ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE AND FIVE MONTHS ENDED SEPTEMBER 30, 2010 AND THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2009

DATED: NOVEMBER 9, 2010

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 unaudited consolidated financial statements of Enablence Technologies Inc. (“Enablence”) for the three and five months ended September 30, 2010, and should be read in conjunction with other securities filings available on www.sedar.com. The effective date of management’s discussion and analysis is November 9, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). All figures are presented in Canadian currency unless specified otherwise. The financial statements include the assets, liabilities, revenues and expenses of Enablence and its subsidiaries. References made herein to “Enablence”, “the Company”, “we” and “our” mean Enablence and its subsidiaries, collectively, unless the context indicates otherwise. management has evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2010 and has concluded that these are effective in providing reasonable assurance that material information relating to the Company has been appropriately disclosed.

All amounts included in the MD&A are in thousands, except per share amounts. All financial amounts are in Canadian dollars, unless otherwise stated.

FORWARD LOOKING STATEMENTS

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

OVERVIEW

HIGHLIGHTS

During the three months ended September 30, 2010, Enablence:

- won a US$12.4 million customer order to supply Teledata products, expected to ship and be reported as revenue during the Company's quarter ending December 31, 2010;
- began implementation of its gross margin expansion plan, with gross margins improving to 31.7% for the quarter (up from 23.3% in the prior year period);
- initiated plans to shift its polymer-based production from Wilmington, Massachusetts to its Fremont, California fabrication facility. Costs are expected to be approximately $1,000 (with $536 expensed to September 30, 2010);
- appointed David Toews as Chief Financial Officer. Mr. Toews brings over 20 years of experience in financial management and accounting to the Company; and
- restructured existing secured notes, repaying a US$1,879 note and replacing it with a US$5,000 note, generating net cash of $3,218.

The Company has changed its year end to June 30 from April 30. As a result, the current fiscal year will cover 14 months ending June 30, 2011. During this transition fiscal year, the Company will effect a change to its fiscal quarters. The 2011 fiscal period includes the two months of May and June 2010 (the "Stub 2011") and the three months ended September 30, 2010, for a total of five months year-to-date. This MD&A covers the three- and five-month results in the period ending September 30, 2010 with the three- and six-month periods ending October 31, 2009.

On June 23, 2010, Enablence acquired Teledata Networks Ltd. ("Teledata"). Teledata, operating from Tel Aviv, Israel, offers high-speed broadband equipment to customers in emerging markets. With the acquisition of Teledata, the Company will offer its combined products to all customers. Teledata's operating results and financial position have been included in Enablence' consolidated results since the date of acquisition on June 23, 2010.

ENABLENCE'S BUSINESS

Enablence is a vertically integrated business, utilizing 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 that address the long-haul, metro loop and access markets. Enablence is organized in two divisions - the Optical Components and Subsystems division ("OCS") and the Systems division ("Systems"). Teledata, which was acquired in the prior quarter is part of the Systems division.

OCS has a broad portfolio of products using the PLC technology that allows the Company to supply high value-added products to its customers. Systems provide a complete broadband system solution to allow for increased broadband deployments worldwide using Enablence's products.

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 has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the last eight fiscal periods ended September 30, 2010 and includes 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 are not readily comparable to the other three month fiscal periods. The table and ensuing discussion and analysis presents the information in thousands of Canadian dollars except share and per share related data.

Fiscal Period Ended	**3 months September 30, 2010**	2 months June 30, 2010	3 months April 30, 2010	3 months January 31, 2010	3 months October 31, 2009	3 months July 31, 2009	3 months April 30, 2009	3 months January 31, 2009
Revenue	**$28,059**	$9,798	$14,094	$12,329	$ 14,883	$12,586	$14,049	$14,790
Gross Profit	**8,893**	2,685	3,671	1,268	3,470	3,032	2,923	4,546
Expenses								
Research & Development	**5,359**	2,405	3,540	3,120	3,387	3,987	4,959	4,743
Sales, General & Administrative	**7,815**	3,669	4,660	4,165	4,312	4,770	5,618	5,331
Stock Based Compensation	**272**	122	225	382	438	391	324	532
Amortization	**4,109**	774	1,148	1,879	2,172	1,834	1,337	3,854
Restructuring Charge	**827**	-	1,788	141	226	132	-	474
Operating Loss	**(9,489)**	(4,285)	(7,690)	(8,419)	(7,065)	(8,082)	(9,315)	(10,388)
Impairment of Intangible Assets and Goodwill	**-**	-	-	(4,355)	-	-	-	(47,700)
Net Loss for the Period	**$ (8,388)**	$ (4,308)	$ (8,631)	$ (10,391)	$ (6,669)	$(6,883)	$(12,808)	$(49,450)
Weighted Average Shares Outstanding	**384,196**	333,983	270,084	254,701	254,733	249,155	208,486	203,329
Basic and Diluted Loss Per Share	**$ (0.02)**	$ (0.01)	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.03)	$ (0.06)	$(0.24)

