ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

DATED: DECEMBER 19, 2011

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

The following is a discussion and analysis of the financial condition of Enablence Technologies Inc. ("Enablence" or the "Company") as at September 30, 2011 compared to June 30, 2011 and May 1, 2010 and results of operations for the three months ending September 30, 2011 compared to the three months ended September 30, 2010. This MD&A should be read in conjunction with our unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended September 30, 2011 (the "financial statements"). This is the first reporting period where Enablence is reporting its results and financial position in accordance with International Financial Reporting Standards ("IFRS") and in United States dollars ("USD"). Comparative information has been restated to reflect IFRS and USD results.

This MD&A should be read in conjunction with the Company's other securities filings available on www.sedar.com. Prior filings were reported in Canadian dollars and then-existing Canadian Generally Accepted Accounting Principles ("GAAP").

The effective date of this MD&A is December 19, 2011. The financial statements include the assets, liabilities, revenues and expenses of Enablence and its subsidiaries. The results from Enablence's Systems segment have been reported as discontinued operations due to the Company's decision in April 2011 to divest the Systems business, which is discussed in more detail later in this MD&A.

The following highlights the key changes in the Company's reporting for the current period:

Adoption of International Financial Reporting Standards ("IFRS")

The Company adopted IFRS effective July 1, 2011 and, accordingly, the financial statements for the three months ended September 30, 2011 have been prepared using accounting policies which are consistent with IFRS. Comparative figures have been restated to reflect the changes due to IFRS; these changes are discussed in more detail in this MD&A as well as in notes 3 and 4 of the Company's financial statements.

Change in fiscal year end

In 2010, the Company changed its fiscal year end from April 30 to June 30. As a result, the prior fiscal year comprises fourteen months ending June 30, 2011. For the current fiscal year, the Company will compare its results to the same period in the prior year, and any year to date figures will exclude the months of May and June 2010 (the "Stub period"). The Company will include the Stub period in its year end filings.

Change in functional currency

The Company has changed its presentation currency from Canadian dollars ("CAD") to United States ("US") dollars ("USD"). This change was made to better reflect the economic environment in which the Company operates. The Company has elected to present its consolidated financial statement in US dollars commencing July 1, 2011, and has restated its comparative figures to US dollars.

References made herein to “Enablence”, the “Company”, “we” and “our” mean Enablence and its subsidiaries, collectively, unless the context indicates otherwise. All amounts included in the MD&A are in thousands, except per share amounts or as indicated otherwise. All financial amounts are in US dollars, unless stated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A 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 management’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.

Key assumptions made in preparing the forward-looking statements contained in this MD&A include, but are not limited to, the following:

- The Company will successfully divest or shut its Systems segment with minimal impact to continuing operations and cash balances.
- The Company will be able to generate or raise sufficient cash in order to meet its financial obligations as they come due, including the $10,000 subordinated note due June 23, 2012. The Company will continue to successfully reduce product costs to improve the Company’s gross margin and/or avoid any margin erosion associated with competitive pricing pressure.
- The Company will develop and deliver new products on time in order to satisfy the demands of current and future customers.
- The Company’s new products will address the needs of new and existing customers and contribute to near term profitability.
- The average exchange rates for Canadian dollars to US dollars will be at or near CDN$1.00 = US$1.00.
- The China joint venture will commence operations in the quarter ending December 31, 2011, and will begin generating customer revenues in the quarter ending March 31, 2012.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following:

- The Company’s quarterly revenue is generally dependent upon conversion of opportunities in the sales pipeline during the quarter and, as a result, revenue and operating results can be difficult to predict and can fluctuate substantially. The Company’s success in realizing customer opportunities may be negatively impacted by depressed economic conditions, changes in sales cycles, and/or weaker than expected success versus competitors.
- Inability to find suitable acquirer(s) for the Company’s Systems segment, or come to acceptable terms on a divestiture of the Systems segment in a timely manner.
- Delays in product development programs for new products and new product features which lead to cost overruns and /or missed customer opportunities.

- The Company's gross margin and operating results may be adversely affected by pricing models required to compete successfully and/or a failure by the Company to achieve its product cost targets.
- Weaker than expected market acceptance of new products to be introduced by the Company.
- Product issues that result in increased costs to the Company and/or lost revenue opportunities.
- Longer than expected lead times from suppliers could result in production delays resulting in delayed or lost revenue.
- Shifts in value of the US dollar relative to the Canadian Dollar may cause the Company's operating costs to fluctuate significantly.

Additional risks are discussed herein and under "Risk Factors" in the Company's Annual Information Form available online at www.sedar.com.

OVERVIEW

ENABLENCE'S BUSINESS

Enablence designs, manufactures and sells optical components and subsystems for access, metro and long-haul markets to a global customer base. It utilizes its patented technologies including planar lightwave circuit ("PLC") intellectual property, know-how and trade secrets in the production of an array of photonics components. The Company's product lines address all three segments of optical networks: Access, connecting homes and businesses to the network; Metro, communication rings within large cities; and Long-haul, linking cities, countries and continents, however is predominately focused on the Metro and Long-haul segments. The Company offers leading expertise in transmission, switching & routing, wavelengths management, and signal performance management for 1.25 giga-bit per second ("G") to 100G networks. The Company's expanding product line includes reconfigurable optical add/drop multiplexer ("ROADM") components, photodiodes, arrayed waveguide grating ("AWG") products, variable optical attenuators ("VOA") and multiplexer and demultiplexer ("VMUX") products which combine AWG and VOA functions in one product,. The Company also provides engineering and design services and will be introducing optical splitter chips through its joint venture in China later in the current fiscal year.

Enablence is one of the few companies that possesses the capability to process optical wafers in the three 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.

