ENABLENCE TECHNOLOGIES INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)

FOR THE TWO MONTHS ENDED JUNE 30, 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. for the two months ended June 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 August 25, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian dollars. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures are presented in Canadian currency unless specified otherwise. The financial statements include all of the assets and liabilities and expenses of Enablence Technologies Inc. and its subsidiaries. References made herein to "Enablence", "the Company", "we" and "our" mean Enablence Technologies Inc. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2010 and has concluded that these are effective in providing reasonable assurance that material information relating to the Company has been appropriately disclosed.

FORWARD LOOKING STATEMENTS

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

OVERVIEW

HIGHLIGHTS

On June 23, 2010, the Company 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 both customer bases. The balance sheet information presented in this report includes the financial position of Teledata at June 30, 2010. However, the financial information related to operating results and cash flows in this report only include the results of operations and cash flows for the period June 24 to June 30, 2010.

The Company changed its year end to June 30, 2011. The current fiscal year will cover 14 months. During this transition fiscal year, the Company will effect a change to its fiscal quarters.

The current fiscal period is for the two months of May and June 2010. Hereafter the Company's fiscal quarters will cover the three months ended September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011. Since the current fiscal period only covers two months, the operating results are not easily compared to the prior three month fiscal periods.

The Company recently decided to shift polymer based production from its Wilmington, Massachusetts fabrication facility to its Fremont, California fabrication facility. During the second half of calendar 2010, the equipment in the Wilmington facility will be shipped to Fremont, where it will be installed and re-commissioned. The Wilmington facility will be closed down at that point. The Company expects to incur a one time expense of $1 million to affect this transfer of production and subsequent closing of the Wilmington facility. This will be reported in the financial statements for the three months ended September 30, 2010.

ENABLENCE BUSINESS

Enablence is a vertically integrated business, utilizing its patented technologies including PLC-based intellectual property, know-how and trade secrets in the production of an array of photonics components and broadband equipment that address the long-haul, metro loop and access markets. Headquartered in Ottawa, Canada, Enablence is organized into two divisions - the Optical Components and Subsystems division and the Systems division. Teledata is now part of the Systems division.

The Optical Components and Subsystems division has a broad portfolio of products using the planar lightwave circuit ("PLC") technology that allows the Company to supply high value-added products to its customers. The Systems division provides a complete broadband system solution to allow for increased broadband deployments worldwide using Enablence's products. These two divisions are complementary to each other and form part of the same value chain and complement each other.

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 June 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, the fiscal period ended June 30, 2010 covers only two months, rather than the conventional three months for the prior seven fiscal periods. Consequently, the operating results and cash flows for the current two month fiscal period are not are not readily comparable to the prior seven 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	**FY2011** **2 months June 30, 2010**	FY 2010 and FY2009 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	3 months October 31, 2008
Revenue	**$9,798**	**$14,094**	**$12,329**	**$ 14,883**	**$12,586**	$14,049	$14,790	$8,765
Gross Profit	**2,685**	**3,671**	**1,268**	**3,470**	**3,032**	2,923	4,546	1,669
Expenses								
Research & Development	**2,405**	**3,540**	**3,120**	**3,387**	**3,987**	4,959	4,743	3,458
Sales, General & Administrative	**3,669**	**4,660**	**4,165**	**4,312**	**4,770**	5,618	5,331	4,337
Stock Based Compensation	**122**	**225**	**382**	**438**	**391**	324	532	509
Amortization	**774**	**1,148**	**1,879**	**2,172**	**1,834**	1,337	3,854	2,433
Restructuring Charge	**-**	**1,788**	**141**	**226**	**132**	-	474	-
Operating Loss	**(4,285)**	**(7,690)**	**(8,419)**	**(7,065)**	**(8,082)**	(9,315)	(10,388)	(9,068)
Impairment of Intangible Assets and Goodwill	**-**	**-**	**(4,355)**	**-**	**-**	-	(47,700)	-
Net Loss for the Period	**$ (4,308)**	**$ (8,631)**	**$ (10,391)**	**$ (6,669)**	**$(6,883)**	(12,808)	$(49,450)	$(7,721)
Weighted Average Shares Outstanding	**333,983**	**270,084**	**254,701**	**254,733**	**249,155**	208,486	203,329	182,617
Basic and Diluted Loss Per Share	**$ (0.01)**	**$ (0.03)**	**$ (0.04)**	**$ (0.03)**	**$ (0.03)**	$ (0.06)	$(0.24)	$(0.04)

SUMMARY OF RESULTS FOR THE TWO MONTHS ENDED JUNE 30, 2010, THE THREE MONTHS ENDED APRIL 30, 2010 AND THE THREE MONTHS ENDED JULY 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 Generally Accepted Accounting Principles ("GAAP"). The information has been derived from our audited consolidated financial statements.