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010, COMPARED TO THE THREE MONTHS ENDED OCTOBER 31, 2009

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 Canadian GAAP.

GAAP requires that, for self-sustaining foreign operations, we convert foreign currency denominated transactions related to the statement of loss at the average exchange rate for the period. As such, changes in the exchange rate between the United States dollar, Israeli shekel and the Canadian dollar can have an impact on the variances for each fiscal period. For the three months ended September 30, 2010, the average exchange rate for the United States dollar was 1.0395 compared to 1.0755 for the three months ended October 31, 2009. For the three months ended September 30, 2010, the average exchange rate for the Israeli shekel was 0.274. Comparative financial information does not have significant transactions in the Israeli shekel, therefore changes in the shekel are not meaningful for this period.

	Three months ended September 30, 2010	Three months ended October 31, 2009	Increase (decrease) $	Increase (decrease) %	Five months ended September 30, 2010	Six months ended October 31, 2009	Increase (decrease) $	Increase (decrease) %
Revenue								
Systems	$ 19,622	$ 8,815	$10,807	123%	$ 25,023	$ 16,932	$ 8,091	48%
OCS	8,437	6,068	2,369	39%	12,835	10,537	2,298	22%
	28,059	14,883	13,176	89%	37,858	27,469	10,389	38%
Cost of Revenues	19,166	11,413	7,753	68%	26,280	20,967	5,313	25%
Gross Profit	8,893	3,470	5,423		11,578	6,502	5,076	
Gross Margin %	31.7%	23.3%		8.4%	30.6%	23.7%		6.9%
Operating Expenses								
Sales & marketing	4,941	2,605	2,336	90%	7,143	5,549	1,594	29%
Research & development	5,359	3,387	1,972	58%	7,764	7,374	390	5%
General & administration	2,874	1,707	1,167	68%	4,342	3,533	809	23%
Stock-based compensation	272	438	(166)	-38%	394	829	(435)	-52%
Amortization	4,109	2,172	1,937	89%	4,883	4,005	878	22%
Restructuring charges	827	226	601	266%	827	359	468	130%
Operating loss	(9,489)	(7,065)	(2,424)	34%	(13,775)	(15,147)	1,372	-9%
Interest income	-	13	(13)	-100%	2	16	(14)	-88%
Interest expense	(306)	(68)	(238)	350%	(350)	(145)	(205)	141%
Gain on disposal of equipment	-	-	-		-	42	(42)	-100%
Foreign exchange gain (loss)	227	(10)	237	n/m	78	300	(222)	-74%
Loss before income taxes	(9,568)	(7,130)	(2,438)	34%	(14,045)	(14,934)	889	-6%
Recovery of future income taxes	1,180	461	719	156%	1,349	1,382	(33)	-2%
Net loss	$ (8,388)	$ (6,669)	$ (1,719)	26%	$ (12,696)	$ (13,552)	$ 856	-6%

Revenues
Systems division revenues for the three months ended September 30, 2010 increased due to the acquisition of Teledata. Organically, revenue in Systems was essentially flat with the prior year period. Revenue in OCS increased 39% over the prior year period driven by market demand for its products used in high-speed networks.

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

Region	Three months ended				Five months ended		Six months ended	
	Sept 30, 2010		Oct 31, 2009		Sept 30, 2010		Oct 31, 2009	
	$	%	$	%	$	%	$	%
North America	$ 9,017	32%	$ 8,595	58%	$ 13,415	35%	$ 18,391	67%
Central and Latin America	3,645	13%	100	1%	4,999	13%	256	1%
Asia Pacific	8,905	32%	2,913	20%	10,497	28%	4,155	15%
Europe, Middle East and Africa	6,492	23%	3,275	22%	8,947	24%	4,667	17%
	$ 28,059	100%	$ 14,883	100%	$ 37,858	100%	$ 27,469	100%

The shift in revenue from North America to other regions is driven by the acquisition of Teledata, whose customers are almost entirely outside of North America. This regional revenue mix may change due to large individual projects, however is expected to remain significant outside North America.