The Company's core technology is portable to numerous markets including long-haul and metro area fiber 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 applications outside of telecommunications, including biomedical and aerospace applications, instrumentation, data centres and sensor systems which are experiencing growing demand due in part to infrastructure projects worldwide.

In April 2011, the Company announced that it had begun an initiative to explore strategic alternatives to achieve the most value-enhancing and efficient divestiture including sale, partial sale or closure of the Systems segment. The Systems segment manufactures and sells fiber-to-the-premises ("FTTP") equipment and multi-service access platforms ("MSAP") for triple-play residential and business services that enable voice, data, video and internet communications across both copper and fiber-based network infrastructures. The results from operations of the Systems segment have been reclassified as discontinued operations, and therefore are not included in the detailed discussion of financial results, or included in the current period or comparative financial information, except to the extent they are addressed as discontinued operations, however they are included in the comparative balance sheet as at May 1, 2010 in the financial statements.

On September 15, 2011, the Company completed the sale of the majority of its US-based Systems segment, and continues to explore options for the remaining elements, mainly the Teledata business operating from Israel. The Company does not expect any significant cash proceeds from the sale or closure of the remaining business.

HIGHLIGHTS AND SUMMARY

The following highlights some of the key developments during the quarter:

- Achieved revenues of $5.8 million, resulting in a loss from continuing operations of $(2.9) million and Adjusted EBITDA (a non-GAAP measure defined below) loss of $(1.0) million;
- Successfully sold the majority of the US-based Systems segment.
- Completed the facility build our for its China joint venture, and made significant progress in preparing for initial manufacturing.

Subsequent to September 30, 2011, the Company

- Appointed Peter Dey as a director and non-executive Chair and appointed John Roland to the board of directors. Both Messrs. Dey and Roland were elected Directors of the Company by shareholders on December 14, 2011.

Certain of these developments are described in more detail throughout this MD&A.

Divestiture of the Systems Segment

On September 15, 2011, The Company sold part of the Systems business, primarily the Trident7™ Universal Access Platform for delivery of FTTP services through optical networks to Aurora Networks, Inc. Proceeds from the sales consisted of $2.75 million of cash and the transfer of certain liabilities and contingent liabilities. The cash portion of the purchase price includes a $0.75 million holdback, while $2.0 million of the cash portion of the purchase price was received in September 2011. In addition, the Company sold its MAGNM™ FX product line, by divesting certain assets, including $0.2 million of cash and transferring certain liabilities totaling $0.4 million to FX Support, LLC. The following chart summarizes the results of the dispositions:

Net cash proceeds:	$	1,860
Cash proceeds receivable		750
Total proceeds		2,610
Carrying value of assets sold		5,872
Total liabilities transferred		(3,281)
Net assets sold		2,591
Difference	$	19

The Company continues to own the Teledata business. Management continues to explore its options with respect to the remaining Systems business, and continues to target a definitive agreement to complete the divestiture by December 31, 2011, however there can be no assurance as to the likelihood, terms or timing of any transaction. It is expected that the completion of a transaction would not take place until January 31, 2012.

China JV Developments – "Sunblence"

The Company continued to make progress with its joint venture with Sunsea Telecommunications Co. Ltd. (the "JV Partner") that will operate in China (the "China JV"). The facility for the China JV has been prepared and the majority of equipment required to start operations has been delivered. The Company expects the first evaluation wafers to be produced in December 2011, although revenue generating activities will not commence until the beginning of calendar 2012.

The China JV is to be renamed Sunblence Technologies Co.,LTD. ("Sunblence", or the "China JV") The JV Partner owns 51% of Sunblence, and Enablence owns the remaining 49% interest. Enablence holds two seats, and the JV Partner holds three seats of the five-seat board of directors of Sunblence. The China JV will develop, manufacture and sell optical components based primarily on Enablence's PLC technology, initially a family of optical splitter integrated circuits ("ICs") to be primarily sold to the JV Partner. This will allow Enablence to leverage its technology into the China market, and provide Enablence with access to a low cost manufacturing base.

The initial investments by the China JV partners are as follows:

- $9,180 by the JV Partner, all in cash
- $8,820 by Enablence, comprising:
    - $3,500 in cash;
    - $1,000 of capital equipment; and,
    - $4,320 in intellectual property and know-how

In May 2011, the Company paid its $3,500 cash investment in the China JV. The Company is in process of transferring the capital equipment, expected to be completed by March 31, 2012 and the intellectual property and know-how, expected to be completed by December 31, 2011. The capital equipment being transferred will allow the China JV to expand its production beyond splitter ICs. At September 30, 2011, this transfer was not complete, and therefore Enablence has continued to carry its investment in the China JV at cost. Once the transfer of capital equipment and intellectual property is completed, Enablence expects to account for the China JV using proportional consolidation, whereby Enablence will include 49% of the China JV's results from operations and balance sheet in its consolidated financial statements. It is expected that the Company will recognize a gain in the amount of approximately $2 million before tax when the transfer of intellectual property is completed. Since its formation, the China JV has incurred a net loss of $0.2 million, of which $0.1 million would have been reflected in Enablence's financial results if proportionate consolidation had been adopted in the quarter ending September 30, 2011.

Board of Directors

On November 3, 2011, the Company announced the appointment of Messrs. Peter Dey and John Roland as directors of the Company. Mr. Dey was elected Chair of the Board. Peter Dey is the Chairman of Paradigm Capital Inc., serves on the boards of Goldcorp Inc., MI Developments Inc. and Coventree Inc. and is a former Chairman of the Ontario Securities Commission. John Roland is a former senior litigation partner of Osler, Hoskin & Harcourt LLP.

