Interim Condensed Consolidated Financial Statements of

ENABLENCE TECHNOLOGIES INC.

For the three and nine months ended March 31, 2016 and 2015
(in thousands of United States dollars and shares)

(Unaudited)

“Notice to Reader”

The accompanying unaudited condensed financial statements of Enablence Technologies Inc. for the three and nine months ended March 31, 2016 have been prepared by Management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Date: May 18, 2016

_*”Evan Chen”*_______	_”*Tao Zhang*”_______
Evan Chen	Tao Zhang
CEO	CFO

ENABLENCE TECHNOLOGIES INC.

Interim Condensed Consolidated Financial Statements
March 31, 2016 and 2015
(Unaudited)

ENABLENCE TECHNOLOGIES INC.
Condensed Consolidated Balance Sheets
(Unaudited - In thousands of United States dollars)

	March 31, 2016	June 30, 2015
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	**767**	173
Accounts and other receivables (Note 4)	**638**	614
Inventories (Note 5)	**1,121**	1,170
Prepaid expenses and deposits	**501**	321
	3,027	2,278
Property, plant and equipment	**953**	1,918
	3,980	4,196
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,919**	4,133
Current portion of notes payable (Note 6)	**11**	4,630
Deferred revenue	**1,042**	711
	3,972	9,474
Notes payable (Note 6)	**189**	-
Other long-term liabilities	**177**	177
	4,338	9,651
Shareholders' equity (deficiency)		
Share capital (Note 7)	**98,261**	88,652
Contributed surplus	**12,038**	10,586
Accumulated other comprehensive income	**513**	293
Deficit	**(111,170)**	(104,986)
	(358)	(5,455)
	3,980	4,196

GOING CONCERN (Note 2 (i))

See accompanying notes to the unaudited condensed consolidated financial statements

Approved by the Board:

" Louis De Jong" — Director

" John Roland" — Director

ENABLENCE TECHNOLOGIES INC.
Condensed Consolidated Statements of Comprehensive Loss
For the three and nine months ended March 31, 2016 and 2015
(Unaudited - In thousands of United States dollars and shares, except per share data)

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenues	**544**	428	**943**	1,816
Cost of revenues	**791**	1,426	**2,547**	3,996
Gross margin	**(247)**	(998)	**(1,604)**	(2,180)
Operating expenses				
Research and development	**1,177**	716	**2,543**	2,486
Sales and marketing	**1**	53	**2**	253
General and administration	**704**	435	**1,555**	1,474
Stock-based compensation (Note 7)	**71**	129	**150**	491
	1,953	1,333	**4,250**	4,704
Loss from operations	**(2,200)**	(2,331)	**(5,854)**	(6,884)
Other income (expense)				
Finance and other income	**8**	-	**40**	-
Finance expense	**(32)**	(31)	**(226)**	(115)
Loss on sale of equipment	**(127)**	-	**(127)**	-
Foreign exchange gain(loss)	**17**	(21)	**(17)**	(36)
Net loss	**(2,334)**	(2,383)	**(6,184)**	(7,035)
Other comprehensive income, net of tax				
Foreign currency translation gain	**37**	82	**220**	137
Comprehensive loss	**(2,297)**	(2,301)	**(5,964)**	(6,898)
Net loss per share, basic and diluted (Note 8)	**(0.01)**	**(0.01)**	**(0.01)**	(0.04)
Weighted average number of outstanding shares				
Basic and diluted (Note 8)	**469,858**	183,264	**437,410**	171,774

See accompanying notes to the unaudited condensed consolidated financial statements

ENABLENCE TECHNOLOGIES INC.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three and nine months ended March 31, 2016 and 2015
(Unaudited - In thousands of United States dollars and shares)