During the three months ended September 30, 2010, one customer accounted for 21% of the Company's total revenue. Two customers accounted for 39% (24% and 15% respectively) of the accounts receivable balance at September 30, 2010. During the three months ended October 31, 2009, no customer accounted for greater than 10% of the Company's total revenue and one customer accounted for 15% of the accounts receivable balance at October 31, 2009.

Cost of Revenues

The Company's cost of revenues is comprised of a number of elements, some of which vary with revenues, such as cost of products manufactured by third parties, and some of which do not vary with revenues, such as compensation of operations staff and facilities costs. Gross margins improved by 8.4 points to 31.7% compared with the prior year period. This improvement was driven by three key factors:

- favourable margins in the Teledata products;
- increased volumes in the OCS business, where the variable gross margins are higher; and
- initial success in management's gross margin improvement initiatives, including the relocation of certain contract manufacturing and shipments of a lower cost optical network terminal ("ONT").

Excluding the impacts of the Teledata acquisition, gross margins improved by approximately 6 points from 23% to 29%.

Management is continuing its detailed product cost review to identify and implement opportunities to further strengthen gross margins, and expects to see continued margin improvement during fiscal 2011.

Operating Expenses

Sales & Marketing expenses include the costs of distribution and third party commissions, which can fluctuate significantly from period to period. This is largely driven by the distribution channels used by Teledata. Sales & Marketing expenses for the three months ended September 30, 2010 increased by $2,336 (or 90%) compared to the three months ended October 31, 2009. This was driven by the acquisition of Teledata, with some growth in Systems' sales offset by the impact of foreign exchange.

Research & Development expenses for the three months ended September 30, 2010 increased by $1,972 (or 58%) compared to the three months ended October 31, 2009. The increase was driven by the acquisition of Teledata, offset by the impact of foreign exchange and some cost reduction activities.

General & Administration expenses for the three months ended September 30, 2010 increased by $1,167 (or 68%) compared to the three months ended October 31, 2009. The increase was driven by the acquisition of Teledata, as well as certain consulting fees to support the Company's gross margin improvement initiatives, offset by the impact of foreign exchange.

Amortization for the three months ended September 30, 2010 increased by $1,937 (or 89%) compared to the three months ended October 31, 2009. The increase was driven by the acquisition of Teledata and related amortization of intangible assets.

Stock-based compensation for the three months ended September 30, 2010 decreased by $166 (or 38%) compared to the three months ended October 31, 2009. The reduction resulted from the timing of grants in the current year quarter, and due to a revision in the expected option life assumption in the third quarter of the prior year.

Restructuring charges for the three months ended September 30, 2010 are comprised of costs for relocating the Company's polymer-based production from its Wilmington, Massachusetts fabrication facility to its Fremont, California fabrication facility. The costs include employee related 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 September 30, 2010, Enablence earned interest income on these investments of $nil, as compared to $13 during the three months ended October 31, 2009. Interest income is a function of prevailing interest rates and the amount of funds invested.

Interest expense

Interest expense during the three months ended September 30, 2010 was $306, compared to $68 during the three months ended October 31, 2009. The increase in the 2010 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. The Company's interest expense is a function of the balance of interest bearing debt, the prevailing interest rate, 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, and the $US equivalent of the total outstanding:

	September 30, 2010	April 30, 2010	October 31, 2009
Secured note payable	$5,145	$2,095	$2,819
Convertible notes payable	3,087	3,047	3,246
Subordinated notes payable	10,290	-	-
Total in CDN$	$18,522	$5,142	$6,065
Total in US$	$18,000	$5,063	$5,605

The secured note payable 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, 2010. 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 United States dollar denominated assets and liabilities held by the Canadian entities into Canadian dollars at the balance sheet date. During the three months ended September 30, 2010 the Company recorded a foreign exchange gain of $227, as compared to foreign exchange loss of $10 during the three months ended October 31, 2009.

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 accrued at that time. The future tax liability is drawn down in line with the amortization 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 current Canadian GAAP.

