ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013

DATED: NOVEMBER 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the financial condition of Enablence Technologies Inc. at September 30, 2013 compared to June 30, 2013 and results of operations for the three months ended September 30, 2013 compared to the three months ended September 30, 2012.

This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements for the three months ended September 30, 2013 as well as our audited consolidated financial statements and accompanying notes for the year ended June 30, 2013. References made herein to "Enablence", the "Company", "we" and "our" mean Enablence, its subsidiaries, and its joint venture, collectively, unless the context indicates otherwise. All amounts (including numbers of common shares, options and warrants) included in the MD&A are in thousands, except per share amounts or as indicated otherwise. All financial amounts are in US$, unless stated otherwise. Other continuous disclosure filings for the Company are available on www.sedar.com

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption at this time. The Company's continued existence is dependent upon its ability to secure additional financing and to attain profitable operations. Management is active in addressing these issues although there is no assurance that they will be successful. If the going concern assumption were not appropriate for these financial statements, adjustments might be necessary in the carrying values of assets and liabilities and the balance sheet classifications.

The effective date of this MD&A is November 29, 2013. The financial statements include the Company's 49% proportional share of the revenues, expenses, assets and liabilities of Sunblence Technologies Co. Ltd ("Sunblence"), our joint venture in Foshan City, China.

FORWARD-LOOKING STATEMENTS

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

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

- The Company will be able to meet its financial obligations as they come due, and will be able to raise sufficient additional financing
- 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.

- Enablence will develop and deliver new products on time in order to satisfy the requirements of current and future customers and contribute to near-term profitability.
- Sunblence will achieve satisfactory volume growth and financial performance.
- Enablence will be able to attract and retain key people.

SIGNIFICANT EVENTS DURING THE QUARTER ENDED SEPTEMBER 30, 2013

In September 2013, the Company completed a $14,325 financing transaction (the “Financing Transaction”) and retired all of the remaining secured subordinated promissory notes in conjunction with the financing as follows:

- The Financing Transaction was comprised of a $11,430 issuance of common shares (the “Equity Transaction”) and a $2,895 convertible bridge loan (the “Financing Bridge Loan”). The Equity Transaction was structured as follows: China TriComm Ltd. and its affiliates subscribed for 45,000 common shares at an issue price of $0.193 and certain existing shareholders of the Company, subscribed for an additional 15,000 common shares also at $0.193 per share. China TriComm Ltd. is an investment company which is under common ownership with Zhejiang Chuangyi Technologies, a leading integrated infrastructure equipment and solution provider for the cable industry in China.

- As part of the $14,325 Financing Transaction, an affiliate of China TriComm Ltd., provided Enablence with a Financing Bridge Loan for working capital purposes. The Financing Bridge loan was received in two tranches – the first tranche for $480 was received on July 15, 2013 and the second tranche for $2,415 was received on July 22, 2013. The Financing Bridge Loan automatically converted to common shares of Enablence at $0.145 per share on the closing of the Equity Transaction. A finder’s fee was paid to an arm’s length party in connection with the Financing Transaction in the amount of 3,600 common shares of Enablence, and 360 shares were issued to cover expenses, both of which were recorded at a fair value for accounting purposes of $0.372 per share. The fair value reflects a 10% discount from the closing market price on the date of the transaction. Management believes the discount is appropriate given the volatility of the stock and the four month holding period that the shares are subject to.

- The Equity Transaction was subject to certain conditions including the Noteholder Condition. In connection with the Noteholder Condition, Enablence entered into an agreement in principle with the holders of substantially all of the secured subordinated promissory notes to eliminate (pro rata to each note holder’s interest) the approximately $11,725 of principal and accrued interest. These notes were exchanged for total cash payments of $3,861 and the issuance of 19,865 common shares of Enablence recorded at a fair value for accounting purposes of $0.372 per share. In addition there were 180 common shares of Enablence issued to the noteholders as reimbursement for related legal fees which was also recorded at the same fair value price of $0.372. The cash payments combined with the issuance of the shares represented a full and final settlement of these subordinated notes. As a result, the Company recorded a gain of $399 on the settlement of these subordinated notes during the three months ended September 30, 2013.

