ENABLENCE TECHNOLOGIES INC.

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

FOR THE FOURTEEN MONTHS ENDED JUNE 30, 2011

DATED: OCTOBER 20, 2011

ENABLENCE TECHNOLOGIES INC.

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

The following is a discussion and analysis of the consolidated financial statements of Enablence Technologies Inc. ("Enablence" or the "Company") for the fourteen months ended June 30, 2011, and should be read in conjunction with the Company's other securities filings available on www.sedar.com. The Company changed its fiscal year end from April 30 to June 30, resulting in the fourteen month period ending June 30, 2011. The effective date of management's discussion and analysis is October 20, 2011. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements include the assets, liabilities, revenues and expenses of Enablence and its subsidiaries. The results from Enablence's Systems segment have been reclassified to discontinued operations, due to the Company's decision to divest or exit the Systems business, which is discussed in more detail later in this MD&A.

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 Canadian 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. The Company has adopted International Financial Reporting Standards ("IFRS") with a transition date of May 1, 2010 and will report using the IFRS standards for all interim and annual periods beginning on or after July 1, 2011. Further, the Company has determined that its presentation currency should be US dollars as that is the currency of the primary economic environment in which the Company operates. The Company has elected to present its consolidated financial statements in US dollars for all reporting periods commencing on or after July 1, 2011. A discussion of the impact of the transition to IFRS on the Company's financial reporting is included in this MD&A. 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 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 successfully divest or shut its Systems segment with minimal impact to continuing operations and cash balances.
- 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 and Euros to US dollars will be US$1.00=CDN$1.00.
- The Company will be able to generate or raise sufficient cash in order to meet its financial obligations as they come due.
- The joint venture (described on pages 8 and 27) will commence operations in the quarter ending December 31, 2011, and will begin generating revenue 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 and broadband equipment. 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 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, among other products. The Company also provides engineering and design services and will introducing splitter chips through its joint venture in China in fiscal 2012.

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, datacentres and sensor systems which are experiencing growing demand due in part to infrastructure projects worldwide

The Company has changed its fiscal year end to June 30 from April 30. As a result, the current fiscal year comprises 14 months ending June 30, 2011. During this transition fiscal year, the Company reported on 5 periods. The 2011 fiscal period includes the two months of May and June 2010, and the four quarters ending September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011. This MD&A covers the results for the fourteen-month period ending June 30, 2011 compared with the twelve-month period ending April 30, 2010.

On April 28th, 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-home ("FTTH") 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 discussion of financial results, or included in the current period or comparative financial information, except to the extent they are addressed as discontinued operations.

The Company's decision to divest the Systems segment was driven by the estimated cash requirements to complete the development and initial supply of key products in Systems' product roadmap and build its revenue to a predictable and cash positive level. Fluctuations in Systems' revenue level has consumed a significant amount of the Company's cash resources. Enablence management further concluded that the synergy and integration opportunities between Enablence's optical components business and the Systems segment were not as significant as previously anticipated, and were no longer strategic.

The decision to divest the Systems segment will allow management to focus on its optical components business. The Company has retained an investment banker to assist in the evaluation of alternatives such as a sale, partial sale or closure. 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, specifically the Teledata business in Israel, and the remaining portion of the United States based operations. The Company does not expect any significant cash proceeds from the sale or closure of the remaining business.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out selected consolidated financial information for the periods indicated.

	Fourteen Months Ended June 30, 2011	*% of Revenue*	*% increase (decrease) from prior year*	Twelve Months Ended April 30, 2010	*% of Revenue*	*% increase (decrease) from prior year*	Twelve Months Ended April 30, 2009	*% of Revenue*
Revenues	$ 35,300	*100%*	*51%*	$ 23,448	*100%*	*62%*	$ 14,455	*100%*
Gross margin	9,632	*27%*	*94%*	4,955	*21%*	*501%*	825	*6%*
Expenses (note 1)	15,189	*43%*	*19%*	12,788	*55%*	*-24%*	16,726	*116%*
Restructuring and impairment charges	1,429	*4%*	*-57%*	3,330	*14%*	*-92%*	40,577	*281%*
Amortization, stock based compensation, net interest, other expenses and income taxes	3,162	*9%*	*-5%*	3,313	*14%*	*235%*	989	*7%*
Loss from continuing operations	(10,148)	*-29%*	*-30%*	(14,476)	*-62%*	*-75%*	(57,467)	*-398%*
Loss from discontinued operations	(91,968)	*-261%*	*408%*	(18,098)	*-77%*	*-6%*	(19,356)	*-134%*
Net loss	(102,116)	*-289%*	*213%*	(32,574)	*-139%*	*-58%*	(76,823)	*-531%*
Net loss per share (basic and diluted)								
- from continuing operations	$ (0.03)			$ (0.05)			$ (0.30)	
- from discontinued operations	(0.23)			(0.07)			(0.10)	
Net loss per share	$ (0.26)			$ (0.12)			$ (0.40)	
Weighted average number of outstanding shares - basic and diluted	400,845			270,084			192,355	
Adjusted EBITDA								
Loss from continuing operations	(10,148)	*-29%*	*-30%*	(14,476)	*-62%*	*-75%*	(57,467)	*-398%*
Amortization included in gross margin	1,954	*6%*	*24%*	1,570	*7%*	*-8%*	1,709	*12%*
Restructuring and impairment charges	1,429	*4%*	*-57%*	3,330	*14%*	*-92%*	40,577	*281%*
Amortization, stock-based compensation, net interest, other expenses and income taxes	3,162	*9%*	*-5%*	3,313	*14%*	*235%*	989	*7%*
Adjusted EBITDA (note 2)	(3,603)	*-10%*	*-42%*	(6,263)	*-27%*	*-56%*	(14,192)	*-98%*

Note 1 – Comprised of research and development, sales and marketing and general and administrative expenses. Excludes stock based compensation, amortization and restructuring charges.
Note 2 – The Company uses Adjusted EBITDA as one key measure of financial performance as it removes significant non-cash and non-recurring expenses. This measure may not be comparable to similar measures used by other companies. See also page 17 for a reconciliation net loss to Adjusted EBITDA.

Summary balance sheet data:

ASSETS	June 30, 2011	April 30, 2010	April 30, 2009
Cash & equivalents	$ 10,035	$ 22,098	$ 10,578
Accounts receivable	5,718	5,040	3,701
Inventory	5,361	4,109	4,094
Restricted cash	1,260	1,473	25
Other tangible assets	9,657	11,303	14,219
Goodwill, intangibles and other assets	9,303	6,837	11,349
Assets held for disposal	21,706	31,226	48,610
TOTAL ASSETS	$ 63,040	$ 82,086	$ 92,576
LIABILITIES			
Operating loan	$ -	$ -	$ 864
Accounts payable, accrued liabilities and deferred revenues	5,829	8,768	5,455
Debt	20,489	5,142	7,434
Future tax liability	1,911	2,406	3,201
Liabilities related to assets held for disposal	25,221	13,006	25,111
Share capital and contributed surplus	243,919	180,668	139,328
Accumulated deficit and other comprehensive loss	(234,329)	(127,904)	(88,817)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 63,040	$ 82,086	$ 92,576

The growth in revenue over the three year period ending June 30, 2011 is predominantly organic growth. The Company acquired DuPont Photonics Technologies LLC on July 31, 2008, therefore fiscal 2009 only reflects nine months of its results. The Company is generating increased revenues from products sold to Europe and Asia, and growth from engineering services revenue. Fiscal 2011 includes two additional months compared to the prior year periods. The improvement in gross margin is driven by the growth in revenues, as fixed costs are spread over larger volumes, combined with cost improvements, including cost reductions realized in the current year due to facility consolidation, discussed later in this MD&A.