During the three months ended September 30, 2010, the Company recorded a future income tax recovery of $1,180 as compared to a recovery of $461 during the three months ended October 31, 2009. The increase in the recovery is due to an increase in intangible assets and the related future income tax liability as a result of the Teledata acquisition.

Net loss

The net loss for the three months ended September 30, 2010 was $8,388, compared to $6,669 during the three months ended October 31, 2009 due to the factors described above.

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, 2010	Three months ended October 31, 2009
Basic and Diluted Loss per Common Share	$0.02	$0.03
Weighted Average Number of Common Shares	384,196	254,733

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

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:

	Three months ended		Five months ended	Six months ended
	Sept 30, 2010	Oct 31, 2009	Sept 30, 2010	Oct 31, 2009
Net loss	$ (8,388)	$ (6,669)	$ (12,696)	$ (13,552)
interest expense (income)	306	55	348	129
Amortization	4,559	2,591	5,613	4,861
Recovery of future income taxes	(1,180)	(461)	(1,349)	(1,382)
``EBITDA``	(4,703)	(4,484)	(8,084)	(9,944)
Gain on disposal of equipment	-	-	-	(42)
Realized foreign exchange gain (loss)	(227)	10	(78)	(300)
Stock-based compensation	272	438	394	829
Restructuring charges	827	226	827	359
``Adjusted EBITDA``	$ (3,831)	$ (3,810)	$ (6,941)	$ (9,098)

OUTLOOK

The Company believes the markets in which it participates are growing and are expected to continue to grow.

The primary focus areas for the Company are:

- growing revenues;
- improving gross margins;
- managing working capital and other cash flows; and
- implementing quality and process improvement programs across the business.

The Company's initiatives to drive revenue growth include:

- strengthening the North American sales team to drive growth;
- leveraging Teledata's BroadAccess products in the North American market;
- leveraging the sale of Trident 7 optical products into Teledata's markets; and
- targeting opportunities allowing the Company to enter new and growing markets.

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

- continuing new product development and portfolio evolution;
- consolidating the OCS operations in Fremont, California;
- reducing the cost of manufacturing by continued migration of production to new lower cost suppliers;
- optimizing our customer service assets;
- continuing to shift the mix of the Company's ONT volume to lower cost models; and
- higher revenues will improve gross margins by spreading fixed costs over more volume.

The Company's initiatives to manage working capital 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
- evaluate other opportunities to generate capital and strengthen the Company's balance sheet to accelerate growth.

A number of product developments are planned and being implemented in fiscal year 2011, including:

- integration of VDSL capability across our product offering;
- integration of the Company's optical capability across our product offering;
- integration of multi-channel traffic management tools into the Company's OLT's, to offer a higher value solution to the high speed broadband access markets; and
- development of multi-channel 100 gigabyte optical components, aimed at the long haul and metro loop optical fibre markets.

These development programs will be funded by a combination of third party funded design contracts and internal resources.

OUTLOOK (Continued)

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

For the four quarters ending June 30, 2011, the Company is targeting revenue of between $140-150 million, including $40-45 million in the December quarter and Adjusted EBITDA* positive for the December quarter and the second half of the year. Management's longer term business model is to achieve 40% gross margin and 10% Adjusted EBITDA*.

Targets for revenues and Adjusted EBITDA* for the six and twelve months ending June 30, 2011 reflect continuing increases in volumes shipped to customers, higher margins resulting from the Company's gross margin expansion plan and continued contributions from the Teledata business acquired in June 2010, although there can be no assurance these targets will be achieved. In September 2010, the Company received a US$12.4 million order from a major customer. This order is expected to ship in the quarter ending December 2010, and the customer paid a significant deposit on the order in October 2010.

It is not possible to predict the impacts of the general global economic slowdown and the state of the U.S. economy, and therefore there is no guarantee that these results will be achieved. The U.S. market remains an important source of the Company's revenues. Any negative economic trends may have an unfavourable influence on the Company achieving its goals and objectives. The Company's ability to reach profitability is dependent on achieving higher volumes and increased gross margins. There are no assurances that Enablence will gain adequate market acceptance, nor are there any guarantees that the Company will achieve higher gross margins, even though the Company is able to hold a relatively steady sales picture in the current conditions, nor is the Company presently able to fully assess any negative impact of the current global economic conditions on its operations or financial condition. The Company has not yet earned operating profits. The Company believes that the existing working capital coupled with revenues based on operating forecasts will be sufficient, notwithstanding the above reservations, to cover the Company's anticipated operating costs beyond September 30, 2011.