Working capital for the Company from continuing operations increased to $8,329 at September 30, 2013 from a working capital deficiency of ($10,855) at June 30, 2013 primarily as a result of the above equity and debt settlement transactions during September 2013.

OVERVIEW

ENABLENCE'S BUSINESS

Enablence designs, manufactures and sells optical components and subsystems for all three segments of optical networks - access, metro and long-haul markets - to a global customer base. It utilizes its patented technologies, including planar light circuit ("PLC") intellectual property, know-how and trade secrets in the production of an array of photonic components. The Company's product lines address: access - connecting homes and businesses to the network; metro - communication rings within large cities; and long-haul - linking cities, countries and continents, however they are 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 networks ranging from 1.25 to 100 gigabits per second. The Company's growing product line includes ROADM switch components, AWG products, VOAs and VMUX products that combine AWG and VOA functions into one product. The Company also earns revenues from engineering and design services, generally for products on the Company's roadmap and retaining any IP developed under such contracts. In addition, in April 2012, Sunblence began producing optical splitter chips for the Chinese market.

Enablence's PLC optical chip technology enables the integration of sub-components (such as waveguides, photodetectors, lasers and transimpedance amplifiers) onto one platform, which forms a photonic integrated circuit ("PIC") chip. The Company's core technology is portable to many markets that require filtering technology to separate and multiplex various optical signals. The chip-based integration capabilities of the Enablence platform technology makes it also suitable for an array of applications outside of telecommunications, including biomedical and aerospace applications, instrumentation, data centres and sensor systems.

Sunblence - Our Chinese Joint Venture

The Company's joint venture in Sunblence Technologies Co. Ltd, based in Foshan, China, is well capitalized and Sunblence management expects to capture future demand created by the rollout of broadband services that has been mandated by the Chinese government. Enablence owns a 49% interest in Sunblence in partnership with SUNSEA Telecommunications Co. Ltd., which holds a 51% interest.

The Company continues to support the efforts of its Sunblence joint venture, which positions Enablence to capitalize on the significant opportunities presented by the Chinese market for optical splitter components required for high-speed telecommunications equipment.

Enablence is pleased to report that Sunblence has developed 1x4, 1x8, and 1x16 splitters. It is currently working on ramping up the capacity for these products and maintaining yield rates in the mass production phase. It is also working with Enablence closely to further develop higher channel count products, such as 1x32 and 1x64. To expand its product portfolio, the decision has been taken to transfer V-MUX production to Sunblence, currently carried on in Enablence's Fremont facility. The transfer schedule will be determined according to the market demand of the VMUX product.

As Enablence adds to its product portfolio, it anticipates that Sunblence may become a contract manufacturer for some of its products which it should be able to make at lower costs than at the Company's manufacturing facility in Fremont. The joint venture will be required to incur capital costs to produce such products and no decision has yet been made by the Sunblence board of directors to do so because all efforts have been to improve the splitter production in quality and yields to position Sunblence to take advantage of the splitter market when it responds to the Chinese government initiatives.

For the quarter ended September 30, 2013, Enablence has included financial results from Sunblence using the proportional consolidation method, whereby 49% of the assets and liabilities and revenues and expenses (excluding any unrealized intercompany transactions) of Sunblence are included in Enablence's consolidated results.

RESULTS OF OPERATIONS

Summary of Unaudited Quarterly Results

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ending December 31, 2011 and subsequent quarters has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the unaudited consolidated financial statements for the fiscal period ended September 30, 2013. All necessary adjustments, consisting of reclassifying the results of the Systems business and Enablence Switzerland AG ("ENA Switzerland") to discontinued operations and other normal recurring adjustments necessary for a fair presentation of information presented, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above-noted consolidated financial statements. The results of operations for ENA Switzerland within discontinued operations, up to the date of its divestiture in November 2012, is included in the quarter ended December 31, 2012.