At the Company's Annual and Special Meeting of Shareholders (the "Meeting") on December 14, 2011, Messrs. Dey and Roland, together with R. Stephen Bower and Tim Thorsteinson, the Company's CEO, were elected directors of Enablence. Two previous board members, Messrs. Arvind Chhatbar and John J. Ryan III, did not stand for re-election and the Board was reduced to four members. Following the Meeting, Mr. Dey was named Chair of the Company, Mr. Bower was reappointed Chair of the Audit Committee and Mr. Roland named Chair of the Nominating & Compensation Committee.

CHANGE IN ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards ("IFRS")

The Company adopted IFRS effective July 1, 2011 and, as a result, the certain of the accounting policies under which the Company's financial results are reported have changed from prior periods. Note 3 to the Company's financial statements explains the revised accounting policies adopted by the Company, which are consistent with IFRS. Note 4 to the Company's financial statements explains the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at May 1, 2010 and its previously published Canadian GAAP financial statements for the fiscal year ending June 30, 2011 and three months ending September 30, 2010.

The principal areas of impact in measurement and recognition were as follows:

IFRS 2 Share-based Payments – Stock options generally vest over a four-year period. Prior to the adoption of IFRS 2, the Company recognized the fair value of stock options on a straight-line basis over the four-year vesting period. Under IFRS 2, Share-Based Payments, the fair value of each tranche of the award is determined separately and recognized as compensation expense over the term of its respective vesting period. This will result in accelerated recognition of stock compensation expense under IFRS. The Company initially estimated the impact of this change would increase stock compensation expense for the fourteen months ending June 30, 2011 by approximately $2 million, however the actual impact was a reduction of $0.9 million due to updated assumptions on forfeiture rates, and the reclassification of $0.9 million to discontinued operations for the stock based compensation that is related to Systems segment personnel.

IAS 20 Government Grants –The Company's government assistance in Israel for research and development of products meets the definition of a forgivable loan. IFRS differs from Canadian GAAP in the recognition of the grant on the balance sheet and in earnings, as IFRS requires the entity to meet the terms of forgiveness in order to recognize into income; as such, the Company has recognized a liability under IFRS as the terms of forgiveness has not been met. Government grants are only applicable to the Company's subsidiary in Israel ("Teledata"), which is reported as part of discontinued operations. The Company has adjusted the Teledata purchase price equation to include a $8.6 million liability for the repayment of government grants. The Company reduced the carrying value of the liability at June 30, 2011 to $5.7 million based on revised fair value estimates applicable at that date.

IAS 21 Effect of Changes in Foreign Exchange Rates – The Company has restated its financial statements to USD from Canadian dollars. While this change was not due to the change to IFRS, it did impact accumulated other comprehensive loss in the May 1, 2010 balance sheet, as the cumulative translation adjustment ("CTA") changed from a balance of

Canadian $3.9 million to a negative balance of $2.7 million. As permitted under IFRS1 elections, the Company has reset its CTA to $nil, on the transition date of May 1, 2010. This resulted in an adjustment of $2.7 million to accumulated other comprehensive loss and accumulated deficit as at May 1, 2010.

RESULTS OF OPERATIONS

SUMMARY OF UNAUDITED QUARTERLY RESULTS

The following table sets forth unaudited summary results of operations for the past eight (8) fiscal periods. The information for the fiscal period ending June 30, 2010 and subsequent quarters has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the unaudited financial statements for the fiscal period ended September 30, 2011. Information for quarters ending prior to June 30, 2010 has been prepared on the same basis as the Company's then-Canadian GAAP Canadian dollar consolidated financial statements and accompanying notes for the fiscal year ended April 30, 2010. All necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above noted consolidated financial statements and the notes to those statements.

As a result of a change in the Company's year end from April 30 to June 30, 2011 the fiscal period ended June 30, 2010 covers only two months, rather than the conventional three months for all other fiscal periods presented. The operating results and cash flows for the two-month period ended June 30, 2010 are not readily comparable to the other three month fiscal periods.

	Fiscal Quarters Under IFRS (and USD)						Fiscal Quarters Under Cdn GAAP (and CAD)	
	Fiscal 2012	Fiscal 2011					Fiscal 2010	
Amounts in thousands except per share data	3 months ending September 30, 2011	3 months ending June 30, 2011	3 months ending March 31, 2011	3 months ending December 31, 2010	3 months ending September 30, 2010	2 months ending June 30, 2010	3 months ending April 30, 2010	3 months ending January 31, 2010
Revenues	$ 5,821	$ 5,645	$ 8,294	$ 8,715	$ 8,117	$ 4,229	$ 6,925	$ 5,986
Gross Margin	1,481	1,132	2,693	2,870	2,190	671	1,751	1,280
Gross Margin %	25.4%	20.1%	32.5%	32.9%	27.0%	15.9%	25.3%	21.4%
Expenses								
Research & development	1,508	1,573	1,253	1,376	1,289	929	1,542	1,187
Sales & marketing	302	240	367	419	434	263	487	317
General & administrative	1,144	1,666	1,382	1,706	1,265	933	1,681	1,272
Stock-based compensation	240	267	292	303	210	153	224	382
Amortization	175	71	362	385	375	243	372	641
Restructuring charges	-	381	151	83	796	-	1,786	(36)
Operating loss	(1,888)	(3,066)	(1,114)	(1,402)	(2,179)	(1,850)	(4,341)	(2,483)
Impairment of intangible assets	-	-	-	-	-	-	-	(1,580)
Other income (expense)	(250)	(270)	(231)	(238)	(228)	(30)	(50)	(64)
Foreign exchange gain (loss)	(846)	397	266	(10)	337	(162)	(198)	(2)
Recovery of future income taxes	114	123	114	118	217	5	(797)	951
Net loss for the period	(2,870)	(2,816)	(965)	(1,532)	(1,853)	(2,037)	(5,386)	(3,178)
Loss from Discontinued Operations	(2,611)	(44,233)	(42,991)	(3,881)	(6,441)	(2,510)	(3,245)	(7,213)
Net loss for the Period	$ (5,481)	$ (47,049)	$ (43,956)	$ (5,413)	$ (8,294)	$ (4,547)	$ (8,631)	$ (10,391)
Weighted average shares outstanding	466,546	449,357	421,046	394,387	384,196	333,983	323,488	254,701
Basic & diluted loss per share								
Continuing Operations	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.01)
Discontinued Operations	(0.01)	(0.10)	(0.10)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)
Adjusted EBITDA*	$ (1,020)	$ (1,872)	$ 83	$ (215)	$ (393)	$ (1,202)	$ (1,570)	$ (1,109)

* Adjusted EBITDA does not have any standardized meaning according to IFRS and is defined and reconciled to net loss below.