Accounts receivable and inventory have grown due to revenue growth. Goodwill, intangibles and other assets increased due to the investment in joint venture during the current period. Debt increased due to the acquisition of Teledata and the secured note payable used to fund the investment in the joint venture.

HIGHLIGHTS AND SUMMARY

Fiscal 2011 was a challenging year for Enablence due mainly to the complexities of acquiring Teledata, and the subsequent decision to divest the Systems segment. Despite continued slow global economic growth, Enablence increased revenues by 51% compared to the prior year and reduced its Adjusted EBITDA loss from $6.3 million for the 12 months ending April 30, 2010 to $3.6 million for the fourteen months ending June 30, 2011, and down from $14.2 million in the year ending April 30, 2009. The following highlights some of the key developments during the fiscal year:

- Improved gross margins from 21% in the prior year to 27% in the current year
- Raised $31.2 million in gross proceeds ($29.6 million net of costs) through the issuance of common shares;
- Invested US$3.5 million to establish a joint venture in China;
- finalized a US$3.5 million secured note and refinanced a secured note, generating $3.2 million in additional cash;
- Completed the physical move of the polymer-based production operations from Wilmington, Massachusetts to Fremont, California, which is expected to reduce costs by over $1.0 million per annum;
- Initiated the divestiture of the Company's Systems segment, including the Teledata business, which was acquired in June of 2010;
- announced the resignation of Stephan Guerin and Nishith Goel from the Board of Directors; and
- appointed David Toews Chief Financial Officer

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

Planned Divestiture of the Systems Segment

On April 28th, 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 decision to divest the Systems segment will allow management to focus on its optical component business. The Company has retained an investment banker to assist in the evaluation of alternatives such as a sale, partial sale or closure. Management originally anticipated the divestiture to be completed prior to September 30, 2011. Part of the divestiture was completed on September 15, 2011 through which the Company sold the majority of is United States ("US") Systems business. The Company continues to own the Teledata business, as well as the remaining portion of the US Systems business that was not sold as part of the sale transactions described below. Management continues to explore its options with respect to the remaining Systems business, and expects to complete the divestiture by December 31, 2011, however there can be no assurance as to the likelihood, terms or timing of any transaction.

The Company's decision to divest the Systems segment was driven by the estimated cash requirements to complete the development and initial supply of key products in Systems' product roadmap and build its revenue to a predictable and cash positive level. Fluctuations in Systems' revenue level has consumed a significant amount of the Company's cash resources. Enablence management further concluded that the synergy and integration opportunities between its Systems segment and optical components business were not as significant as previously anticipated, and were no longer strategic.

On September 15, 2011, Enablence and certain of its subsidiaries 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 US$2.75 million of cash and the assumption of certain liabilities and contingent liabilities. The cash portion of the purchase prices includes a US$0.75 million holdback, while US$2.0 million of the cash portion of the purchase price was received on September 15, 2011. In addition, Enablence and certain of its subsidiaries have 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.

On June 23, 2010, Enablence acquired Teledata, operating from Israel. Teledata designs, manufactures and sells high-speed multi-service broadband equipment to customers in emerging markets. Teledata's operating results and financial position have been included in Enablence's discontinued operations since the date of acquisition on June 23, 2010, as Teledata was part of the Systems segment and is part of the divestiture plan announced on April 28, 2011.

Equity Financing

On May 5, 2011, Enablence completed a non-brokered private placement financing of 45,500 common shares at a price of $0.22 per share for net proceeds of $9.9 million (gross proceeds of $10,100). The proceeds from the private placement will be used primarily towards the growth and expansion of its optical component business.

On December 10, 2010, Enablence completed a public offering of 36,600 common shares at a price of $0.58 per share for gross proceeds of $21,228 (net cash proceeds of $19,707).

Note Payable and China JV funding

Enablence plans to grow its revenue in part through its investment in a joint venture with Sunsea Telecommunications Co. Ltd. (the "JV Partner") that will operate in China, named Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the "China JV"). The JV Partner will own 51% of the China JV, and Enablence will own a 49% interest. Enablence and the JV Partner will each hold two of five seats on the board of directors of the China JV, with the fifth seat being held by the general manager of the China JV. The China JV will develop, manufacture and sell optical components based primarily on Enablence's PLC technology. 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:

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

In conjunction with the initial funding of the China JV, on May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of US$3,500, secured by US$1,200 cash on deposit and a lien on the shares in the Company's investment in the China JV. The note has a maturity date of April 20, 2016 and an interest rate at the greater of 5.5% and Wall Street Journal Prime Rate plus 1.5%. The note is repayable as interest only for the first twelve months, then interest and principal amortized over the remaining term of the loan. As partial consideration for the loan, the Company issued to the bank warrants to purchase up to 400,000 common shares of Enablence, at an exercise price of $0.22 per share, expiring April 9, 2013.

On May 12, 2011, the Company paid the initial investment in the China JV, through its contribution of US$3,500. The Company is in process of transferring the capital equipment and the intellectual property and know-how. At June 30, 2011, this transfer was not complete, and therefore Enablence has recorded 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 when the transfer of intellectual property is completed, as it carries no cost basis in Enablence's June 30, 2011 financial statements. The Company expects to complete the transfer during its quarter ending December 31, 2011.

FUTURE ACCOUNTING PRONOUNCEMENTS

Adoption of International Financial Reporting Standards ("IFRS")

The CICA is converging Canadian GAAP with IFRS for public companies with for fiscal years beginning on or after January 1, 2011. The Company has adopted IFRS with a transition date of May 1, 2010 and is required to report using the IFRS standards effective for interim and annual financial statements related to fiscal years beginning on or after July 1, 2011. The Company has developed an IFRS transition plan, which will address key impact areas including accounting policies and financial reporting. The Company's transition plan includes three major phases as follows.

Phase 1: Planning and Scoping

This phase was continuously reviewed throughout the transition process for changes in the business. Included in this phase was the identification of which standards apply to the Company and the prioritization of those standards as follows:

a. High Impact Areas – Areas expected to require significant analysis and/or have a significant impact on the financial results
b. Moderate Impact Areas – Areas that require analysis as they are relevant to the company but any difference are expected to be minimal or the impact can be easily determined
c. Low Impact Areas – Areas not expected to impact the Company

The Company has identified the following standards which it believes are High Impact Areas.

- IFRS 1 First Time Adoption of IFRS
- IFRS 2 Share Based Payment
- IFRS 3 Business Combinations
- IAS 21 Effect of Changes in Foreign Exchange Rates
- IAS 27 Consolidated and Separate Financial Statements
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The above list is not exhaustive of all standards that may impact the Company's transition to IFRS.