	Number of shares	Share capital (Note 7)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Equity (deficiency)
		$	$	$	$ Restated (Note 13)	$
Balance at July 1, 2014	164,183	84,906	10,103	103	(94,373)	739
Stock-based compensation (Note 7)	-	-	491	-	-	491
December 12, 2104 private placement	19,080	2,461				2,461
Share issuance costs	-	(168)	-	-	-	(168)
Net loss	-	-	-	-	(7,035)	(7,035)
Exchange differences on translating operations	-	-	-	137	-	137
Balance at March 31, 2015	183,263	87,199	10,594	240	(101,408)	(3,375)
Balance at July 1, 2015	**220,263**	**88,652**	**10,586**	**293**	**(104,986)**	**(5,455)**
Stock-based compensation (Note 7)	-	-	150	-	-	150
Issuance of common shares (Note 7)						
July 6, 2015 private placement	11,000	435	-	-	-	435
September 2015 private placement	16,500	624				624
Fair value of warrants issued (Note 7)		(188)	188			-
Share issuance costs		(23)				(23)
October 5, 2015 private placement (Note 7)	47,470	1,802				1,802
October 5, 2015 conversion of debt to equity	16,030	605				605
October 23, 2015 conversion of debt to equity	70,528	2,810				2,810
November 24, 2015 private placement (Note 7)	36,880	1,455				1,455
December 7, 2015 private placement (Note 7)	1,215	48				48
Fair value of warrants issued (Note 7)		(1,116)	1,116			-
Share issuance costs		(107)				(107)
February 2, 2016 private placement	77,000	3,280				3,280
Share issuance costs		(27)				(27)
Exercise of warrants	200	11	(2)			9
Net loss	-	-	-	-	(6,184)	(6,184)
Exchange differences on translating operations	-	-	-	220	-	220
Balance at March 31, 2016	**497,086**	**98,261**	**12,038**	**513**	**(111,170)**	**(358)**

See accompanying notes to the unaudited condensed consolidated financial statements

ENABLENCE TECHNOLOGIES INC.
Condensed Consolidated Statements of Cash Flows
For the three and nine months ended March 31, 2016 and 2015
(Unaudited - In thousands of United States dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash provided by (used in):				
Operating activities				
Net loss	**(2,334)**	(2,383)	**(6,184)**	(7,035)
Adjusted for the following non-cash items:				
Amortization	**241**	255	**742**	721
Stock-based compensation (Note 7)	**71**	129	**150**	491
Loss on sale of equipment	**127**	-	**127**	-
Unrealized foreign exchange gain(loss)	**21**	-	**(52)**	-
	(1,874)	(1,999)	**(5,217)**	(5,823)
Changes in non-cash working capital (Note 12)	**(611)**	387	**(1,038)**	994
Cash used in operating activities	**(2,485)**	(1,612)	**(6,255)**	(4,829)
Investing activities				
Purchase of property, plant and equipment	**(32)**	(5)	**(85)**	(47)
Cash used in investing activities	**(32)**	(5)	**(85)**	(47)
Financing activities				
Repayment of bank loans	**-**	(186)	**(1,347)**	(1,179)
Repayment of operating line of credit	**-**	-	**(465)**	-
(Repayment of) advances from lending Consortium	**(824)**	-	**419**	-
(Repayment of) advances from bridge and short-term loans	**(188)**	1,032	**182**	2,579
Advances from long-term loans	**189**	-	**189**	-
Net proceeds from issuance of shares/units	**3,262**	-	**7,496**	2,292
Cash provided by financing activities	**2,439**	846	**6,474**	3,692
Effect of foreign currency translation on cash and cash equivalents	**155**	88	**460**	161
Increase (decrease) in cash and cash equivalents	**77**	(683)	**594**	(1,023)
Cash and cash equivalents, beginning of period	**690**	847	**173**	1,187
Cash and cash equivalents, end of period	**767**	164	**767**	164
Supplementary information				
Interest paid	**24**	13	**55**	84

See accompanying notes to the unaudited condensed consolidated financial statements

These unaudited condensed consolidated financial statements should be read in conjunction with Enablence Technologies Inc.'s annual audited financial statements approved by the Company's Board of Directors on October 28, 2015. "Enablence" and the "Company" mean either Enablence Technologies Inc. and its subsidiaries and joint venture collectively or the entity Enablence Technologies Inc., as the context dictates. Amounts reported are in thousands of U.S. dollars, except where noted.