Non-GAAP Financial Measures

The Company's management reports and analyzes its financial results and performance using a range of financial measures. Some of these measures, such as revenues, net loss and cash flow from operating activities, are defined by IFRS. Other measures are not defined by IFRS.

One non-GAAP measure used by management is "Adjusted EBITDA". Adjusted EBITDA comprises: Net loss excluding the following – finance income and expense, income tax recovery and expense, depreciation and amortization, asset impairment charges, foreign exchange gains and losses in earnings, stock-based compensation expense and restructuring charges. Adjusted EBITDA does not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies. The reconciliation of Adjusted EBITDA with the IFRS measure of net loss is as follows:

	Fiscal Quarters Under IFRS (and USD)						Fiscal Quarters Under Cdn GAAP (and CAD)	
	Fiscal 2012	Fiscal 2011					Fiscal 2010	
	3 months	3 months	3 months	3 months	3 months	2 months	3 months	3 months
Amounts in thousands	September	June 30,	March 31,	December	September	June 30,	April 30,	January
Net loss for the period	$ (5,481)	$ (47,049)	$ (43,956)	$ (5,413)	$ (8,294)	$ (4,547)	$ (8,631)	$ (10,391)
Add back Loss from Discontinued Operations	2,611	44,233	42,991	3,881	6,441	2,510	3,245	7,213
Net interest and other expense (income)	250	270	231	238	228	30	50	64
Amortization (note 1)	628	546	754	801	780	495	760	1,029
Impairment of intangible assets and goodwill	-	-	-	-	-	-	-	1,580
(Recovery of) Provision for future income taxes	(114)	(123)	(114)	(118)	(217)	(5)	797	(951)
"EBITDA"	(2,106)	(2,123)	(94)	(611)	(1,062)	(1,517)	(3,779)	(1,456)
Realized foreign exchange (gain) loss	846	(397)	(266)	10	(337)	162	198	2
Stock-based compensation	240	267	292	303	210	153	224	382
Restructuring charges	-	381	151	83	796	-	1,787	(37)
"Adjusted EBITDA"	$ (1,020)	$ (1,872)	$ 83	$ (215)	$ (393)	$ (1,202)	$ (1,570)	$ (1,109)

note 1 – Amortization includes amounts that are recorded as part of cost of revenues and therefore does not equal the amount on the face of the Consolidated Statements of Loss, Other Comprehensive Loss and Comprehensive Loss. Instead the Amortization figure used above is found in the Consolidated Statements of Cash Flows, which includes all amortization.

The following chart reflects a pro forma operating statement, showing the elements that comprise Adjusted EBITDA. Gross margin is higher in this pro forma statement as the amortization that is included in gross margin has been removed.

	Fiscal Quarters Under IFRS (and USD)						Fiscal Quarters Under Cdn GAAP (and CAD)	
	Fiscal 2012	Fiscal 2011					Fiscal 2010	
	3 months	3 months	3 months	3 months	3 months	2 months	3 months	3 months
Amounts in thousands	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	April 30, 2010	January 31, 2010
Revenues	$ 5,821	$ 5,645	$ 8,294	$ 8,715	$ 8,117	$ 4,229	$ 6,925	$ 5,986
Adjusted gross margin	1,934	1,607	3,085	3,286	2,595	923	2,140	1,667
Adjusted gross margin %	33%	28%	37%	38%	32%	22%	31%	28%
Expenses								
Research & development	1,508	1,573	1,253	1,376	1,289	929	1,542	1,187
Sales & marketing	302	240	367	419	434	263	487	317
General & administrative	1,144	1,666	1,382	1,706	1,265	933	1,681	1,272
Operating expenses	2,954	3,479	3,002	3,501	2,988	2,125	3,710	2,776
Adjusted EBITDA	(1,020)	(1,872)	83	(215)	(393)	(1,202)	(1,570)	(1,109)

Adjusted gross margin reflects reported gross margin after removing amortization expense. The Company uses Adjusted EBITDA as one financial metric to evaluate the profitability and potential recurring cash flows of its business, and continues to take actions to improve this financial metric as outlined in the Outlook section below.

SUMMARY OF RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2011 COMPARED TO THE QUARTER ENDED SEPTEMBER 30, 2010

The following tables set forth a summary of key operating and other information from our consolidated financial statements for the most recent reporting periods as prepared using accounting policies which are consistent with IFRS.

Enablence converts foreign currency-denominated transactions related to the statement of loss at the average exchange rate for the periods. As such, changes in the exchange rate between the United States dollar and the Canadian dollar can have an impact on the variances for each fiscal period. For the three months ended September 30, 2011, the average exchange rate was 0.9804 Canadian dollars per U.S. dollar compared to 1.0395 for the three months ended September 30, 2010.