Phase 2: Impact Assessment

This phase involves determining the impact of IFRS on the Company's financial statements, information technology and business processes. Similar to Phase 1, this phase is continuously reviewed throughout the transition process for changes in the business; the current results of phase 2 are disclosed in the table below. The Company has draft accounting policies and draft notes to financial statements that will comply with IFRS and the Company's current financial systems are able to support the recording of financial transactions and reporting of financial statements under IFRS. The Company's opening balance sheet, draft accounting policies and draft notes to financial statements will not be finalized until the Company presents its first IFRS financial statements in the first quarter of fiscal 2012 as accounting standards under IFRS, similar to Canadian GAAP, are subject to continuous evolution and change. The Company continuously monitors IFRS standards for changes and will assess the impact of adopting these new standards as required. The Company does not expect material changes to the Company's financial position or operating results attributable to the transition to reporting under IFRS as compared to Canadian GAAP.

The chart below outlines the significant areas of IFRS, and the Company's assessment of the impact to its financial reporting:

Area Impacted/ Standard Reviewed	Summary of assessment
IFRS 1 First Time Adoption of IFRS	The Company's adoption of IFRS will require the application of IFRS 1 "First-time Adoption of International Financial Reporting Standards" (''IFRS 1'') which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions and a limited number of optional exemptions. The Company has elected to apply the following significant optional exemptions: IFRS 2 - Share-Based Payment: The Company has not applied IFRS 2 to equity instruments in share-based payment transactions that vested before May 1, 2010. IFRS 3 - Business Combinations: The Company has elected not to retrospectively apply IFRS 3 to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred prior to May 1, 2010. IAS 21 - Cumulative currency translation differences for all foreign operations are deemed to be zero as at May 1, 2010. IAS 17 - Leases: The Company has elected not to retrospectively review all prior agreements to determine If these arrangements contained a lease.

Area Impacted/ Standard Reviewed	Summary of assessment
IFRS 2 Share Based Payments	The Company has a stock option plan. Stock options generally vest over a four-year period. Under Canadian GAAP, the Company recognized the fair value of the award, determined at the time of the grant, 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 considered to be a separate grant based on the vesting period, with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period. This will result in a higher amount of each grant being recognized in income earlier than under Canadian GAAP and, therefore, on transition, the Company expects to reflect an opening balance sheet reclassification to increase the deficit and increase contributed surplus to reflect the fact that, under IFRS, more of the value of options granted would have been recognized (expensed) prior to the transition date. The estimated impact of this change would increase stock compensation expense for the fourteen months ending June 30, 2011 by approximately $2 million.
IFRS 3 Business Combinations	IFRS 1 provides an exemption that allows companies transitioning to IFRS to not restate business combinations entered into prior to the date of transition. The Company plans to rely on this exemption for all prior transactions. The Company did acquire Teledata in Fiscal 2011, which will not be exempt. Under Canadian GAAP, the Company capitalized transaction costs associated with the purchase. This is unlike IFRS, where transaction costs are expensed as incurred. Therefore, there is a difference in the accounting for these transaction costs that will be recorded in the original purchase price equation. Teledata is included as part of discontinued operations, the impact is expected to be in note disclosure only, and the amount of $613 would be moved from impairment charges to acquisition costs in discontinued operations

Area Impacted/ Standard Reviewed	Summary of assessment
IFRS 5 Non Current Assets Held for Sale	Due to the announced sale of the Systems segment in April of 2011, the Company has classified this segment as Discontinued Operations. The main criteria with respect to the classification of long-lived assets as held for sale is consistent between IFRS and Canadian GAAP. However, under IFRS the fair value of the disposal group is determined as a whole and any loss is allocated to goodwill first then long-lived assets and then other assets. Under Canadian GAAP the goodwill impairment test is performed prior to recording any loss for the disposal group. Based upon the results of the review and recognition under Canadian GAAP, there is no expected impact on the financial statements as a result of this difference.
IAS 12 Income Taxes	In transitioning to IFRS, the Company's assessment of future tax liabilities and assets will be impacted by the tax effects resulting from the IFRS changes discussed herein. The Company continues to assess the impact that the IFRS income tax principles may have on the Company.
IAS 16 Property Plant and Equipment	Consistent with Canadian GAAP, under IFRS, separable components of property, plant and equipment are recognized initially at cost. In review of the company's Property, Plant and Equipment, the company does not expect any additional separable components to be identified. Under IAS 16, "Property, Plant and Equipment", an entity is required to choose, for each class of property, plant and equipment, to account for each class using either the cost model or the revaluation model. The cost model is generally consistent with Canadian GAAP where an item of property, plant and equipment is carried at its cost less any accumulated amortization and any accumulated impairment losses. The Company plans to use the cost model to account for each class of property, plant and equipment and, therefore, does not anticipate any material impact on the balance sheet on transition nor on operating results going forward.
IAS 17 Leases	The leases of the Company are not complex, and based upon a review of the variances in Lease accounting under Canadian GAAP and IFRS, the Company does not expect any material changes to the financial statements.

Area Impacted/ Standard Reviewed	Summary of assessment
IAS 18 Revenue	Like Canadian GAAP, under IFRS, the principles of revenue recognition, which is the probable transfer of future economic benefits to the entity and their reliable measure, are similar. Revenue from the sale of goods is recognized when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains managerial involvement in the goods. The differences between Canadian GAAP and IFRS are not considered to be significant as they relate to revenue earned by the Company, and management does not anticipate a significant impact on revenue associated with adopting this standard.
IAS 19 Employee Benefits	IFRS 19 Employee Benefits permits a Company to recognize actuarial gains and losses immediately in other comprehensive income rather than amortized through earnings. Employee Benefits are only applicable to the Company's subsidiary in Israel, which is part of discontinued operations. The Company is assessing the impact of IFRS 19, however, impacts are expected to be minimal.
IAS 20 Government Grants	Based upon the criteria for the government grants received, the Company's government assistance for research and development of products meets the definition of a forgivable loan. IFRS differs from Canadian GAAP in the timing of the recognition of the grant into income as IFRS requires the entity to meet the terms of forgiveness in order to recognize into income; as such, the Company will likely recognize 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, which is part of discontinued operations.
IAS 21 Effect of Changes in Foreign Exchange Rates	Under Canadian GAAP and IFRS, the Company can elect a presentation currency. In addition to the changes from IFRS, the Company has elected to report its financial results in US dollars. Each subsidiary is expected to retain its functional currency. The Company has assessed that its presentation currency should be US dollars since it is the currency of the primary economic environment in which the Company operates. As a result of the change in reporting currency, the Company expects a significant reduction in the volatility of operating results attributable to foreign currency fluctuations once the Company transitions to IAS 21 since the Company's reporting currency will be the same as the transactional currency for the majority of revenue and costs of revenue. The Currency Translation Adjustment (CTA) will be reset to $nil on the date of transition (May 1, 2010).