	31-Dec 2011	31-Mar 2012	30-Jun 2012	30-Sep 2012	31-Dec 2012	31-Mar 2013	30-Jun 2013	30-Sep 2013
Revenue	$ 2,947	$ 2,132	$ 3,336	$ 2,197	$ 2,285	$ 1,838	$ 1,559	$ 1,356
Gross Margin	(13)	(348)	384	440	(1,232)	195	(106)	(746)
GM %	(0.4%)	(16.3%)	11.5%	20.0%	(53.9%)	10.6%	(6.8%)	(55.0%)
Expenses								
Research & development	1,280	1,284	1,307	1,289	937	1,056	1,024	942
Sales & marketing	184	240	193	160	135	134	144	141
General & administration	945	1,103	1,161	1,126	1,131	818	2,003	923
Stock-based compensation	169	149	(303)	116	112	231	53	123
Amortization	148	168	249	250	341	223	(161)	216
Restructuring	-	-	493	-	-	-	(352)	
Expenses	2,726	2,944	3,100	2,941	2,656	2,462	2,711	2,345
Operating loss	(2,739)	(3,292)	(2,716)	(2,501)	(3,888)	(2,267)	(2,817)	(3,091)
Other expense	(245)	(253)	(267)	(556)	(368)	(272)	(901)	(276)
Impairment of goodwill/intangibles	-	(5,697)	-	-	-	-	(121)	
(Loss) gain on disposal of equipment	-	-	2,482	-	45	-	(107)	
Foreign exchange (loss) gain	329	175	(179)	531	(52)	(290)	(443)	26
Gain on debt settlement							-	399
Recovery of future income taxes	124	86	1,455	-	-	-	-	
Income (loss) from continuing operations	(2,531)	(8,981)	775	(2,526)	(4,263)	(2,829)	(4,389)	(2,942)
Income (loss) from discontinued operations	(516)	10,422	285	(1,604)	106	-	(53)	
Net income (loss)	(3,047)	1,441	1,060	(4,130)	(4,157)	(2,829)	(4,442)	(2,942)
Weighted average shares outstanding	23,327	23,327	23,327	23,327	28,578	42,275	53,413	77,252
Basic and diluted income (loss) per share								
Continuing operations	($0.11)	($0.38)	$0.03	($0.11)	($0.15)	($0.07)	($0.08)	($0.04)
Discontinued operations	($0.02)	$0.45	$0.01	($0.07)	$0.00	$0.00	($0.00)	$0.00

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2012

The results from Enablence's Systems segment and its photodiode components business, ENA Switzerland, have been reported as discontinued operations. The Systems segment was divested during the year ended June 30, 2012 and ENA Switzerland was divested on November 19, 2012. Additional information is provided later in this MD&A.

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three months ended September 30, 2013 and 2012.

	Three months ended September 30, 2013	Three months ended September 30, 2012	Increase (decrease)
Revenues	**$ 1,356**	$ 2,197	$ (841)
Cost of revenues	**2,102**	1,757	345
Gross margin	**(746)**	440	(1,186)
	(55.0%)	*20.0%*	
Operating expenses:			
Research and development	**942**	1,289	(347)
Sales and marketing	**141**	160	(19)
General and administrative	**923**	1,126	(203)
Stock based compensation	**123**	116	7
Depreciation and amortization	**216**	250	(34)
Total operating expenses	**2,345**	2,941	(596)
			-
Operating loss	**(3,091)**	(2,501)	(590)
Other income (expenses):			
Finance and other income	**2**	-	2
Finance expense	**(278)**	(556)	278
Foreign exchange loss	**26**	531	(505)
Gain on debt settlement	**399**	-	399
Loss before income taxes	**(2,942)**	(2,526)	(416)
Deferred income tax recovery	**-**	-	-
Net loss from continuing operations	**(2,942)**	(2,526)	(416)
Net (loss) income from discontinued operations	**-**	(1,604)	1,604
Net loss	**(2,942)**	(4,130)	1,188
Other comprehensive (loss) income (net of tax):			
Foreign currency translaction (loss) gain	**87**	(525)	612
Comprehensive loss	**$ (2,855)**	$ (4,655)	$ 1,800

Enablence converts foreign currency-denominated transactions related to the statement of income (loss) at the average exchange rates 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 reported results for each fiscal period. The average exchange rate for the three months ended September 30, 2013 in terms of the Canadian dollar equivalent of US$1 was CDN$1.04 and CDN $0.99 for the same quarter of the prior year.