	Three months ended September 30				Increase (decrease)		
		2011		2010		$	%
Revenues	**$**	5,821	**$**	8,117	**$**	(2,296)	-28%
Cost of revenue		4,340		5,927		(1,587)	-27%
Gross Margin		1,481		2,190		(709)	
Gross Margin %		*25.4%*		*27.0%*		*-2%*	*31%*
Operating Expenses							
Research and development		1,508		1,289		219	17%
Sales and Marketing		302		434		(132)	-30%
General and administrative		1,144		1,265		(121)	-10%
Stock-based compensation		240		210		30	14%
Amortization		175		375		(200)	-53%
Restructuring charges		-		796		(796)	-100%
Operating loss		(1,888)		(2,179)		291	-13%
Interest Income		21		-		21	n/m
Interest expense		(271)		(228)		(43)	19%
Foreign exchange gain (loss)		(846)		337		(1,183)	-351%
Loss before income taxes		(2,984)		(2,070)		(914)	44%
Recovery of deferred income taxes		114		217		(103)	-47%
Net loss from Continuing Operations	**$**	(2,870)	**$**	(1,853)	**$**	(1,017)	55%
Loss from Discontinued Operations		(2,611)		(6,441)		3,830	-59%
Net loss	**$**	(5,481)	**$**	(8,294)	**$**	2,813	-34%
Basic & diluted loss per share							
Continuing Operations	$	(0.01)	$	(0.00)	$	(0.00)	n/m
Discontinued Operations		(0.01)		(0.02)		0.01	-50%
Adjusted EBITDA*	$	(1,020)	$	(393)	$	(627)	160%

* Adjusted EBITDA does not have any standardized meaning according to IFRS and is defined and reconciled to net loss above.

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2010

Revenues

Revenue decreased by $2.3 million or 28% in the quarter ending September 30, 2011 compared to the prior year quarter. This decrease was driven by a slowdown in demand for arrayed waveguide grating (“AWG”) and multiplexer and demultiplexer (“VMUX”) optical components as the general market slowdown, which impacted the Company in the June 2011 quarter and continued in the current quarter. The decrease in optical components was offset slightly by growth in photodiode revenue, which increased by 40% over the prior year quarter.

Management expects revenues for the quarter ending December 31, 2011 to be lower than the three months ended September 30, 2011, however the Company expects revenue to improve in future quarters, as the Company’s customers resume their buying patterns, however this return will not be seen until calendar 2012. The Company will be introducing its multi-channel 100G optical components, including transmitter/receiver optical sub-assembly (“TOSA/ROSA”) among other products during fiscal 2012. Sunblence is expected to achieve initial evaluation wafer production in the quarter ending December 31, 2011, and to begin generating customer revenues in the quarter ending March 31, 2012.

Revenue (based on ship-to location of the customer) is split by region as follows:

	Three months ended September 30			
Region	2011		2010	
	$	%	$	%
Americas	3,466	60%	3,766	46%
Asia Pacific	1,720	30%	2,175	27%
Europe, Middle East and Africa	635	11%	2,176	27%
Total	$ 5,821	100%	$ 8,117	100%

Revenue decreased significantly in Europe from the prior year quarter, due to a decline with one key customer whose volumes have decreases significantly. Asia Pacific and the Americas decreased due to general market conditions. Revenue is expected to shift towards Asia Pacific as the China JV starts generating revenue. This regional revenue mix may change quarterly due to large individual projects, however it is expected to remain significant outside North America. The Company does not generate significant revenue in Central and Latin America, therefore that geography has been combined in the Americas region.

During the three months ended September 30, 2011, two customers accounted for 21% of the Company’s total revenue (11% and 10% individually) and two customers accounted for 40% of the accounts receivable balance at September 30, 2011 (29% and 11% individually). During the three months ended September 30, 2010, three customers accounted for 55% of the Company’s total revenue (22%, 20% and 13% individually), and two customers accounted for 46% (24% and 22% individually) of the accounts receivable balance at June 30, 2011.

Gross Margin

The Company's cost of revenues is comprised of a number of elements, some of which vary with revenues, such as material costs and the cost of products manufactured by third parties, and some of which do not vary significantly with revenues, such as compensation of operations staff and facilities costs. Cost of revenues include the costs of distribution and other third party contractors who provide a variety of customer and sales support services and whose costs are linked directly to revenues.

Gross margin decreased from 27% in the prior year to 25% in the current fiscal year. Gross margin was negatively impacted by approximately 5 points due to lower volumes, where the fixed and semi-variable costs have been absorbed by lower revenues. Partially offsetting the decline due to volume is approximately 4 points of margin improvement due to cost reductions completed at the end of fiscal 2011. The Company combined its U.S. manufacturing in its Fremont California location, generating approximately $0.25 million of savings per quarter.

Operating expenses

Research & Development ("R&D") expenses for the first quarter of fiscal 2012 increased by $0.2 million, or 17% over the prior year period, as the Company added R&D capability to support the growth in its AWG and VMUX products, and expand development for its photodiode business. The Company also increased its engineering resources to generate additional engineering services ("NRE") revenue.

The Company anticipates growing R&D during fiscal 2012 by adding resources to support NRE projects, and expects that these projects will serve to expand the Company's product offering.

Sales & Marketing expenses for the first quarter of fiscal 2012 decreased by $0.1 million, or 30% compared to prior year. During fiscal 2011, the Company shut down its corporate marketing function in order to reduce costs.

The Company expects to increase sales & marketing expenses to add more sales resources in strategic locations in order to expand its addressable market and expand the Company's customer base.

General & Administration expenses for the first quarter of fiscal 2012 decreased by $0.1 million, or 10% compared to the prior year period. The decrease in spending was driven by a reduction in certain consulting expenses incurred in the prior year quarter, as well as the impact of combining the US operations. Costs pertaining to divestiture activities in the quarter have been reclassified with discontinued operations.

The Company expects general & administration expenses to remain at their current level, however will continue to target cost reductions in this area.

Stock-based compensation for the first quarter of fiscal 2012 increased by $30, or 14% compared to the prior year period. The increase resulted from the increase in options granted and outstanding compared to the prior year period. The Company did not grant any options during the quarter ending September 30, 2011.