Area Impacted/ Standard Reviewed	Summary of assessment
IAS 27 Consolidated and Separate Financial Statements	The Company has several wholly owned subsidiaries which are consolidated under Canadian GAAP and IFRS. The Company has reviewed the requirements under IAS 27 and noted that there will be no differences with respect to consolidation due to IFRS.
IAS 36 Impairment of Assets	Under Canadian GAAP, impairment is recognized for non-financial assets based on estimated fair value when the undiscounted future cash flows from an asset, or group of assets, is less than the carrying value. Under IFRS, an entity is required to recognize an impairment charge if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value-in-use, is less than its carrying value. Value in use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life. IFRS also requires the reversal of an impairment loss, except as related to goodwill, when the recoverable amount is higher than the carrying value (by no more than what the depreciated amount of the asset would have been had the impairment not occurred) unlike Canadian GAAP, which does not permit reversals. The Company reviews the valuation of its reporting units under Canadian GAAP annually in the Company's fiscal third quarter and performed its valuation analysis under Canadian GAAP. The Company further reviewed its valuation in the fourth quarter of fiscal 2011, based on updated circumstances as a result of the announced divestiture of the Systems segment. Based upon these reviews, the Company determined that there is an impairment of goodwill and intangibles under Canadian GAAP for the Systems segment; intangibles and goodwill were both valued at $nil for the fourteen months ended June 30, 2011. No such charge was required for the continuing operations. Management believes that the impairment of assets will not differ significantly under IFRS.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	The Company reviewed the differences under Canadian GAAP and IFRS and noted that there are specific differences with respect to the terminology for the recognition of Provisions, Contingent Liabilities and Contingent Assets. The company noted that there will be no material changes to the financial statements as a result of IAS 37.
IAS 38 Intangible Assets	With the introduction of Canadian GAAP standard 3064 in February of 2008, the CICA aligned its standards on intangible assets with that of IFRS. As a result, no impact is anticipated in relation to intangible assets.

Phase 3: Implementation and review phase

This phase will integrate the Company's new accounting policies and operational impacts into underlying information systems and business processes. This phase is substantially complete, pending completion of review and audit by the Company's auditors, consistent with the Company's IFRS reporting requirements as noted above.

The Company expects to complete its preliminary opening balance sheet adjustments and restated its financial statements and notes for interim and annual financial statements in fiscal 2011 under IFRS for the first quarter of fiscal 2012. The Company and its audit committee are not aware, at the present time, of any matters that would prevent the Company from meeting its filing requirements for its first IFRS interim financial report.

RESULTS OF OPERATIONS

SUMMARY OF UNAUDITED QUARTERLY RESULTS

The following table sets forth unaudited summary results of operations for the past nine (9) fiscal periods. 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 nine fiscal periods ended June 30, 2011 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented. 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. The table and ensuing discussion and analysis presents information in thousands of Canadian dollars and shares and except per share related data.

Fiscal Period Ended	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	3 months ending October 31, 2009	3 months ending July 30, 2009
Revenues	$ 5,465	$ 8,174	$ 8,828	$ 8,437	$ 4,396	$ 6,925	$ 5,986	$ 6,068	$ 4,469
Gross Margin	1,096	2,654	2,907	2,277	698	1,751	1,280	1,113	811
Gross Margin %	20%	32%	33%	27%	16%	25%	21%	18%	18%
Expenses									
Research & development	1,523	1,235	1,394	1,340	966	1,542	1,187	1,522	1,596
Sales & marketing	233	362	424	451	273	487	317	408	414
General & administrative	1,612	1,362	1,729	1,315	970	1,681	1,272	1,160	1,202
Stock-based compensation	518	533	661	271	123	224	382	439	391
Amortization	68	357	390	390	252	372	641	900	459
Restructuring charges	369	149	84	827	-	1,786	(36)	-	-
Operating loss	(3,227)	(1,344)	(1,775)	(2,317)	(1,886)	(4,341)	(2,483)	(3,316)	(3,251)
Impairment of intangible assets	-	-	-	-	-	-	(1,580)	-	-
Impairment of goodwill	-	-	-	-	-	-	-	-	-
Other income (expense)	(261)	(229)	(240)	(237)	(32)	(50)	(64)	(54)	(33)
Foreign exchange gain (loss)	(8)	263	381	350	(168)	(198)	(2)	(10)	311
Recovery of future income taxes	119	112	120	226	5	(797)	951	174	267
Net loss for the period	(3,377)	(1,198)	(1,514)	(1,978)	(2,081)	(5,386)	(3,178)	(3,206)	(2,706)
Loss from Discontinued Operations	(37,687)	(41,809)	(3,835)	(6,410)	(2,227)	(3,245)	(7,213)	(3,463)	(4,177)
Net loss for the Period	$ (41,064)	$ (43,007)	$ (5,349)	$ (8,388)	$ (4,308)	$ (8,631)	$ (10,391)	$ (6,669)	$ (6,883)
Weighted average shares outstanding	449,357	421,046	394,387	384,196	333,983	323,488	254,701	254,733	249,155
Basic & diluted loss per share									
Continuing Operations	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)
Discontinued Operations	(0.08)	(0.10)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.01)	(0.02)
Adjusted EBITDA*	$ (1,811)	$ 81	$ (217)	$ (408)	$ (1,248)	$ (1,570)	$ (1,109)	$ (1,587)	$ (1,997)

* Adjusted EBITDA does not have any standardized meaning according to GAAP 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 GAAP. Other measures are not defined by GAAP.

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

	3 months ending	3 months ending	3 months ending	3 months ending	2 months ending	3 months ending	3 months ending	3 months ending	3 months ending
Fiscal Period Ended	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	April 30, 2010	January 31, 2010	October 31, 2009	July 30, 2009
Net loss for the period	$ (41,064)	$ (43,007)	$ (5,349)	$ (8,388)	$ (4,308)	$ (8,631)	$ (10,391)	$ (6,669)	$ (6,883)
Add back Loss from Discontinued Operations	37,687	41,809	3,835	6,410	2,227	3,245	7,213	3,463	4,177
Net interest and other expense (income)	261	229	240	237	32	50	64	54	33
Amortization (note 1)	529	743	813	811	515	760	1,029	1,290	863
Impairment of intangible assets and goodwill	-	-	-	-	-	-	1,580	-	-
(Recovery of) Provision for future income taxes	(119)	(112)	(120)	(226)	(5)	797	(951)	(174)	(267)
"EBITDA"	(2,706)	(338)	(581)	(1,156)	(1,539)	(3,779)	(1,456)	(2,036)	(2,077)
Realized foreign exchange (gain) loss	8	(263)	(381)	(350)	168	198	2	10	(311)
Stock-based compensation	518	533	661	271	123	224	382	439	391
Restructuring charges	369	149	84	827	-	1,787	(37)	-	-
"Adjusted EBITDA"	$ (1,811)	$ 81	$ (217)	$ (408)	$ (1,248)	$ (1,570)	$ (1,109)	$ (1,587)	$ (1,997)

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.

	3 months ending	3 months ending	3 months ending	3 months ending	2 months ending	3 months ending	3 months ending	3 months ending	3 months ending
Fiscal Period Ended	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	April 30, 2010	January 31, 2010	October 31, 2009	July 30, 2009
Revenues	$ 5,465	$ 8,174	$ 8,828	$ 8,437	$ 4,396	$ 6,925	$ 5,986	$ 6,068	$ 4,469
Adjusted gross margin	1,557	3,040	3,330	2,698	961	2,140	1,667	1,503	1,215
Adjusted gross margin %	28%	37%	38%	32%	22%	31%	28%	25%	27%
Expenses									
Research & development	1,523	1,235	1,394	1,340	966	1,542	1,187	1,522	1,596
Sales & marketing	233	362	424	451	273	487	317	408	414
General & administrative	1,612	1,362	1,729	1,315	970	1,681	1,272	1,160	1,202
Operating expenses	3,368	2,959	3,547	3,106	2,209	3,710	2,776	3,090	3,212
Adjusted EBITDA	(1,811)	81	(217)	(408)	(1,248)	(1,570)	(1,109)	(1,587)	(1,997)

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 THREE AND FOURTEEN MONTHS ENDED JUNE 30, 2011 COMPARED TO THE THREE AND TWELVE MONTHS ENDED APRIL 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 in accordance with GAAP.