REVENUES

Revenue for the quarter ended September 30, 2013 was $1,356 as compared to $2,197 for the prior year's same quarter, a decrease of 38% or $841. The decrease was a result of a combination of competitive pressures and soft demand for certain products.

In spite of this decrease in revenue, the Company expects that with its improved financial situation, as a result of the September 2013 financing and debt settlement, revenue will start to increase with the introduction of new 40G and 100G products.

During the three months ended September 30, 2013, three customers accounted for 61% of the Company's total revenue (22%, 21% and 18% respectively) and for the same period of the prior year two customers accounted for 52% (31% and 21% respectively) of the Company's total revenue.

The geographic split of revenue (based on ship-to location of the customer) is as follows:

	Three months ended			
	September 30, 2013		September 30, 2012	
Americas	**$**	**698**	$	544
Asia Pacific		**185**	$	899
Europe, Middle East and Africa		**473**		754
	$	**1,356**	$	2,197

GROSS MARGIN

The Company's cost of revenues is comprised of a number of elements, some of which vary directly with the level of revenues, such as material costs and the cost of products manufactured by third parties, and some of which do not vary significantly with the level of revenues, including many overhead costs such as compensation of operations staff, amortization and facilities costs.

Gross Margin for the quarter ended September 30, 2013 was (55.0%) as compared to 20.0% for the same quarter of the prior year. The reduction in the Gross Margin percentage is the result of a combination of lower revenue in the current year, the impact of fixed costs, as well as additional costs associated with certain TOSA/ROSA work performed in the current year's quarter.

OPERATING EXPENSES

R&D expenses for the quarter ended September 30, 2013 was $942 as compared to $1,289 for the same quarter of the prior year. This reduction was a result of a reduced number of employees in the current year as well as a portion of costs being allocated to cost of revenues in support of production activities.

Sales & Marketing expenses for the quarter ended September 30, 2013 was $141 as compared to $160 for the same quarter of the prior year. The decrease was due to the reduction in costs associated with the corporate marketing function commencing in fiscal 2012.

General & Administration expenses for the quarter ended September 30, 2013 was $923 as compared to $1,126 for the same quarter of the prior year. This decrease is mainly related to lower expenses in the Sunblence JV.

Stock-based compensation for the quarter ended September 30, 2013 was $123 as compared to $116 for the same quarter of the prior year. The increase primarily related to the expense associated with the new options granted in March 2013.

Amortization for the quarter ended September 30, 2013 decreased as compared to prior year mainly due to a lower asset base for amortization.

FINANCE EXPENSE

Interest expense for the quarter ended September 30, 2013 was $278 as compared to $556 for the same quarter of the prior year. Interest expense primarily relates to Notes Payable and this decrease is as a result of the settlement of a significant amount of the Notes Payable in the current quarter.

The Company's interest expense is a function of the balance of debt, applicable interest rates, and the average foreign exchange rate between the underlying currency of the debt security and the U.S. dollar. The table below sets out the Notes Payable balances outstanding at the end of each year:

		September 30, 2013	June 30, 2013
Bank Loan 1	(a)	**$ 1,112**	$ 1,313
Bank Loan 2	(b)	**1,564**	1,797
Bridge Loan	(c)	**-**	1,000
Secured Notes	(d)	**-**	11,633
		2,676	15,743
Less current portion		**1,105**	13,927
Long term portion		**$ 1,571**	$ 1,816

(a) On July 16, 2010, a secured note payable, with a principal of $1,879 at the time of redemption, was repaid from the proceeds of a new $5,000 secured note. The new secured note of $5,000 had a maturity date of July 20, 2013. The interest rate at September 30, 2013 was 5.50% (September 30, 2012 – 4.75%). The note was repayable as interest only for the first six months, then monthly payments of $181 per month for interest and principal thereafter. In December 2012, the maturity date of the bank loan was extended to December 2015, resulting in monthly payments of principal and interest being reduced to $52. The note is secured by the assets of Enablence USA Components Inc. and is subject to certain financial performance and asset coverage covenants of the subsidiary. The Company was in breach of certain of these covenants during the year ended June 30, 2013. Subsequent to the financing received in September 2013 (See Note 7), the Company was in compliance with these covenants.