1. DESCRIPTION OF BUSINESS

Enablence Technologies Inc. ("Enablence" or the "Company") is incorporated under the Canada Business Corporations Act. The head office of Enablence is located at 390 March Road, Suite 119, Ottawa, Ontario, K2K 0G7, Canada. Enablence is a publicly traded company listed on the TSX Venture Exchange (TSXV - ENA). The Company designs, manufactures and sells optical components and subsystems for access, metro and long-haul markets to a global customer base. The Company's product lines address all three segments of optical networks: access, connecting homes and businesses to the network; metro, communication rings within large cities; and long-haul, linking cities, countries and continents.

2. BASIS OF PRESENTATION

(i) Going Concern

These Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis. This assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2016, the Company had cash of $767, negative working capital of $945 and had used cash of $6,255 in its operating activities for the nine months ended March 31, 2016. The Company incurred a comprehensive loss of $5,964 for the nine months ended March 31, 2016 and as of that date had an accumulated deficit of $111,170.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow and the ability to execute its business plan, including funding operating losses, and obtaining additional sources of financing. During the nine months ended March 31, 2016, the Company completed private placements for $7,644 (not including conversion of debt to equity). In addition, during the nine months ended March 31, 2016 and subsequent to the quarter end, the Company was successful in securing additional long-term loans. See Notes Payable Note 6(d) and Subsequent Events Note 14 for further detail.

If the going concern assumption was not appropriate for these financial statements, significant adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications would result. These adjustments would be material.

2. BASIS OF PRESENTATION (continued)

(ii) Statement of compliance

These Condensed Consolidated Financial Statements were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 – Interim Financial Reporting, and were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 3 Significant Accounting Policies, in our audited consolidated financial statements for the year ended June 30, 2015. These condensed consolidated financial statements do not include all of the notes required in annual financial statements.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors on May 18, 2016.

(iii) Use of estimates and judgements

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 impairment of intangible assets and the joint venture, allowance for doubtful accounts, valuation of debt and equity instruments, inventory provisions and valuation, asset impairments, and certain accruals and provisions. Actual results could differ from these estimates.

Significant judgements in the accompanying financial statements relate to the functional currency determinations, recognition of deferred tax assets and determination of cash generating units (CGU").

(iv) Accounting policy changes:

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended June 30, 2015. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2015.

(v) New and Revised IFRS issued but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not been adopted by the Company.

2. BASIS OF PRESENTATION (continued)

IFRS 9 - Financial Instruments (IFRS 9)

IFRS 9, was issued by the IASB on July 24, 2014 and will replace IAS 39, *Financial Instruments*: Recognition and Measurement (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 11 - Joint Arrangements (IFRS 11)

IFRS 11, was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers (IFRS 15)

IFRS 15, was issued by the IASB on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard. It is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IAS 1 - Presentation of Financial Statements (IAS 1)

IAS1, was amended by the IASB on December 18, 2014. The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning or after January 1, 2016. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

(In thousands of United States dollars and shares)

3. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance includes guaranteed investment certificates and restricted cash. Restricted cash represents cash that has been provided as security against guarantees or is otherwise not currently available for use.

	March 31, 2016	June 30, 2015
Cash	$ 763	$ 169
Restricted Cash	4	4
Total Cash and cash equivalents	$ 767	$ 173

4. ACCOUNTS RECEIVABLE

	March 31, 2016	June 30, 2015
Trade	$ 533	$ 570
Allowance for doubtful accounts	(26)	(26)
	507	544
Other	131	70
Total accounts receivable	$ 638	$ 614

5. INVENTORIES

	March 31, 2016	June 30, 2015
Raw materials	$ 322	$ 475
Work-in-progress	540	737
Finished goods	435	9
Allowance for obsolescence	(176)	(51)
Total Inventory	$ 1,121	$ 1,170

During the quarter ended March 31, 2016, management performed a review of inventory for obsolescence. As a result of the review, $50 of obsolete inventory was written off or provided for during the quarter (2015 - $355) bringing the total reserve to $176 (2015 - $62).