In accordance with GAAP, 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 June 30, 2011, the average exchange rate was 0.9680 Canadian dollars per U.S. dollar compared to 1.0352 for the three months ended April 30, 2010. For the fourteen months ended June 30, 2011, the average exchange rate was 1.0090 Canadian dollars per U.S. dollar compared to 1.0723 for the twelve months ended April 30, 2010.

	Three months June 30, 2011	Three months April 30, 2010	Increase (decrease) $	%	Fourteen months June 30, 2011	Twelve months April 30, 2010	Increase (decrease) $	%
Revenues	$ 5,465	$ 6,925	$ (1,460)	-21%	$ 35,300	$ 23,448	$ 11,852	51%
Cost of revenue	4,369	5,174	(805)	-16%	25,668	18,493	7,175	39%
Gross Margin	1,096	1,751	(655)		9,632	4,955	4,677	
Gross Margin %	*20%*	*25%*	*-5%*	*45%*	*27%*	*21%*	*6%*	*39%*
Operating Expenses								
Research and development	1,523	1,542	(19)	-1%	6,458	5,847	611	10%
Sales and Marketing	233	487	(254)	-52%	1,743	1,626	117	7%
General and administrative	1,612	1,681	(69)	-4%	6,988	5,315	1,673	31%
Stock-based compensation	518	224	294	131%	2,106	1,436	670	47%
Amortization	68	372	(304)	-82%	1,457	2,372	(915)	-39%
Restructuring charges	369	1,786	(1,417)	-79%	1,429	1,750	(321)	-18%
Operating loss	(3,227)	(4,341)	1,114	-26%	(10,549)	(13,391)	2,842	-21%
Interest Income	12	16	(4)	-25%	45	34	11	32%
Interest expense	(274)	(66)	(208)	315%	(1,045)	(277)	(768)	277%
Impairment of intangible assets	-	-	-	n/m	-	(1,580)	1,580	-100%
Impairment of goodwill	-	-	-	n/m	-	-	-	n/m
Gain on disposal of equipment	1	-	1	n/m	1	42	(41)	-98%
Foreign exchange gain (loss)	(8)	(198)	190	-96%	818	101	717	710%
Loss before income taxes	(3,496)	(4,589)	1,093	-24%	(10,730)	(15,071)	4,341	-29%
Recovery of future income taxes	119	(797)	916	-115%	582	595	(13)	-2%
Net loss from Continuing Operations	$ (3,377)	$ (5,386)	$ 2,009	-37%	$ (10,148)	$ (14,476)	$ 4,328	-30%
Loss from Discontinued Operations	(37,687)	(3,245)	(34,442)	1061%	(91,968)	(18,098)	(73,870)	408%
Net loss	$ (41,064)	$ (8,631)	$ (32,433)	376%	$ (102,116)	$ (32,574)	$ (69,542)	213%
Basic & diluted loss per share								
Continuing Operations	$ (0.01)	$ (0.02)	$ 0.01	-55%	$ (0.03)	$ (0.05)	$ 0.02	-40%
Discontinued Operations	(0.08)	(0.01)	(0.07)	736%	(0.23)	(0.07)	(0.16)	229%
Net loss per share (basic & diluted)	(0.09)	(0.03)	(0.06)	243%	(0.26)	(0.12)	(0.14)	117%
Adjusted EBITDA*	$ (1,811)	$ (1,570)	$ (241)	15%	$ (3,603)	$ (6,263)	$ 2,660	-42%

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

SUMMARY OF RESULTS FOR THE THREE AND FOURTEEN MONTHS ENDED JUNE 30, 2011 COMPARED TO THE THREE AND TWELVE MONTHS ENDED APRIL 30, 2010

Revenues

Quarter ending June 30, 2011 compared to the quarter ending April 30, 2010:

Revenue decreased by $1.5 million or 21% compared to the prior year quarter. Changes in FX rates accounted for 2% of the decline. This decrease was driven by a slow-down in demand for AWG and VMUX optical components as there was a general market slowdown, in part to consume inventory in the quarter. The decrease in optical components was offset slightly by growth in photodiode revenue, which increased by 27% over the prior year quarter.

Fourteen months ending June 30, 2011 compared to twelve months ending April 30, 2010

Revenue increased by $11.9 million, or 51% compared to the prior year. After removing the effects of the additional two months in the current year (accounting for 17% of the revenue growth) and the effects of foreign exchange (which adversely impacted revenue by 7%), revenue increased by 41% year over year. This increase was driven by a growth in VMUX and AWG product sales, and a 75% increase in photodiode sales, which represent approximately 11% of total revenue in fiscal 2011. These increases were due to projects won by our customers combined with new products introduced in the past two years.

The Company expects revenue to improve in future quarters compared with the June 30, 2011 quarter, as the Company's customers resume their buying pattern, however this return will be gradual. The Company expects revenues for the next quarter to be consistent with the three months ended June 30, 2011. 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, and the joint venture is expected to start operations in the quarter ending December 31, 2011, and to begin generating revenue 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				Fourteen months ended		Twelve months ended	
Region	June 30, 2011		April 30, 2010		June 30, 2011		April 30, 2010	
	$	%	$	%	$	%	$	%
Americas	2,312	42%	3,104	45%	15,081	43%	11,017	47%
Asia Pacific	2,109	39%	2,823	41%	11,048	31%	9,555	41%
Europe, Middle East and Africa	1,044	19%	998	14%	9,171	26%	2,876	12%
	$ 5,465	100%	$ 6,925	100%	$ 35,300	100%	$ 23,448	100%

Revenue increased significantly in Europe over the prior year, due to growth with one key customer. Asia Pacific was consistent with the prior year after removing the effects of the additional two months in the current year period. 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 region has been combined with North America.

During the three months ended June 30, 2011, two customers accounted for 35% of the Company's total revenue (18% and 17% individually) and two customers accounted for 46% of the accounts receivable balance at June 30, 2011 (22% and 24% individually). During the three months ended April 30, 2010, three customers accounted for 51% of the Company's total revenue (22%, 18% and 11% individually), and three customers accounted for 53% (20%, 20% and 13% individually) of the accounts receivable balance at April 30, 2010.

During the fourteen months ended June 30, 2011, three customers accounted for 49% of the Company's total revenue (23%, 14% and 12% individually) and three customers accounted for 40% of the Company's total revenue (17%, 12% and 11% individually) during the twelve months ended April 30, 2010.

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.

Quarter ending June 30, 2011 compared to the quarter ending April 30, 2010:

Gross margin decreased from 25% in the 2010 quarter to 20% in the 2011 quarter. During the current quarter the Company recorded approximately $0.4 million, or 7% of revenues, of inventory adjustments, driven by the shift in demand to higher speed products. Gross margin was also negatively impacted by 4 points due to the reduction in volume, as fixed overheads are spread over less revenue. Partially offsetting these factors was approximately $0.3 million of cost reduction realized in the quarter for the closure of the Company's Wilmington, Massachusetts operations, which were consolidated in Fremont, California.