(b) On May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of $3,500, secured by $1,200 of cash on deposit and a lien on the shares in the Company's investment in Sunblence. The note has a maturity date of April 20, 2016 and an interest rate of 5.50% at September 30, 2013 (September 30, 2012 – 5.50%). The note was repayable as interest only for the first twelve months, then monthly payments of $82 per month for interest and principal thereafter. As partial consideration for the loan, the

Company issued to the bank warrants to purchase up to 400,000 pre-consolidated common shares of Enablence, at an exercise price of Cdn$0.22 per share, which expired on April 9, 2013. The warrants were valued at $42 and recorded as a non-cash issuance cost. The fair value was determined using the Black-Scholes model. During the prior year's quarter ended September 30, 2012, $1,200 of cash was used to partially pay down the loan.

(c) In July 2012, the Company obtained a $3,000 bridge loan from a U.S. Bank ("Bridge Loan"), to fund Enablence's operations through October 2012. The Bridge Loan, which was guaranteed by a third party, was secured by the proceeds from the sale of ENA Switzerland, and the assets of the Company. On November 20, 2012, following the sale of ENA Switzerland, the Company repaid $2,000 on the Bridge Loan. In conjunction with the Bridge Loan, the Company previously entered into a priorities and standstill agreement with the holders of the Secured Notes (defined below), which are subordinated notes. This agreement provided the Bridge Loan lender with senior security to the Secured Notes as well as certain restrictions on the Secured Notes holders from initiating enforcement action against the Company. This agreement was intended to provide the Company the time it needed to complete the negotiation and documentation of amendments to the Company's loan obligations. The Bridge Loan was paid in full in September 2013.

(d) Subordinated notes, with a principal amount of $10,000, were secured by a subordinated lien on the Company's North American assets. The notes had a maturity date of June 23, 2012 and an interest rate of 5%. The interest rate increased to 12% as a result of payments being in default, effective for the period from July 1, 2012 to the final settlement subsequent to June 30, 2013. On July 1, 2012, the Company entered into a standstill agreement with the holders of the Secured Notes to negotiate revised terms for the notes. In September 2013, as part of the equity financing described in "Significant Events during the Quarter Ended September 30, 2013" above, the notes were settled in full.

FOREIGN EXCHANGE GAIN (LOSS)

Foreign exchange gains and losses include realized and unrealized gains and losses on foreign exchange, including those that arise as a result of converting assets and liabilities denominated in currencies other than the functional currency of the entity into the functional currency of the entity at the balance sheet date and realized gains or losses arising from the settlement of these balances during the period.

During the fiscal quarter ended September 30, 2013 the Company recorded a foreign exchange gain of $26 as compared to a gain of $531 for the same quarter of the prior year. This was primarily as a result of the effect of the fluctuation in the $CDN/$US exchange rate, including the foreign exchange effects in the current fiscal quarter of the September 2013 equity and debt transactions.

GAIN ON DEBT SETTLEMENT

On September 9, 2013 the Company completed the final settlement of the secured subordinated promissory notes payable of $11,725 in exchange for total cash payments of $3,861 and the issuance of 19,865 common shares of Enablence at a deemed price of $0.20, with a four month restricted period, all of which resulted in a gain on debt settlement of $399 for the three months ended September 30, 2013. The issuance of the shares was accounted for on a fair value basis, in accordance with IFRS. The fair value of the issued shares was based on the closing market price at the settlement date of the transaction, adjusted for a discount of 10%, resulting in a price of $0.372. In addition there were 180 common shares of Enablence issued to the noteholders as reimbursement for related legal fees which was also recorded at the same fair value price of $0.372. The discount was based on management's estimate of the impact of the four month trading restriction. See above section "Significant Events during the Quarter Ended September 30, 2013"

INCOME TAXES

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

NET LOSS FROM CONTINUING OPERATIONS

Net loss from continuing operations excludes the results from discontinued operations which includes the Systems business and ENA Switzerland. The net loss from continuing operations for the quarter ended September 30, 2013 was $2,942 as compared to $2,526 for the same period of the prior year. This increase in net loss was primarily due to the lower revenue and gross margin, losses incurred on the settlement of debt and the reduced foreign exchange gain, partially offset by lower research and development and general and administrative expenses, as well as lower interest expense.

