.

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.

The Company consumed $12.4 million in cash in operations during FQ3 2009, including $7.1 million in working capital (mainly in higher accounts receivable and funding the accounts payable from the Pannaway acquisition) and $5.3 million to fund operating losses. 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 realized. The Company anticipates that these results, barring the unpredictable impact of the economic conditions, will be visible in coming quarters leading to cash flow positive status by the end of the next fiscal year.

There is no guarantee that this will be achieved as it is not possible to predict the impacts of the general global economic slowdown and the state of the US economy. 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. 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 it is experiencing sales growth, nor is the Company presently able to fully assess any negative impact of the current global economic crises on its operations or financial condition. The Company has not yet earned operating profits and expects to incur further significant 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 January 31, 2010.

The Company is evaluating 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.

FINANCIAL INSTRUMENTS

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. Enablence 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 Enablence Technologies Inc.

SUBSEQUENT EVENTS

None.

SHARE CAPITAL

COMMON SHARES

Enablence is authorized to issue an unlimited number of common shares of which 208,367,055 common shares are issued and outstanding as of January 31, 2009. The following table details the issued and outstanding shares of the company:

	Number of common Shares	Amount
April 30, 2007	117,247,187	$ 31,889
Issued for cash, net of $3,848,788 issuance costs	42,592,665	53,651
Fair value of broker warrants issued		(754)
Issued on exercise of options	2,028,000	1,187
Issuance costs	-	(31)
Redemption of broker warrants	1,738,067	1,231
Issued for acquisition of ANDevices, Inc.	9,085,113	22,403
April 30, 2008	172,691,032	$109,575
Exercise of broker warrants	1,000,000	492
Issued for acquisition of Wave7 Optics, Inc.	2,078,385	3,547
Issued for acquisition of assets from DuPont Photonics	6,847,638	9,724
July 31, 2008 and October 31, 2008	**182,617,055**	**$123,338**
Issued for acquisition of Pannaway Technologies Inc.	25,750,000	7,725
January 31, 2009	**208,367,055**	**$131,063**

The share capital schedule above is that of the legal parent (the Company) subsequent to April 30, 2007 and that of the legal subsidiary (Enablence Inc.) on April 30, 2007. The number of shares outstanding at March 27, 2009 is 208,527,055.

On July 24, 2006, the Company entered into a reverse takeover transaction with Pacific Northwest Partners Ltd. In legal form, Enablence Inc. became a wholly owned subsidiary of Pacific Northwest Partners on that date; however, the effect of the transaction was such that the existing shareholders of Enablence Inc. have become the majority owners of Pacific Northwest Partners Ltd., giving rise to a reverse takeover. Pacific Northwest Partners Ltd. subsequently changed its name to Enablence Technologies Inc. (the Company).

On October 25, 2007, the Company completed a public offering issuing an aggregate of 42,592,665 common shares at a price of $1.35 per share for gross proceeds of $57,500,000. As partial compensation for this transaction, 1,277,779 broker warrants were issued entitling the holder to purchase one common share at a price of $1.35 per share to April 25, 2009. The warrants have been valued at $753,660 and have been recorded as an issuance cost. The fair value was determined using the Black-Scholes pricing model. 98,209 broker warrants were exercised during the year ended April 30, 2008 resulting in cash proceeds of $132,582.

On February 7, 2008, the Company acquired all of the outstanding shares of ANDevices for consideration of $13,571,902 (US$13,500,000) in cash and 9,085,113 common shares valued at $2.47 per share or $22,403,333 plus $264,296 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 1,950,000 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
Prepaids and deposits	226
Property and equipment	6,520
Intangible assets	20,273
Future income tax assets	3,079
Goodwill	20,100
	53,417
Liabilities assumed:	
Accounts payable and accrued liabilities	3,386
Loans	3,858
Future income tax liability	9,933
	17,177
Total purchase price consideration	$ 36,240

The $20,273,418 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 $8,350,630, customer relationships carry a value of $10,212,418 and brand value carries a value of $1,710,370. The intangible assets will be amortized on a straight-line basis over a three to five year period from the date of acquisition.

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.

On May 5, 2008, the Company acquired all of the outstanding shares of Wave7 Optics, Inc. for consideration of $10,568,290 (US$10,500,000) in cash and 2,078,385 common shares valued at $1.69 per share or $3,547,250 at time of closing plus $264,905 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 $14,350,602 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	$ 287
Accounts receivable	2,590
Inventory	5,698
Prepaids and deposits	363
Property and equipment	540
Intangible assets	9,123
	18,601
Liabilities assumed:	
Accounts payable and accrued liabilities	2,051
Loans	1,822
Deferred revenue	348
	4,221
Total purchase price consideration	$ 14,380

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 $4,613,145 in exchange for 3,248,694 common shares of Enablence valued at $1.42. Concurrent with the closing of the transaction, DuPont completed a US$5 million or $5,110,500 investment in the Company to acquire 3,598,944 common shares of the Company valued at $1.42.

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

Assets acquired:	
Inventory	$1,258
Production equipment	1,239
Intangible assets	2,220
Total purchase price consideration	$ 4,717

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 20,250,000 common shares of Enablence, of which 3,000,000 shares will be held in escrow, and US$200,000 to Pannaway shareholders and 5,500,000 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$3,000,000 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 9,463,722 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 $11,950,622 was allocated based on the fair value of the net identifiable assets acquired.

Preliminary Purchase Price

Investment of cash	$ 250,520
Issuance of 25,750,000 Enablence shares	7,725,000
5% Convertible notes (US$3,000,000)	3,757,800
Transaction costs	217,302
	$ 11,950,622

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

Assets acquired:	
Cash	250,520
Restricted cash	90,219
Accounts receivable	3,366,597
Inventory	11,547,020
Other current assets	74,466
Property and equipment	1,118,396
Intangible assets	25,715,739
	42,162,957
Liabilities assumed:	
Accounts payable and accrued liabilities	11,032,204
Deferred revenue	11,832,777
Future income tax liability	7,347,354
	30,212,335
Total purchase price consideration	$ 11,950,622

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 July 24, 2008, and available at: www.SEDAR.ca.

The Company's customers may not have access to the necessary capital to fund their purchases of our products and services. Furthermore, the customers of the Company's customers may not have the operating funds or access to capital or credit to fund their purchases. In either event, the revenues of the Company could be negatively impacted.

There is a risk that the Company's customers may not have the funds to pay the Company the amounts currently owed for products delivered or services rendered, or for products delivered or services rendered in the future. The failure to collect these amounts could negatively impact the Company's financial condition.

There is a risk that the suppliers of critical parts and components to the Company may not be able to deliver these parts and components due to the suppliers' lack of operating capital or their inability to access capital or credit to fund operations. In the event that the Company's suppliers cannot deliver critical parts and components on time the Company may not be able to produce its products on a timely basis or not at all and, as a consequence the Company's revenues will be negatively impacted and consequently its financial condition may deteriorate.

There is a risk that the credit markets, including lenders to the Company and businesses that provide performance bonds, may seek additional collateral to maintain the Company's credit facilities, or may seek early repayment of the Company's credit facilities, or may not renew the Company's credit facilities at such time as they mature. As a consequence the Company may have to repay the outstanding loans or use its cash as additional collateral to secure its credit facilities.

The Company's operations are predominantly in currencies other than the Canadian dollar, in particular the United States dollar. A negative change in the exchange rate between the Canadian and United States dollars could have a material negative impact on the results of operations and financial condition of the Company.

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, valuation 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.