Fourteen months ending June 30, 2011 compared to twelve months ending April 30, 2010

Gross margin increased from 21% in the prior year to 27% in the current fiscal year. Gross margin was positively impacted by 5 points due to the growth in volume, as fixed overheads are spread over more revenue. The Company was able to offset the impacts of price erosion with improved production costs and shifts in product mix, including growth in the Company's revenue from engineering services.

Operating expenses

Research & Development ("R&D") expenses for the three months ended June 30, 2011 were consistent with the three months ended April 30, 2010. The Company implemented a cost reduction program at the beginning of the fiscal year, which was offset during the year as the Company added R&D capability to support the growth in AWG and VMUX business. The Company also increased its engineering resources to generate additional engineering services ("NRE") revenue. The costs from NRE activities are recorded in cost of revenues, therefore the overall R&D spend remained flat.

R&D expenses for the fourteen months ended June 30, 2011 increased by $0.6 million, or 10% over fiscal 2010. After removing the effects of the additional two months in the current year (accounting for 17% of the R&D spend growth) and the effects of foreign exchange (which decreased R&D expense by 5%), R&D expenses decreased by 2% year over year. The Company reduced its R&D project spending at the start of the 2011 fiscal year, which was partially offset by growth to support AWG and VMUX product expansion.

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

Sales & Marketing expenses for the three months ended June 30, 2011 decreased by $0.3 million, or 52% compared to the three months ended April 30, 2010. During fiscal 2011, the Company shut down its corporate marketing function in order to reduce costs.

Sales & marketing expenses for the fourteen months ended June 30, 2011 increased by $0.1 million, or 7% over fiscal 2010. After removing the effects of the additional two months in the current year (accounting for 17% of the sales & marketing spend growth) and the effects of foreign exchange (which decreased sales & marketing expense by 3%), sales & marketing expenses decreased by 7% year over year, due to the exit of the corporate marketing function in the first half of the fiscal year.

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 three months ended June 30, 2011 decreased by $0.1 million, or 4% compared to the three months ended April 30, 2010. Increased costs pertaining to divestiture activities in the June 2011 quarter were offset by certain consulting expenses that were incurred in the prior year quarter.

General & administration expenses for the fourteen months ended June 30, 2011 increased by $1.7 million, or 31% over fiscal 2010. After removing the effects of the additional two months in the current year (accounting for 17% of the general & administration spend growth) and the effects of foreign exchange (which decreased general & administration expense by 2%), sales & marketing expenses increased by 16% year over year, due to certain consulting costs, and costs with respect to financing and restructuring the business.

The Company expects to reduce its general & administration expenses once the divestiture of the Systems business is completed, including legal and professional fees.

Stock-based compensation for the three months ended June 30, 2011 increased by $0.3 million, or 131% compared to the three months ended April 30, 2010. Stock based compensation for the fourteen months ended June 30, 2011 increased by $0.7 million, or 47% compared to the twelve months ended April 30, 2011. The increase was 30% after removing the effects of the additional two months in the current year. The increase resulted from the increase in options granted and outstanding compared to the prior year period. The Company has granted 14,430 options during the current year. Total stock options outstanding as at June 30, 2011 was 28,687 compared to 19,213 as at April 30, 2010.

Amortization for the three months ended June 30, 2011 decreased by $0.3 million, or 82% compared to the three months ended April 30, 2010. Amortization related to intangible assets decreased due to the intangible asset impairment charges recorded in the prior year.

Amortization for the fourteen months ended June 30, 2011 decreased by $0.9 million, or 39% compared to the twelve months ended April 30, 2010. After removing the effects of the additional two months in the current year (accounting for 17% of the increase in amortization) and the effects of foreign exchange (which decreased amortization by 1%), amortization decreased 55% due to the intangible asset impairment charges recorded in the prior year.

Restructuring charges for the three months ended June 30, 2011 of $0.4 million are comprised of costs associated with relocating the Company's polymer-based production operations from the Wilmington, Massachusetts fabrication facility to the Fremont, California fabrication facility. The expenses are primarily employee-related termination costs. The prior year charges of $1,786 related mainly to executive termination costs.

Restructuring charges for the fourteen months ended June 30, 2011 of $1.4 million is comprised of $1.0 million related to the relocation of the Company's polymer-based production operations from the Wilmington, Massachusetts fabrication facility to the Fremont, California fabrication facility and $0.4 million related to the removal of the Company's corporate marketing function and the relocation of the Company's corporate headquarters from Ottawa, Ontario, to Toronto, Ontario. The expenses are primarily employee-related termination costs, equipment moving costs and facility exit costs.

Interest Income

Enablence invests cash and cash equivalents in short-term investments with a Canadian chartered bank. During the three months ended June 30, 2011, Enablence earned interest income on these investments of $12 as compared to $16 during the three months ended April 30, 2010. The Company earned $45 of interest for the fourteen months ended June 30, 2011 as compared to $34 during the twelve months ended April 30, 2010. Interest income is a function of prevailing interest rates and the amount of funds invested.

Interest expense

Interest expense during the three months ended June 30, 2011 was $274 compared to $66 during the three months ended April 30, 2010. The increase in the current year quarter was due mainly to the issue of US$10,000 of 5% subordinated notes as part of the financing of the acquisition of Teledata, as well as an increase in the total of secured notes payable. Interest expense during the fourteen months ended June 30, 2011 was $1.0 million compared to $0.3 million during the twelve months ended April 30, 2010. The increase in the fiscal year was due mainly to the subordinated notes, an increase in the total of secured notes payable and the additional two months in the current fiscal year. 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:

	June 30, 2011	April 30, 2010
Secured note payable (a)	$ 4,063	$ 2,095
Secured note payable (b)	3,376	-
Convertible notes payable	2,894	3,047
Subordinated notes payable	10,156	-
Total	$ 20,489	$ 5,142

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 June 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 June 30, 2011), resulting in an interest rate of 5.5% at June 30, 2011. The interest rate on the convertible notes and subordinated notes is 5%.

Foreign exchange gain (loss)

Foreign exchange gains and losses 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 balance sheet date and realized gains or losses arising from the settlement of these balances during the period. During the three months ended June 30, 2011 the Company recorded a nominal foreign exchange loss, as compared to foreign exchange loss of $0.2 million during the three months ended April 30, 2010. During the fourteen months ended June 30, 2011 the Company recorded a foreign exchange gain of $0.8 million mainly due to the strengthening of the Canadian dollar, as compared to a foreign exchange gain of $0.1 million during the twelve months ended April 30, 2010. The main driver of the foreign exchange gains and losses are the notes payable that are denominated in US Dollars, but carried in a Canadian functional currency company.

Impairment of intangible assets and goodwill

Intangible assets are reviewed annually for impairment and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company performed impairment tests on its intangible assets at March 31, 2011 and recorded an impairment charge of $14.3 million ($nil in the quarter ended April 30, 2010; $4.4 million in the quarter ended January 31, 2010). The $14.3 million from the March 31, 2011 quarter have been classified with discontinued operations, while $2.8 million of the prior year impairment charge have been reclassified into discontinued operations. During the three months ending June 30, 2011 the Company recorded an impairment charge of $9.0 million related to the Systems segment, as a result of updated fair values determined during the divestiture process. This impairment is included in discontinued operations.