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 and the Canadian dollar can have an impact on the variances for each fiscal period.

	Two months Jun 30, 2010	Three months April 30, 2010	Three months July 31, 2009	Increase (Decrease) Jun 10 to Apr 10		Increase (Decrease) Jun 10 to Jul 09	
				$	%	$	%
Revenues							
Systems	$ 5,402	$ 7,169	$8,117	$ (1,767)	-25%	$ (2,715)	-33%
Optical Components & Subsystems	4,396	6,925	4,469	(2,529)	-37%	(73)	-2%
	9,798	14,094	12,586	(4,296)	-31%	(2,788)	-22%
Cost of Revenues							
Variable Costs	6,571	9,822	8,409	(3,251)	-33%	(1,838)	-22%
Facility Overhead	262	182	709	80	44%	(447)	-63%
Amortization	280	419	436	(139)	-33%	(156)	-36%
	7,113	10,423	9,554	(3,310)	-32%	(2,441)	-26%
Gross Profit	2,685	3,671	3,032	2,403		748	
Gross Margin	27.4%	26.1%	24.1%		1% pt		3% pts
Operating Expenses							
Sales & Marketing	2,202	2,314	2,944	(112)	-5%	(742)	-25%
Research & Development	2,405	3.540	3,987	(1,135)	-32%	(1,582)	-40%
General & Administration	1,467	2,346	1,826	(879)	-37%	(359)	-20%
Stock-based Compensation	122	225	391	(103)	-46%	(269)	-69%
Amortization	774	1,148	1,834	(374)	-33%	(1,060)	58%
Restructuring Charges	--	1,788	132	(1,788)	-100%	(132)	-100%
Operating loss	(4,285)	(7,690)	(8,082)	3,405	44%	3,797	47%
Interest income	8	11	3	(3)	-27%	5	167%
Interest expense	(51)	(62)	(77)	11	18%	26	34%
Gain on disposal of equipment	--	--	42	--	--	(42)	-100%
Foreign exchange gain (loss)	(149)	(197)	311	48	24%	(460)	148%
Loss before income taxes	(4,477)	(7,938)	(7,803)	3,461	44%	3,326	43%
Recovery of future income taxes	169	(693)	920	862	124%	(751)	-82%
Net loss	($4,308)	($8,631)	($6,883)	$4,323	50%	$2,575	37%

Revenues

The Company's revenues sometimes vary significantly from month to month. As such, grossing up the two months revenues to a three month equivalent by multiplying the two month results by 150% does not necessarily provide a reasonable proxy for the three month revenues. Systems division revenues for the two months ended June 30, 2010 include $2,775 for the one week after the Company acquired Teledata. This amount, while not atypical of the shipments for the final week of a fiscal quarter for Teledata, is above the revenues normally generated by Teledata during a one week period. The revenues for the comparable business units for the two months ended June 30, 2010 are consistent with those generated in the first two months of the three months ended April 30, 2010.

Revenue (based on ship-to location of the customer) is segregated geographically as follows:

	Two months June 30, 2010	Three months April 30, 2010	Three months July 31, 2009
Americas	$ 5,751	$ 8,830	$9,952
Asia Pacific	1,592	3,320	1,242
Europe	2,455	1,944	1,392
Total	**$ 9,798**	**$ 14,094**	**$12,586**

During the two months ended, three customers accounted for 39% of the Company's total revenue, (14%, 13% and 12%). Two customers accounted for 18% each of the accounts receivable balance at June 30, 2010. During the three months ended April 30, 2010, one customer accounted for 11% of the Company's total revenue and no one customer accounted for greater than 10% of the accounts receivable balance at April 30, 2010. During the three months ended July 31, 2009, no one customer accounted for greater than 10% of the Company's total revenue and one customer accounted for 17% of the accounts receivable balance at July 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. As such, grossing up the two months cost of revenues to a three month equivalent by multiplying the two month cost of revenues by 150% does not necessarily provide a reasonable proxy for the three month cost of revenues. The cost of revenues incurred by Teledata during the one week that the Company owned Teledata as $1,372. The cost of revenues for the comparable business units for the two months ended June 30, 2010 are consistent with those incurred in the first two months of the three months ended April 30, 2010.