LOSS FROM DISCONTINUED OPERATIONS

The loss from discontinued operations for the prior year's quarter ended September 30, 2012 represents the financial results from the Company's Systems segment and ENA Switzerland. There is no gain or loss from discontinued operations for the current year's quarter ended September 30, 2013. The summary of operating results from discontinued operations are as follows:

	Quarter ended	
	September 30, 2013	September 30, 2012
Revenue		$ 759
Cost of revenue		377
Gross margin	-	382
Operating expenses:		
Research and development		144
Sales and marketing		58
General and administrative		54
Stock-based compensation		
Amortization		21
Restructuring recovery		
Operating expenses	-	277
Operating income (loss)	-	105
Interest income		1
Interest expense		(4)
Property, plant and equipment impairment loss		(1,676)
Foreign exchange (loss) gain		(30)
(Loss) gain before income taxes	-	(1,604)
Income tax (expense) recovery		
(Loss) gain from discontinued operations	**$** -	$ (1,604)

Net loss from discontinued operations for the prior year's quarter ended September 30, 2012 was $1,604 which primarily related to the sale of ENA Switzerland. As at December 31, 2012, Enablence sold or wound down all of its operations in the Systems segment. The Company continues to manage through remaining liabilities in the Systems U.S.-based entities, and as a result as reflected in discontinued operations.

As a result of the sale of ENA Switzerland on November 19, 2012, the Company determined that there was an impairment of net assets within discontinued operations relating to ENA Switzerland, and as a result an impairment charge of $1,676 was recorded during the quarter ended September 30, 2012. The impairment loss is included in the Net loss from discontinued operations on the Statement of Comprehensive loss.

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,	
	2013	**2012**
Basic and diluted loss per common share:		
From continuing operations	$(0.04)	$(0.11)
From discontinued operations	$0.00	$(0.07)
Weighted Average Number of Common Shares	77,252	23,327

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

OUTLOOK

China has announced a multi-billion dollar, multi-year investment in a national broadband strategy. Enablence, through Sunblence, our joint venture, will have direct access to this market. The Company's advanced current and next-generation PLC-based hybrid solutions are among the industry's most cost effective and highly integrated products available. As such, the Company is optimistic about its future prospects. Despite this promising longer term outlook, the near-term prospects of the Company continue to be negatively impacted by soft industry demand and lower than expected revenues from our Fremont operations. Steps will continue to be taken to return to profitability. This includes pursuits to increase customers' confidence regarding Enablence's financial condition with the previously completed financing and debt to equity conversion, and participation in an expected broader market recovery.

In the meantime, Sunblence has been ramping its splitter products to full production, most of which will be purchased by its majority partner, Sunsea. The Company expects this state-of-the-art production facility to reach its full potential in calendar 2014. The Company anticipates it will be able to transfer the production of other products currently manufactured in Fremont to Sunblence when the splitter manufacturing achieves full production.

The Company continues to invest in its 40G and 100G TOSA/ROSA product portfolio. It is anticipated there will increased demand for these products in 2014. TOSA/ROSA for 4x10G, 4x25G and 8x25G configurations are expected to be available in the coming quarters. The Company has received commercial quantity Purchase Orders for 8x10G and 10x10G TOSA/ROSA from a Global Tier 1 system vendor and a 100G transceiver module maker. The Company continues to focus on ramping up its volume production capabilities at its Fremont location and expects to make further investments in its production capabilities in fiscal 2014.

For traditional Mux/Demux and switch/VOA products, Company sees more demand on higher channel count and more integrated modules, such as 96 channel Mux/Demux and VMUX devices, 2-in-1 Mux/Demux with PD arrays, and small, agile multicast switch products from 4x4 to 8x16 configurations.

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, debt service and organic growth requirements. Enablence secured new equity investments during three months ended September 30, 2013, and has existing bank facilities, both of which assist in funding ongoing operations. The Company settled debt, as stated in the Finance Expense section above, which included $11,725 of Subordinated Notes and the $1 million Bridge Loan settled in September 2013.