Goodwill is tested at the conclusion of the third quarter of each fiscal year or more often if factors indicative of impairment are present. The Company performed impairment tests on its goodwill at March 31, 2011 and recorded an impairment expense of $22.9 million (2010 - $nil). This amount has been reclassified to discontinued operations. During the three months ending June 30, 2011 the Company recorded an impairment charge of $13.8 million related to the Systems segment, as a result of updated fair values determined during the divestiture process. This impairment is included in discontinued operations.

The significant drivers of the impairment charges were the continued poor financial results of the Systems segment, revised assumptions around revenue and revenue growth, which were updated based on more current estimates and based on the results of the Systems segment since each piece was acquired. The Company announced in April 2011 that it would be seeking alternatives to divest of the Systems segment. The impairment charges for goodwill and intangible assets for the current year relate entirely to the Systems segment, and have therefore been reclassified into discontinued operations.

Income taxes

Future 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. The future tax liability is drawn down in line with the amortization and impairment of the related asset. No other 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, in accordance with Canadian GAAP.

During the three months ended June 30, 2011, the Company recorded a future income tax recovery of $0.1 million as compared to an expense of $0.8 million during the three months ended April 30, 2010. During the fourteen months ended June 30, 2011 the Company recorded a future income tax recovery of $0.6 million, as compared to $0.6 million during the twelve months ended April 30, 2010. The recovery in the current quarter and fiscal year is due to the amortization of intangibles recorded in the current year.

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 June 30, 2011 was $3.4 million compared to $5.4 million in the three months ended April 30, 2010 due to the factors above. The net loss from continuing operations for the fourteen months ended June 30, 2011 was $10.1 million compared to $14.5 million for the twelve months ending April 30, 2010. The improvement in net loss from continuing operations was mainly driven by increased revenues.

Loss from discontinued operations

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

	Three months June 30, 2011	Three months April 30, 2010	Increase (decrease) $	%	Fourteen months June 30, 2011	Twelve months April 30, 2010	Increase (decrease) $	%
Revenues	$ 5,966	$ 7,169	$ (1,203)	-17%	$ 63,216	$ 30,444	$ 32,772	108%
Cost of revenue	5,793	5,249	544	10%	47,148	$ 23,958	23,190	97%
Gross Margin	173	1,920	(1,747)		16,068	6,486	9,582	
Gross Margin %	3%	27%	-24%	-89%	25%	21%	4%	19%
Operating Expenses								
Research and development	3,728	1,998	1,730	87%	17,408	$ 8,187	9,221	113%
Sales and Marketing	2,616	1,827	789	43%	14,023	$ 8,532	5,491	64%
General and administrative	1,010	666	344	52%	5,385	$ 2,434	2,951	121%
Amortization	1,749	777	972	125%	12,978	$ 4,661	8,317	178%
Restructuring charges	7,389	-	7,389	n/m	7,389	$ 537	6,852	1276%
Operating loss	(16,319)	(3,348)	(12,971)	387%	(41,115)	(17,865)	(23,250)	130%
Interest Income	27	-	27	n/m	64	$ -	64	n/m
Interest expense	(28)	-	(28)	n/m	(172)	$ -	(172)	n/m
Impairment of intangible assets	(22,737)	-	(22,737)	n/m	(60,010)	$ (2,775)	(57,235)	2063%
Foreign exchange gain (loss)	(61)	-	(61)	n/m	(389)	$ -	(389)	n/m
Loss before income taxes	(39,118)	(3,348)	(35,770)	1068%	(101,622)	(20,640)	(80,982)	392%
Recovery of future income taxes	1,431	103	1,328	1289%	9,654	$ 2,542	7,112	280%
Loss from Discontinued Operations	$ (37,687)	(3,245)	(34,442)	1061%	$ (91,968)	(18,098)	(73,870)	408%

Revenues declined in the current quarter compared to the prior year due in part to the announcement that Enablence was exiting the Systems business and the quarterly fluctuation in shipments to key customers. Gross margins were negatively impacted due to volume, the acquisition of Teledata, which increased the fixed costs in gross margin, and due to a $1.1 million inventory provision booked during the quarter ended June 30, 2011. Operating expenses increased due to the acquisition of Teledata offset by cost reduction activities.

Revenues increased in the current year compared to the prior year due to the acquisition of Teledata, along with the additional two months in the current year period compared to the prior year. Excluding these two factors, revenue decreased by approximately 25%, which, in part, led to the decision to exit the Systems business.

Restructuring charges for the three and fourteen months ending June 30, 2011 make up $7.4 million of the loss from discontinued operations. These restructuring charges are comprised of inventory charges, the write of off certain prepaid expenses, and accruing the exit costs associated with the cost reduction and shut down of some of the operations.

During the quarter ending March 31, 2011, the Company performed impairment tests on its intangible assets and recorded an impairment charge of $14.3 million ($nil in the quarter ended April 30, 2010; $2.8 million in the quarter ended January 31, 2010). Goodwill is tested at the conclusion of the third quarter of each fiscal year or if factors indicative of impairment are present. The Company performed impairment tests on its goodwill at March 31, 2011 and recorded an impairment expense of $22.9 million (2010 - nil) related to discontinued operations. During the quarter ending June 30, 2011, the Company updated its impairment analysis based on updated information from the divestiture process, and recorded a $9.0 million impairment charge relating to intangibles, and a $13.8 million charge relating to goodwill.

The significant drivers of the impairment charges were the continued poor financial results of the Systems segment, revised assumptions around revenue and revenue growth, which were updated based on more current estimates and based on the results of the Systems segment since each piece was acquired. The Company also used the values attributed to the Aurora Sale and FX Sale to value the assets and liabilities as at June 30, 2011.

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 June 30, 2011	Three months ended April 30, 2010	Fourteen months ended June 30, 2011	Twelve months ended April 30, 2010
Basic and Diluted Loss per Common Share				
- From continuing operations	(0.01)	(0.02)	(0.03)	(0.05)
- From discontinued operations	(0.08)	(0.01)	(0.23)	(0.07)
Weighted Average Number of Common Shares	449,357	323,488	400,845	270,084

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 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 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; and
- launching the China JV.

Management believes the annual market growth rates for the types of optical components Enablence designs and sells is approximately 15% over the next three years, based on certain market data. Initiatives to maintain and exceed the expected market growth include:

- adding sales and marketing resources to expand its customer base;
- identifying and addressing adjacent markets 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 engineering services ("NRE") activities; and
- launching the China JV 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;
- leveraging the China JV to improve volumes and reduce costs;
- consolidating United States operations in Fremont, California, which was completed in the June 2011 quarter; and
- achieving higher sales volumes will improve gross margin rates by spreading fixed costs over the higher revenues.