Total stock options outstanding as at September 30, 2011 was 26,623 compared to 19,213 as at April 30, 2010. Stock-based compensation expense related to employees in the Systems segment has been reclassified to discontinued operations.

Amortization for the first quarter of fiscal 2012 decreased by $0.2 million compared to the prior year period, due to decreased intangible asset amortization. Amortization related to intangible assets decreased as certain assets were fully amortized at the end of fiscal 2011.

Restructuring charges for the first quarter of fiscal 2012 was $nil, compared to $0.8 million in the prior year period. In the prior year, the Company incurred costs for relocating the Company's polymer-based production from its Wilmington, Massachusetts fabrication facility to its Fremont, California fabrication facility, and was comprised of employee related and facility exit costs.

Interest Income

Enablence invests cash and cash equivalents in short-term investments with a Canadian chartered bank. During the first quarter of fiscal 2012, Enablence earned interest income on these investments of $21 as compared to $nil during the prior year period. The increase is due to higher cash balances in continuing operations compared to the prior year.

Interest expense

Interest expense during the first quarter of fiscal 2012 was $271 compared to $228 during the prior year period. The increase in the current year quarter was due mainly to the addition of a $3.5 million of secured note payable in May 2011, the proceeds of which were used to fund the Company's investment in the China JV. The Company's interest expense is a function of the balance of debt, the prevailing interest rates, and the average foreign exchange rate between the underlying currency of the debt security and the Canadian dollar. The table below sets out the balances outstanding at the end of each period:

	September 30, 2011	September 30, 2010
Secured note payable (a)	$ 5,000	$ 5,000
Secured note payable (b)	3,500	-
Convertible notes payable	3,000	3,000
Subordinated notes payable	10,000	10,000
Total	$ 21,500	$ 18,000

The secured note payable (a) was issued on July 16, 2010 and has an interest rate based on the Wall Street Journal prime rate plus 1.50%, resulting in an interest rate of 4.75% at September 30, 2011. The secured note payable (b) was issued on May 10, 2011 and has an interest rate based on the greater of 5.5% and the Wall Street Journal prime rate plus 1.50% (which is 4.75% at September 30, 2011), resulting in an interest rate of 5.5% at September 30, 2011. The interest rate on the convertible notes and subordinated notes is 5%.

Foreign exchange gain (loss)

Foreign exchange gains and losses include realized and unrealized gains and losses on foreign exchange, including those that arise as a result of converting assets and liabilities denominated in currencies other than the functional currency of the entity into the functional currency of the entity at the balance sheet date and realized gains or losses arising from the settlement of these balances during the period. During the three months ended September 30, 2011 the Company recorded a foreign exchange loss of $0.8 million, as compared to foreign exchange gain of $0.3

million during the three months ended September 30, 2010. The loss in the current quarter is due mainly to the strengthening of the USD compared to the CAD, and the impact this had on certain USD-denominated debts carried in Canadian entities.

Income taxes

There are no income taxes currently payable or recoverable by the Company or its subsidiaries.

Deferred income tax recovery is due to the amortization of the intangible assets recognized on acquisitions and the related future tax liabilities that were recorded at that time, as well as the timing differences between amortization for accounting and tax on certain property, plant and equipment. The future tax liability is drawn down in line with the amortization differences and impairment of the related assets. No future tax asset has been recorded, and none will be recorded until, in the opinion of management, it is more likely than not that the future tax assets will be realized.

During the three months ended September 30, 2011, the Company recorded a deferred income tax recovery of $0.1 million as compared to $0.2 million during the three months ended September 30, 2010. The decrease is due to the decrease in amortization expense.

Net loss from continuing operations

Net loss from continuing operations excludes the results from operations of the Systems business. The net loss from continuing operations for the three months ended September 30, 2011 was $2.9 million compared to $1.9 million in the three months ended September 30, 2010 due to the factors above. The main drivers in the increased net loss from continuing operations was decreased revenues, and the related impact on gross margin, increased foreign exchange losses, offset by reduced restructuring and amortization charges, discussed in more detail above.

Loss from discontinued operations

The loss from discontinued operations represents the financial results from the Company's Systems segment. The summary operating results from discontinued operations are as follows:

	Three months ended September 30		Increase (decrease)	
	2011	2010	$	%
Revenues	$ 8,202	$ 18,875	$ (10,673)	-57%
Cost of revenue	4,967	13,265	(8,298)	-63%
Gross Margin	3,235	5,610	(2,375)	
Gross Margin %	*39.4%*	*29.7%*	*10%*	*22%*
Operating Expenses				
Research and development	3,166	4,189	(1,023)	-24%
Sales and Marketing	1,739	3,187	(1,448)	-45%
General and administrative	242	1,500	(1,258)	-84%
Stock-based compensation	301	112	189	169%
Amortization	157	3,711	(3,554)	-96%
Restructuring charges	(134)	218	(352)	n/m
Operating loss	(2,236)	(7,307)	5,071	-69%
Interest Income	1	66	(65)	n/m
Interest expense	(696)	-	(696)	n/m
Foreign exchange gain (loss)	320	(118)	438	n/m
Loss before income taxes	(2,611)	(7,359)	4,748	-65%
Recovery of deferred income taxes	0	918	(918)	-100%
Loss from Discontinued Operations	$ (2,611)	$ (6,441)	$ 3,830	-59%

Revenues declined in the current quarter compared to the prior year primarily due to the announcement that Enablence was exiting the Systems business, as well as the quarterly fluctuation in shipments to key customers. Gross margins improved in the current quarter compared to the prior year period as the prior year quarter included several large orders with below average gross margin. Operating expenses declined as a result of cost reduction activities, mainly in North America. Amortization decreased year over year as the intangible assets that were being amortized were written off to $nil in the quarters ending March 31 and June 30, 2011. Restructuring charges in the prior year period relate to acquisition costs associated with the acquisition of Teledata. These costs were previously included in goodwill, however with the change to IFRS, these costs are expensed. The recovery of restructuring charges in the current quarter relate to charges taken in the prior year that were reversed based on current information. Interest expense in the current quarter is due to certain late payment charges from certain service and product providers. The recovery of deferred income taxes is the result of amortization of intangible assets. As a result of the decrease in amortization expense, the deferred income tax recovery amount was reduced to $nil in the current quarter.