The decision to close the Wilmington fabrication facility will result in approximately $1,000 in restructuring charges. $536 of these charges have been reported in the three months ended September 30, 2010, and the remaining estimated $464 will be reported over the next two quarters, when the actions contemplated are completed. The cost savings, once the transition of the polymer product fabrication is completed during the fiscal year, are expected to be approximately $250 per quarter.

* Adjusted EBITDA does not have any standardized meaning according to GAAP and is defined on page 9 of this MD&A.

LIQUIDITY

The chart below highlights the cash flows during the three and five months ended September 30, 2010, and three and six months ended October 31, 2009.

	Three months ended September 30, 2010	Three months ended October 31, 2009	Five months ended September 30, 2010	Six months ended October 31, 2009
Net cash flows used in operating activities	(3,769)	(2,789)	(6,673)	(10,793)
Investing activities				
Decrease (Increase) in restricted cash (note 1)	3,429	-	(473)	-
Purchase of property, plant, equipment and software	(304)	(450)	(521)	(667)
Proceeds from sale of equipment	-	-	-	49
Acquisitions of subsidiaries (note 2)	(227)	-	(9,474)	-
Net cash flows from (used in) investing activities	2,898	(450)	(10,468)	(618)
Financing activities				
Decrease/repayment of operating line of credit (note 1)	(2,903)	-	(2,921)	(780)
Advance from (repayment of) note payable (note 3)	3,218	(292)	3,022	(580)
Proceeds from issuance of common shares, warrants and options, net of issuance costs	389	-	413	12,988
Net cash flows provided by (used in) financing activities	704	(292)	514	11,628

Note 1 – The Company increased restricted cash during the two months ended June 30, 2010 to secure a line of credit. This cash was then used during the three months ended September 30, 2010 to pay down the operating line of credit it was secured against.

Note 2 – The Company invested $9,247 (net of cash of $1,476) to acquire Teledata during the two months ended June 30, 2010, and incurred an additional $227 in closing costs during the quarter ended September 30, 2010

Note 3 – 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.

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

- revenue growth as the global economic conditions improve and the economic stimulus packages in the U.S. and elsewhere are accessed by the Company's customers;
- an increase in design services revenues 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 Company's 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 $1,000 during the next year on component manufacturing equipment to improve manufacturing processes with the ultimate objective of improving gross margins and product offerings, and on design and test equipment.

The table below sets out the cash, cash equivalents and short-term investments and working capital at the end of each of the comparative fiscal periods.

	September 30, 2010	April 30, 2010	October 31, 2009
Cash and Cash Equivalents	$6,052	$23,407	$11,296
Working Capital	$12,447	$31,237	$18,704

CAPITAL RESOURCES

Until recently, Enablence financed its operations primarily through the issuance of common shares. With the acquisition of ANDevices, Inc. in February 2008, the Company assumed a US$3,735 note payable and a $1,000 operating loan. The lending institution that provided the operating loan to ANDevices advised the Company that it would not renew the operating line of credit and the Company repaid this $864 credit facility in May 2009. On July 16, 2010 the note payable, with a principal of USD$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 of acquiring 100% of the outstanding shares of Teledata, the Company:

- issued subordinated secured 5% notes payable totaling $10,384 (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.

In addition, the Company provided $3,691 (US$3,600) of cash to Teledata to pay off balances on operating lines of credit. The use of these funds was restricted by the Israeli banks that provided the US$3,600 in credit facilities. One of the two credit facilities has been retired, using $615 of restricted 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. During the three months ended September 30, 2010 1,372 broker warrants with an exercise price of $0.30 per common share were exercised, for proceeds of $389. The Company is also discussing the opportunity to raise funds from an operating line of credit with several Canadian banks.

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 384,443 common shares are issued and outstanding as of November 9, 2010. 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$1,425 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. In addition, the same Canadian chartered bank has issued a letter of guarantee on behalf of the Company to secure a performance bond. This letter of guarantee is secured by a guarantee by a third party, which, in turn, is indemnified by the Company.

The table below presents the Company's contractual obligations.