Enablence has not generated positive cash flow from operations since its inception, and has relied on cash from the issuance of shares and debt to fund its operations. The table below sets out the cash, cash equivalents, short-term investments and working capital at September 30, 2013 and June 30, 2013.

	Sept 30, 2013	June 30, 2012
Cash and Cash Equivalents:		
Continuing operations	6,765	567
Restricted cash	5	21
Cash in joint venture (note 1)	258	350
	7,028	938
Discontinued operations	-	-
Working Capital:		
Continuing operations	8,329	(10,855)
Discontinued operations	(555)	(555)

Note 1 – represents 49% of the cash in the Sunbence joint venture. There are no restrictions for Sunblence using the cash, however there are restrictions for the cash to be sent outside of China, so this cash is identified separately.

The working capital position from continuing operations at September 30, 2013 increased to $8,329 the working capital deficiency of $10,855 at June 30, 2013. The increase was mainly due to the equity financing and debt settlement transactions in September 2013 (see Significant Events during the Quarter Ended September 30, 2013 above). Also other contributing factors included a reduction in Accounts payable and Accrued liabilities as the Company paid off certain overdue debts after receiving the financing, collections of certain trade receivables, as well as an increase in Prepaid expenses and Deposits relating to material and equipment deposits.

The chart below highlights the Company's cash flows during the quarters ended September 30, 2013 and 2012.

	Three months ended September 30, 2013	Three months ended September 30, 2012
Cash provided by (used in)		
Operating activities		
Continuing operations	**(2,934)**	(3,366)
Discontinued operations	**-**	211
Investing activities		
Purchase of property, plant and equipment	**(33)**	(126)
Other	**-**	-
Continuing operations	**(33)**	(126)
Financing activities		
Net proceeds from issuance of shares	**14,081**	-
Payments on notes payable	**(5,295)**	1,371
Continuing operations	**8,786**	1,371
Effect of foreign currency translation	**271**	8
Net change in cash and cash equivalents	**6,090**	(1,902)

At September 30, 2013, the Company had cash available of $6,765 (not including $5 of restricted cash and $258 held in Sunblence). The Company consumed $2,934 in continuing operating activities during the quarter ended September 30, 2013 (excluding discontinued operations) due mainly to the low revenue level and losses from operations. The Company has sustained significant losses since its inception, and expects to incur losses in its next quarters. The Company's ability to reach profitability is dependent on successful implementation of the following: introduction of new products, growth and profitability of Sunblence, additional financing. There can be no assurance that Enablence will gain adequate market acceptance for its new products or the products of Sunblence, or be able to generate sufficient gross margins to reach profitability.

Equity Financing
On September 9, 2013, the Company completed a $14,325 financing transaction (the "Financing Transaction") and retired all of the remaining secured subordinated promissory notes in conjunction with the financing. For further details see above "Significant Events During the Quarter Ended September 30, 2013".

CAPITAL RESOURCES

Enablence finances its operations through the issuance of common shares and debt. The Company may also 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 volatile economic conditions that are difficult to predict.

As stated above (see "Significant Events During the Quarter Ended September 30, 2013"), the Company completed new financing and the settlement of certain debts in September 2013. This balance sheet restructuring and related funding helped to position Enablence to address the increased demand it is experiencing in its 100G/s components business and to focus on its customer needs and future growth opportunities.

Enablence is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are 157,516 common shares issued and outstanding as of November 29, 2013 and no preferred shares issued and outstanding. The common shares of Enablence trade on the TSX Venture Exchange under the symbol "ENA" or "ENA.V".

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

	Carrying value	To September 30, 2014	To September 30, 2015	To September 30, 2016	Total
Accounts payable and accrued liabilities	$ 3,911	$ 3,911	$ -	$ -	$ 3,911
Secured notes payable	2,676	1,236	1,141	497	2,874
Total	$ 6,587	$ 5,147	$ 1,141	$ 497	$ 6,785

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars and Chinese renminbi, primarily through Sunblence. 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.