Loss per Common Share

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

	Three months ended September 30	
	2011	2010
Basic and Diluted Loss per Common Share		
- From continuing operations	(0.01)	(0.00)
- From discontinued operations	(0.01)	(0.02)
Weighted Average Number of Common Shares	466,546	384,196

Due to a net loss, financial instruments including warrants and options are anti-dilutive.

OUTLOOK

Following the planned divestiture through a sale, partial sale or closure of the Systems segment, management will focus solely on its optical components and subsystems business, including the recently formed China JV. There is significant uncertainty on the outcome of the Company's efforts to divest of the Systems segment, but management continues to work to optimize the return to shareholders on disposition or closure. Accordingly, the remainder of this Outlook section reflects comments on the continuing operations of Enablence.

The primary focus areas for the Company are:

- growing revenues;
- improving gross margins;
- managing working capital and cash flow;
- launching the China JV; and
- refinancing the business.

Management believes the market growth rate for its products is approximately 15% annually over the next three years, based on certain market research reports. Initiatives for Enablence to maintain and exceed the expected market growth include:

- adding sales and marketing resources to expand its customer base;
- identifying and addressing adjacent markets, channels and applications for our products;
- expanding our product portfolio through existing product evolution, including products that address the growing need for higher speed networks, and new products identified through our non-recurring engineering ("NRE") services and sales; and
- managing Sunblence to provide higher volumes and access to the Chinese market for optical components based on Enablence's proprietary PLC technology.

The Company's initiatives to drive gross margin improvement include:

- continuing new product development and portfolio evolution; and
- leveraging Sunblence to improve volumes and margins.

The Company's initiatives to manage working capital and cash flow include:

- continuing to work closely with our key vendors and customers to optimize cash flow; exploring opportunities for establishing banking relationships to provide access to debt facilities;

- continuing to evaluate opportunities to generate capital and strengthen the Company's balance sheet to accelerate growth by being a lower risk supplier to our customers and allowing flexibility to address growth opportunities as they arise; and
- refinancing the Notes.

Highlights of Sunblence in China are as follows:

- in December 2010, the Company announced it was entering into a joint venture with China's SUNSEA Telecommunications Co. Ltd. (the "JV Partner"), a move that strategically positioned Enablence to capitalize on the vast opportunity presented by the Chinese market for optical splitter components required for broadband telecommunications equipment.
- the joint venture has been established in Foshan City, China. The China JV has completed the facility build-out, and is in the final stages of setting up the capital equipment to be operational by the end of December 2011. The China JV is not expected to start initial production until the end of December 2011, with revenues beginning in the March 2012 quarter. Its initial focus will be on producing components based on Enablence's proprietary PLC platform in high volumes. Its product lines may expand into PLC-based modules and transceivers.
- in its first 12 months of operation (January 2012 to December 2012), Enablence and SUNSEA expect the joint venture to generate revenues of approximately $8 - 10 million. This is expected to rise significantly in the second and subsequent years of operation. Management expects Sunblence to be profitable and accretive to Enablence' Adjusted EBITDA (as defined above) within the first year of its operations, although no assurances can be given that the revenue, growth and profit forecasts will be realized. Enablence will record 49% of these results in its financial statements, reflecting its ownership share.

A number of product developments are planned and being implemented in the next twelve months, including:

- integrate high speed capabilities (40G and 100G) across our product offering;
- develop multi-channel 100G optical components, aimed at the long-haul, metro loop and datacom optical fibre markets, including Transmitter Optical Sub-Assembly and Receiver Optical Sub-Assembly ("TOSA/ROSA") products.
- Expand the multicast switch into 8x16, 8x24 and higher port count NxM switches for next generation colorless, directionless, and contentionless, reconfigurable optical add/drop multiplexers ("CDC ROADM") to enable a more dynamic and agile optical transport network ("OTN").
- introduce PLC-based products for deployment in homeland security applications that require ultra-fast interpretation of significant amounts of complex data in order to operate effectively.
- increase our value-add in photodiodes by doing our own packaging and producing higher-speed avalanche photodiodes ("APD's").

These development programs will be funded, in part, by third party funded design contracts, where Enablence retains the rights to the intellectual property developed and gains a "lead customer" for initial product revenues during a defined period of exclusivity.

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

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's organic growth and debt service requirements (currently $0.6 million per quarter, increasing to $0.7 million per quarter in November of 2011, and $0.9 million per quarter in May of 2012) and refinance the Notes on or prior to maturity. The Company has not generated positive cash flow from operations since its inception, and has relied on cash from the issuance of shares and debt to fund its operations. The table below sets out the cash, cash equivalents, short-term investments and working capital at the end of the current quarter and most recent year end fiscal periods.

	September 30, 2011	June 30, 2011
Cash and Cash Equivalents		
- Continuing operations	$ 8,131	$ 10,404
- Discontinued operations	4,044	1,523
Working Capital		
- Continuing operations	1,511	4,947
- Discontinued operations	(4,370)	(3,506)

The decrease in working capital is due to losses from operations, and an increase in the note payable of $1.1 million due to changes in foreign exchange rates.

The chart below highlights the Company's cash flows during the three months ended September 30, 2011 and 2010.