	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Secured note payable	$ 5,583	$ 1,489	$ 4,094	$ -	$ -
Subordinated notes payable	11,319	-	11,319	-	-
Convertible notes payable	3,802	155	1,116	1,064	1,467
Facilities leases	4,665	2,392	937	609	727
Automobile leases	1,171	801	370		
	$26,540	$4,837	$17,836	$1,673	$2,194

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 $1,750 in termination costs to this individual. The Company subsequently entered into a one year consulting contract at a value of $300.

PROPOSED TRANSACTIONS

As noted above under "Capital Resources", the Company will continue to review opportunities to enhance shareholder value through strategic vertical integration strategies. There are currently no material proposed asset or business acquisitions or dispositions that have been approved by the board of directors of 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 August 26, 2010, and available at: www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

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

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

FUTURE ACCOUNTING PRONOUNCEMENTS

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which will replace Handbook Section 1581, *Business Combinations*. The new standard is effective for acquisitions in fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provides the Canadian equivalent to IFRS 3, *Business Combinations*. The Company is assessing the impact of the new standard on its consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which will replace Handbook Section 1600, *Consolidated Financial Statements*. These new standards are effective for interim and annual consolidated statements for fiscal years beginning on or after January 1, 2011 but with earlier adoption

permitted and provide the Canadian equivalent to IFRS IAS 27, *Consolidated and Separate Financial Statements*. The new standards are not expected to have a material effect on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. The official change-over date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt this new standard for the fiscal year beginning July 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year.

During fiscal year 2010 the Company completed the review of its accounting policies to identify which will be affected by adoption of IFRS. Management has identified the accounting standards that will likely have the greatest impact on the Company's financial reports due to the magnitude of the related account balance, the significance of the IFRS and Canadian GAAP differences or due to the complexity of the standard. Management has retained the services of an independent national accounting firm to assist it in selecting the IFRS accounting policies that will best reflect the nature of the Company's assets, liabilities, and business operations and will be in a position to collect the requisite IFRS information for presentation of comparative information with its first fiscal quarter of 2011, starting on July 1, 2011.

Management believes that the highest priority areas that IFRS will impact the Company's financial statements are:

- share-based payments;
- presentation of financial statements;
- the effects of changes in foreign exchange rate;
- accounting for government grants and related royalty payments;
- impairment of assets;
- provisions, contingent liabilities and contingent assets; and
- consolidation and business combinations

Management has not yet estimated the potential impact of these potential changes on its results or financial position.

The calculation of share-based payments, such as stock options, under Canadian GAAP, involves making certain estimates, such as the volatility rate and risk free rate of return, at the time of issuance, then amortizing the cost derived from these estimates over the vesting period of the stock options. Under IFRS, the cost of the stock options reflects higher costs during the initial vesting periods, decreasing over the successive vesting periods.

Financial statement presentation under IFRS differs, at times profoundly, from financial statement presentation under Canadian GAAP. As an example, the balance sheet, to be called the statement of financial position under IFRS, may include changes in the classification of assets and liabilities between current, and long term.

Under Canadian GAAP, the Company has determined that its foreign subsidiaries are self-sustaining and therefore translates their foreign currency denominated balance sheet accounts

at the relevant period end exchange rate. Under IFRS the Company must assess what the functional currency of each operation, which may result in a conclusion that is different than the one determined under Canadian GAAP's self-sustaining operations guidelines.

Government grants are recorded as a reduction of the expenses they relate to, and reports any royalties paid against these grants as a cost of revenues, under Canadian GAAP. Under IFRS, the government grants are treated as a liability and the related royalties as a payment of interest and principal on the debt.

At such time as the Company records an impairment of an intangible asset that charge is a permanent reduction of the intangible asset, under Canadian GAAP. Under IFRS the Company can elect to reverse the impairment charges, if circumstances indicate that the value of the intangible asset has recovered.

Under Canadian GAAP, the threshold for determining whether a contingent liability should be recorded in the financial statements is higher than the threshold under IFRS. As a result, under IFRS the Company may have higher total liabilities than it would under Canadian GAAP.

The Company has prepared a project plan outlining the areas where changes have to be implemented and the expected completion of each of the areas.

Disclosure Controls and Internal Control over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Enablence's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings that the Company's disclosure controls and procedures for the three and five months ended September 30, 2010 are effective to provide reasonable assurance that material information related to Enablence is made known to them.

FINANCIAL AND OTHER INSTRUMENTS

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

ADDITIONAL INFORMATION

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