MANAGEMENT AND BOARD OF DIRECTORS

In September 2013, as a result of the refinancing and restructuring of the Company, as previously described above, the board of directors of the Company was restructured to provide for the appointment of two directors nominated by the new investors: Mr. Zhiyin Gao and Mr. Tao Zhang. In order to provide for these agreed appointments, Peter Dey and Dan Hilton resigned from the Board effective as of September 10, 2013. In addition, subject to shareholder approval, the board will be expanded to seven directors at the next Company shareholder meeting in December 2013 and the new investors will have three nominees on the Board.

On October 29, 2013, Jacob Sun, the Company's Chief Operating Officer, was appointed Chief Executive Officer, succeeding Louis De Jong. Mr. De Jong continues in his role as a Director of the Company.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended September 30, 2013 the Company did not enter into any material transactions with related parties outside of those noted elsewhere in the MD&A.

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 MD&A filed on October 29, 2013 and available at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the accompanying financial statements relate to the allowance for doubtful accounts, inventory provisions and valuation, asset impairments, accruals and provisions, unearned revenue, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, deferred income taxes, the carrying values of intangible assets and goodwill. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

<u>Investments in Associates and Joint Ventures</u>
In May 2011, the IASB issued amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which are effective for interim and annual periods commencing January 1, 2013. These amendments require any retained portion of an investment in an associate or joint venture that has not been classified as held-for-sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendments require for it to be continued to be accounted for under the equity method. The amendments also disallow the re-measurement of any retained interest in an investment upon the cessation of significant influence or joint control. The Company expects that Sunblence will be accounted for using the equity method for its fiscal year ended June 30, 2014.

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.

GLOSSARY OF TERMS

AIF	Annual information form, filed with SEDAR
AWG	Arrayed waveguide grating, an optical component
CDN	Canadian dollars
China JV	Sunbence, the Company's joint venture operating in China
COGS	Cost of revenues, netted in gross margin
Company	Enablence Technologies Inc., referring either to Enablence and its subsidiaries and affiliates or else the corporate entity, as the context indicates
Convertible Notes	$3,000 of Convertible Notes issued on November 19, 2008 and bear interest at 5% and at 18% since January 2012 when the Convertible Notes were in default.
CTA	Cumulative translation adjustment, a component of equity under GAAP and IFRS
Enablence	Enablence Technologies Inc., either the consolidated group or the corporate entity, as the context dictates
ENA Switzerland	Enablence Switzerland AG, a wholly-owned subsidiary, located in Zurich, Switzerland, held for disposition in Fiscal 2012 and sold on November 19, 2012.
FTTP	Fibre-to-the-premises
G	Gigabit, 1 million bits of data
GAAP	Generally accepted accounting principles, under which Enablence reports its financial results
G&A	General and administration costs
IFRS	International financial reporting standards
MD&A	This management's discussion and analysis of financial condition and results of operations report, prepared in accordance with regulatory requirements
MSAP	Multi-service access platform, enabling very high-speed voice, data, video and internet communications
NRE	Non-recurring engineering costs, often associate with revenue-producing initiatives undertaken by the Company
PIC	A photonic integrated chip integrates sub-components (such as waveguides, photodetectors, lasers and transimpedance amplifiers) onto one platform
PLC	Planar lightwave circuit technology, including patents owned by the Company
R&D	Research and development costs
RMB	Renminbi, the Chinese currency
ROADM	Re-configurable add/drop multiplexer, an optical subsystem

Subordinated Notes	Subordinated notes, with a principal amount of $10,000, are secured by a subordinated lien on the Company's North American assets ("Secured Notes").
Sunblence	A 49%-owned joint venture operating in China; the 51% partner is Sunsea
Sunsea	SUNSEA Telecommunications Co. Ltd., the 51% partner in Sunblence
Teledata	Teledata Networks Ltd., formerly a wholly-owned subsidiary, sold effective March 31, 2012
TOSA/ROSA	Transmitter and receiver optical subassemblies, optical components
US$	United States dollars, the currency in which Enablence reports its financial results
VMUX	variable multiplexer/de-multiplexer, an optical subsystem comprising a VOA and multiplexer/de-multiplexer
VOA	Variable optical attenuator, an optical component