	Three months ended September 30 2011	2010
Cash from (used in) operating activities		
- Continuing operations	(457)	(1,765)
- Discontinued operations	3,196	(1,861)
Investing activities		
Decrease (Increase) in restricted cash	(8)	48
Purchase of property, plant and equipment and intangibles	(162)	(170)
Cash used in investing activities	(170)	(122)
Cash from investing activities - Discontinued operations (note 1)	72	2,910
Financing activities		
Advance from notes payable (note 2)	-	5,000
Repayment of notes payable (note 2,3)	(375)	(1,904)
Proceeds from issuance of common shares	-	370
Cash (used in) provided by financing activities	(375)	3,466
Cash (used in) provided by financing activities - Discontinued operations (note 1)	-	(2,793)
Effect of foreign currency translation	(2,017)	(392)
Net change in cash and cash equivalents	249	(557)

note 1 – During the prior year period, the Company paid of a line of credit which was secured by restricted cash.
note 2 – During the three months ended September 30, 2010, the Company repaid a note payable of $1,879 from the proceeds of a $5,000 note payable with a different bank.
Note 3 – Repayments of principal on notes payable

At September 30, 2011, the Company had cash of $8.1 million (not including $4.0 million held in discontinued operations). While the Company generated $2.7 million in cash from operations, this is not expected to continue, as it includes cash received of $1.9 million from the sale of its US Systems business, and cash received of $6.8 million from a deposit for shipments to be made by Teledata in the quarter ending December 31, 2011. The Company has sustained significant losses since its inception. The Company has announced its intention to divest of its Systems segment, in part due to the cash required to fund that business segment. A portion of the Systems segment has been sold during the current quarter, as described in this MD&A.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the successful divestiture of the Teledata business, the ability to generate positive cash flow from its remaining business, and the ability to pay or refinance its $ 10,000 note payable on maturity in June 2012. As a result in the market slow-down, which started in the June 2011 quarter, and is expected to continue into the March 2012 quarter, the Company will require either an extension on its note payable, or require additional funding through external sources in order to settle the note payable. While management believes it will be able to source sufficient resources to fund the business moving forward, there is substantial risk in the divestiture plans of the Systems segment.

The Company's ability to reach profitability is dependent on divesting its Systems segment as soon as practical, while minimizing the cash required to support it during the divestiture process including a sale, partial sale or closure. Other dependencies include the successful introduction of new products and the success of the China JV. There can be no assurance that Enablence will gain adequate market acceptance, or that the Company will achieve higher gross margins, even though management has identified specific actions to reduce its cost of revenues in the current conditions. The Company has not yet earned operating profits.

The Company believes that the existing working capital and forecasted revenues will be sufficient to cover the Company's total cash requirements beyond June 30, 2012, based upon its operating forecasts, and assuming the refinancing of the $10 million subordinated note and the successful divestiture of the Systems segment. These forecasts include assumptions regarding:

- the divestiture of the Systems segment with minimal funding for ongoing operations prior to its sale or closure;
- revenue growth from the acceptance of the Company's new products;
- an increase in design services revenue and margins from key optical component customers;
- improvements in supply chain and inventory management performance; and
- improved treasury management, particularly as it relates to accounts receivable.

The Company expects to invest up to $1.0 million during the next 12 months 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.

CAPITAL RESOURCES

Enablence finances its operations through the issuance of common shares and certain notes payable.

The Company has established a $1 million line of credit. This line of credit is subject to certain limitations, including the amount and age of certain of the Company's accounts receivable. Interest on the line of credit is calculated at 1.5% over the prime rate as published in the Wall Street Journal. The Company had not drawn any amounts against the line as at September 30, 2011, and could not draw on it based on the current level of accounts receivable outstanding.

Enablence may receive 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 to provide sufficient cash reserves to protect itself from the effects of the current unpredictable economic conditions.

Enablence is authorized to issue an unlimited number of common shares of which 466,546,094 common shares are issued and outstanding as of December 19, 2011. The common shares of Enablence trade on the TSX Venture Exchange under the symbol "ENA" or "ENA.V".

OFF BALANCE SHEET ARRANGEMENTS

A Canadian chartered bank has issued a letter of guarantee in the amount of US$100 on behalf of the Company, to secure a performance guarantee of $2,850. This letter of guarantee has been secured with a cash deposit in that bank. This cash deposit is recorded as restricted cash on the Company's balance sheet.

The table below presents the Company's contractual obligations from continuing operations (note that amounts include future interest costs).

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Secured notes payable	$ 7,964	$ 2,669	$ 3,746	$ 1,549	$ -
Subordinated notes payable	11,001	11,001	-	-	-
Convertible notes payable	3,544	535	1,077	991	941
Facilities leases	1,821	527	1,236	58	-
	$ 24,330	$ 14,732	$ 6,059	$ 2,598	$ 941

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars, Swiss francs and Israeli shekels. Management is evaluating foreign exchange risk management strategies. However, the Company has not entered into forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates.

Enablence has not entered into any other 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.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended September 30, 2011 the Company did not enter into any transactions with related parties (2010 - $75 was paid in consulting costs pursuant to a contract with a former executive of the Company).

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result 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 October 20, 2011, and available at: www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with IFRS, 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, deferred income taxes, carrying value of intangible assets and goodwill.

Disclosure Controls and Internal Control over Financial Reporting

Disclosure controls and procedures ("DC&P") 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 ("ICFR") for the three months ended September 30, 2011 are effective to provide reasonable assurance that material information related to Enablence is made known to them. Following the disposition of the Systems segment, ICFR and DC&P will be adjusted to reflect the modifications to the Company's reporting requirements.

FINANCIAL AND OTHER INSTRUMENTS

Enablence's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, and notes payable. 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.

ADDITIONAL INFORMATION

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