The Company started a detailed review of the various elements of its cost of revenues with a view of identifying which elements have the greatest impact on the cost of revenues and, once identified, determining how to reduce these cost elements.

Operating Expenses

While some of the Company's operating expenses do not vary significantly from month to month, such as base compensation expense and facilities related expenses, others elements of the operating expenses do vary significantly from month to month. For example, sales compensation includes commissions on sales metrics. Since sales metrics vary from month to month, sales compensation will vary from month to month. Similarly, the Company has outsourced certain R&D initiatives to third parties. These R&D expenses vary based on the tasks assigned to the outsourced consultants. As such, grossing up the two months operating expenses to a three month equivalent by multiplying the two month cost by 150% does not necessarily provide a reasonable proxy for the three month operating expenses.

Interest Income

Enablence invests cash and cash equivalents in short-term investments with a Canadian chartered bank. During the two months ended, Enablence earned interest income on these investments of $8, as compared to $11 during the three months ended April 30, 2010. Interest income is a function of prevailing interest rates and invested funds. There was no material difference in the prevailing interest rates or invested funds during the two consecutive fiscal periods.

Interest expense

Interest expense during the two months ended June 30, 2010 was $51, compared to $62 during the three months ended April 30, 2010 and $77 during the three months ended July 31, 2009.

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:

	June 30, 2010	**April 30, 2010**	**July 31, 2009**
Secured note payable	$2,000	$2,095	$3,098
Convertible notes payable	$3,194	$3,047	$3,232
Subordinated notes payable	$10,646	$ --	$ --
Total in CDN$	$15,840	$5,142	$6,330
Total in US$	$14,879	$5,063	$5,877

The interest rate on these debt securities is 5%. The subordinated notes payable were issued on June 23, 2010. As such, the interest expense on the subordinated notes payable during the two months ended June 30, 2010 was $10.

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 two months ended June 30, 2010 the Company recorded a foreign exchange loss of $149K, as compared to foreign exchange loss of $197K during the three months ended April 30, 2010 and a foreign exchange gain of $48K during the three months ended July 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 liability that was accrued at that time. The liability is drawn down as that portion of the asset value is amortized. No other future tax recovery on losses is recorded in earnings and will not be until, in the opinion of management, it is more likely than not that the future tax assets will be realized.

During the two months ended June 30, 2010, the Company recorded a future income tax recovery of $169 compared to a provision for future income taxes of $693 during the three months ended April 30, 2010. The provision was for the amortization of intangible and tangible assets.

Net loss

The net loss for the two months ended June 30, 2010 was $4,308, compared to $8,631 during the three months ended April 30, 2010 and $6,883 for the three months ended July 31, 2009. The decrease in net loss is due to the shorter reporting period, two months as contrasted with the usual three month period, and the addition of Teledata's operating results of operations for the last week of June.

Loss per Common Share

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

	Two months June 30, 2010	Three months April 30, 2010	Three months July 31, 2009
Basic and Diluted Loss per Common Share	$0.01	$0.03	$0.03
Weighted Average Number of Common Shares	333,983	270,084	249,155

Non-GAAP Financial Measures

The Company's management uses the non-GAAP financial measures of Operating Cash Flows to evaluate the Company's performance. The term Operating Cash Flows does not have any standardized meaning according to GAAP. Therefore it may not be readily comparable to data that may be presented by other companies. Operating Cash Flows, however, are presented on a consistent basis in our Financial Statements from period to period. The Company defines Operating Cash Flows as the sum of Net Cash Flows from (used in) Operating Activities and the net changes to working capital, net of any changes in inventory write-downs. The Company's management uses Operating Cash Flows, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense, stock-based compensation and other expenses not affecting cash. We exclude amortization expense and stock based compensation because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of property and equipment, and intangible asset. Operating Cash Flows allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use Operating Cash Flows to measure a company's ability to fund operations, working capital, capital expenditures and repayment of debt obligations. As such, it serves as a useful measure.

The table below is a reconciliation of Net cash flows from (used in) operating activities to Operating Cash Flows.