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

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

The Company funded its US$3,500 cash investment in the China JV during May 2011. Highlights of the China JV are as follows:

- In December 2010, the Company announced it is entering into a joint venture with China's SUNSEA Telecommunications Co. Ltd. (the "JV Partner"), a move that will strategically position Enablence to capitalize on the vast opportunity presented by the Chinese market for optical components required for broadband telecommunications equipment.
- The joint venture, Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the "China JV"), will be established in Foshan, China. The China JV has started the facility build-out, expecting to be operational in the December 2011 quarter. The China JV is not expected to start production until the latter part of calendar 2011. 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.
- The China JV is being created with an initial capital investment of US$18 million. Enablence has contributed US$3.5 million in cash and will contribute US$1 million in equipment, as well as its market-leading expertise in developing and manufacturing optical components based on its PLC technology during the six months ending December 31, 2011. The JV Partner contributed US$9.2 million of cash. Enablence holds a 49-percent ownership stake in the joint venture.
- In its first 12 months of operation (expected to be January 2012 to December 2012), Enablence and SUNSEA expect the joint venture to generate revenues of approximately US$8 - 10 million. This is expected to rise significantly in the second and subsequent years of operation. Management expects the venture to be profitable and accretive to Enablence' Adjusted EBITDA (as defined) within the first year of operations.

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

- integration of high speed capabilities (40G and 100G) across our product offering;
- development of 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")
- increasing our value-add in photodiodes with packaging and 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.

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.

The decision to close the Wilmington, Massachusetts fabrication facility resulted in $1.0 million in restructuring charges during the fourteen months ending June 30, 2011, and is substantially complete at June 30, 2011. The cost savings, of which approximately $0.2 million was recognized in the three months ending June 30, 2011, are expected to be approximately $0.3 million per quarter.

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). The Company has not generated positive cashflow 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 and comparative fiscal periods.

	June 30, 2011	April 30, 2010
Cash and Cash Equivalents		
- Continuing operations	$ 10,035	$ 22,098
- Discontinued operations	1,469	1,309
Working Capital		
- Continuing operations	4,776	24,050
- Discontinued operations	(3,381)	7,187

The decrease in working capital is due to losses from operations, and the subordinated note payable of $10.2 million being classified as a current liability, as it comes due on June 23, 2012.

The chart below highlights the cash flows during the three and fourteen months ended June 30, 2011, and three and twelve months ended April 30, 2010.

	Three months ended		Fourteen months ended	Twelve months ended
	June 30, 2011	April 30, 2010	June 30, 2011	April 30, 2010
Cash from (used in) operating activities				
- Continuing operations	(968)	(2,355)	(10,114)	(7,198)
- Discontinued operations	(3,283)	(5,812)	(21,768)	(14,846)
Investing activities				
Decrease (Increase) in restricted cash	(1,158)	76	213	(1,448)
Purchase of property, plant and equipment and intangibles	(110)	(482)	(1,628)	(1,222)
Proceeds from sale of equipment	1	-	1	49
Investment in joint venture	(3,368)	-	(3,368)	-
Cash used in investing activities	(4,635)	(406)	(4,782)	(2,621)
Cash used in investing activities - Discontinued operations (note 1)	31	-	(10,841)	(311)
Financing activities				
Repayment of bank indebtedness	(970)	-	-	(780)
Advance from notes payable (note 2)	3,368	-	8,513	-
Repayment of notes payable (note 2)	(414)	(234)	(2,552)	(1,097)
Proceeds from issuance of common shares	9,908	26,772	30,383	39,971
Cash provided by financing activities	11,892	26,538	36,344	38,094
Effect of foreign currency translation	(69)	(426)	(742)	(1,214)
Net change in cash and cash equivalents	2,968	17,539	(11,903)	11,904

note 1 – Primarily consists of the investment of $9,520 (net of cash of $1,476) to acquire Teledata. The balance of this amount relates to increases in restricted cash and additions to property, plant and equipment.

note 2 – During the three months ended September 30, 2010, the Company repaid a note payable of USD$1,879 from the proceeds of a US$5,000 note payable with a different bank. As a result the Company received net proceeds of $3,218. Payments shown in the prior year periods relate to principal repayments of the note. In May, 2011 the Company received US$3,500 from a note payable with the same bank.

At June 30, 2011, the Company had cash of $10.0 million (not including $1.5 million held in discontinued operations) and it spent $31.9 million on its operations (including $21.8 million in discontinued operations) for the fourteen months ended June 30, 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 subsequent to year-end as described elsewhere 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 divestiture of its Systems segment, the ability to generate positive cash flow from its remaining business, and the ability to pay its US$ 10,000 note payable on maturity in June 2012. While management believes it has, or can raise, 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 US$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;
- improved gross margins from the transfer of polymer fabrication capacity and key personnel, and subsequent closing of the Wilmington, Massachusetts facility;
- 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. The Company invested US$3.5 million into the China JV in May 2011.

CAPITAL RESOURCES

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

On May 10, 2011, the Company finalized a note payable with a US bank, with a principal amount of US$3,500, secured by US$1,200 cash on deposit and a lien on the shares in the Company's investment in the China JV. The note has a maturity date of April 20, 2016 and an interest rate at the greater of 5.5% and Wall Street Journal Prime Rate plus 1.5%. The note is repayable as interest only for the first twelve months, then interest and principal amortized over the remaining term of the loan.

On May 5, 2011, Enablence completed a non-brokered private placement financing of 45,500,000 common shares at a price of $0.22 per share for net proceeds of $9,908 (gross proceeds of $10,100).

During the quarter ending March 31, 2011 the Company established a US$ 1 million revolving 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 June 30, 2011.

On December 6, 2010, Enablence completed a public offering of 36,600 common shares at a price of $0.58 per share for gross proceeds of $21,228 (net cash proceeds of $19,707). As partial compensation for this transaction, 1,464 broker warrants were issued entitling the holder to purchase one common share at a price of $0.58 per share to June 5, 2011. The warrants were valued at $404 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes pricing model.

On July 16, 2010 the Company refinanced its note payable. The principal of US$1,879 was repaid from the proceeds of a new US$5,000 note payable with a different lending institution. This US$5,000 note payable:

- matures on July 20, 2013;
- bears interest at 1.5 % over the prime rate as published in the Wall Street Journal;
- is repayable as interest only for the first six months, then monthly payments of US$181 per month for interest and principal thereafter;
- is secured by the assets of one of the subsidiaries of the Company; and
- is subject to certain financial performance and asset coverage covenants of one of the Company's subsidiaries.

As a result, the Company received, after payment of loan placement costs and fees, net cash proceeds of US$3,090.

On June 23, 2010 the Company acquired Teledata. In consideration for acquiring 100% of the outstanding shares of Teledata, the Company:

- issued subordinated secured 5% notes payable totaling US$10,000, with a maturity date of June 23, 2012;
- issued 54,932 common shares, representing $30,762 (US$30,000) at market value; and
- paid $10,384 (US$10,000) of cash.

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 October 20, 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 US$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.

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Secured notes payable	$ 8,293	$ 2,408	$ 4,155	$ 1,730	$ -
Subordinated notes payable	10,611	10,611	-	-	-
Convertible notes payable	3,455	417	1,049	966	1,023
Facilities leases	872	352	429	91	-
	23,231	13,788	5,633	2,787	1,023

The Company is exposed to currency risk as a significant volume of its transactions are denominated in U.S. 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 April 30, 2010 the Company entered into an agreement to terminate the employment of an executive. In accordance with the terms of his employment agreement, the Company agreed to pay $1.8 million in termination costs to this individual. The Company subsequently entered into a fifteen month consulting contract at a value of $0.4 million. At June 30, 2011, all of these obligations had been expensed and paid in cash.

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

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 and fourteen months ended June 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.