	Two months June 30, 2010	Three months April 30, 2010	Three months July 31, 2009
Net cash flows used in operating activities	$(6,737)	$(7,698)	$(8,003)
Net changes in working capital	3,844	1,451	2,473
Inventory write down	(117)	(61)	-
Operating Cash Flows	$(3,010)	$(6,308)	$(5,530)

OUTLOOK

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

Management will focus on the following priorities during the remainder of calendar 2010:

- continued growth of Optical Components and Subsystems Division revenue through the introduction of new, higher margin products

- the shift of the polymer based products from the Wilmington, Massachusetts fabrication facility to an expanded fabrication facility in Fremont, California;
- pursuing winnable opportunities in North America for the Systems Division;
- leveraging Teledata's BroadAccess VDSL products in to North American markets;
- leveraging the sale of Trident 7 products in to Teledata's markets;
- improvement of margins in the Systems Division by:
    - reductions in the cost of manufacturing by completing the transfer of production to a different contract manufacturer; and
    - introduction of a lower cost ONT into the product mix
- integration of Teledata and existing Enablence operations and administration; and
- managing working capital.

A number of product developments are planned for FY2011, including:
- integration of VDSL capability, as developed by Teledata, into the Magnm platform offered to the North American access markets;
- integration of optical capability, as developed by Enablence, into the BroadAccess platform offered to the international access markets;
- 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;
- development of multi-channel 100 gigabyte optical components, aimed at the long haul and metro loop optical fibre market.

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

Closing the Wilmington fabrication facility will result in a $1,000 restructuring charge, which will reported in the three months ended September 30, 2010. However, the cost savings, once the transition of the polymer product fabrication is completed during the three months ended December 31, 2010, should result in savings of $250 per quarter.

During the three months ended September 30, 2010 the Company expects revenues to be $33,000 to $35,000. Operating cash flows (see Non-GAAP Financial Measures above) are expected to be negative during that three month period. For the three months ended December 31, 2010, the Company expects revenues of $33,000 to $35,000, with Operating Cash Flows improving to marginally positive. The improvement to the expected Operating Cash Flows during the three months ended December 31, 2010 is largely due to the expected reduced cost of ONT's during that period, as compared to the three months ended September 30, 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 and expects to incur further operating losses before realizing profits. The Company believes that the existing working capital coupled with revenues

will be sufficient, notwithstanding the above reservations, to cover the Company's anticipated operating costs beyond July 31, 2011.

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.

LIQUIDITY

During the two months ended June 30, 2010, the Company consumed $2,904 of cash in operating activities, invested $10,723 for the acquisition of a subsidiary which had $1,476 in cash on hand at the time of the acquisition, for a net investment $9,247, and invested $217 in property, plant and equipment and software. A further $3,902 was used for restricted cash. $196 was used in partial repayment of a note payable assumed on the acquisition of ANDevices and $18 was used for the payment of a line of credit. There was a net decrease of $16,553 in cash and cash equivalents during the two months ended June 30, 2010.

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 customer base;
- an increase in design services revenues and margins from key optical component customers;
- improved gross margins as a result of 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, (in $000).

	June 30, 2010	**April 30, 2010**	**July 31, 2009**
Cash and Cash Equivalents	$6,854	$23,407	$14,952
Working Capital	$14,182	$31,237	$23,285

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 US$1,879 was repaid from the proceeds of a new US$5,000 note payable with a different bank. This US$5,000 note payable:

- matures on July 20, 2013
- bears interest at the greater of 5% and 1.5 % over the prime rate as published in the Wall Street Journal;
- is repayable as interest only for the first six months, then interest plus $175 per month 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
- $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. On July 16, 2010 1,288 broker warrants with an exercise price of $0.30 per common share were exercised, for proceeds of $386. The Company is also discussing the opportunity to raise funds from an operating line of credit with a Canadian bank.

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 384,419 common shares are issued and outstanding as of August 25, 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	$5,323	$1,065	$4,258		
Subordinated notes payable	10,646		10,646		
Convertible notes payable	3,194	304	913	913	1,065
Facilities leases	4,717	1,596	1,655	633	833
Automobile leases	1,335	785	551		
	$26,345	$4,880	$18,022	$1,546	$1,897

The Company is exposed to currency risk as a significant volume of its transactions are denominated in U.S. dollars, and 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 FQ4 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 Enablence Technologies Inc.

RISKS AND UNCERTAINTIES

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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 FY 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 consultant 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; and
- provisions, contingent liabilities and contingent assets.

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 year ended April 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.