(In thousands of United States dollars and shares)

6. NOTES PAYABLE

		March 31, 2016	June 30, 2015
Loan payable to Lending Consortium	(a)	$ -	$ -
Secured Note 1	(a)	-	505
Secured Note 2	(a)	-	836
Line of credit	(a)	-	465
Bridge Loan	(b)	11	416
Promisory Note/Short-term Loans	(c)	-	2,408
Loan from Export Development Canada	(d)	189	-
		$ 200	$ 4,630
Less current portion		11	4,630
Long term portion		$ 189	$ -

(a) On August 21, 2015, the Company's existing secured bank debt provided by a bank in the United States (see the table above: Secured Note 1 and 2 and Line of Credit) was acquired by a lending group in Canada (the "Consortium"), made up of certain minority shareholders of the Company, secured against the assets of the Company in Canada and the United States. The total amount owing to the Consortium at August 21, 2015 was $1,638. This was comprised of the outstanding secured bank debt at that time of $1,468, plus additional fees and legal costs of $170 associated with the transaction. Interest on the Consortium debt accrues at the same rate as previously on the bank debt, which is prime rate as published in the Wall Street Journal plus 3.25%. During the three months ended March 31, 2016, the full amount of the loan was repaid. This included $824 of principal and $12 of interest. During the nine months ended March 31, 2016, interest of $37 and final loan principal balance of $1,219 was repaid by the Company to Consortium holders. In addition, $419 of the debt was converted to equity. The Consortium debt included $209 invested by a related party and a company controlled by one of the directors of Enablence, De Jong & Co.

(b) During the quarter ended September 30, 2014, the Company received short-term, non-interest bearing, unsecured bridge loans ("Bridge Loan") in the amount of CAD$720 from certain related and unrelated parties of which CAD$420 was provided by companies controlled by directors of the Company. CAD$200 of the loan was repaid prior to June 30, 2015. During the quarter ended December 31, 2015, CAD$92 of the Bridge loan was converted to equity and CAD$214 of the loan was repaid. CAD$200 was replaced by an interest bearing promissory note. Details of the new promissory note are in in 6 (c) below. No payments were made in the quarter ended March 31, 2016 and a balance of $11 (CAD$14) remains outstanding.

6. NOTES PAYABLE (continued)

(c) During the period from September 2014 through August 2015, certain related and unrelated parties extended short-term, non-interest bearing, unsecured loans to the Company ("Short-Term Loans"), in the amount of $3,103. $39 of the loan was repaid during the three months ended September 30, 2015 and another $70 was repaid during the three months ended December 31, 2015. Also during the quarter ended December 31, 2015, $2,830 of the loans were converted to equity.

The remaining balance was replaced by an interest bearing promissory note of $108 (CAD$150). The total amount of the new promissory note was $253 (CAD$350). The loan had a maturity date of May 1, 2016 and seven monthly payments of principal only CAD$50 starting November 1, 2015. Interest was calculated monthly at a rate of 10% on the remaining principal balance. Interest was not due or payable until the earlier of an event of default and the final payment of principal on or before May 1, 2016. During the quarter ended December 31, 2015, principal payments of CAD$100 were made. During the three months ended March 31, 2016 the loan was fully repaid with principal payments during the quarter of CAD$250 and interest of CAD$14.

(d) On March 3, 2016, the Company closed a secured term loan facility with Export Development Canada ("EDC") of up to $3 million. The loan facility is designed to finance up to 85% of the value of purchase orders from a major telecommunications equipment provider. The loan facility is available in the form of a term loan for a period of 18 months from the date of draw. Repayment of principal is to commence 18 months after the first draw on the loan. Principal then is to be repaid in 17 equal monthly instalments. Interest is payable monthly at the rate of prime plus 10% resulting in a rate of 12.7% at March 31, 2016. The loan facility is secured against all of the assets of the Company and is guaranteed by the Company's subsidiaries.

The first draw was made on March 24, 2016 for $189 or CAD$246.

7. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. At March 31, 2016, there are 497,086 common shares and no preferred shares outstanding.

On February 2, 2016, the Company completed a non-brokered private placement with ZTE Corporation for 77,000 common shares at a price of CDN$0.06 per share amounting to gross proceeds of $3,280 (CDN$4,620). The securities are subject to a four month hold period which expires on June 3, 2016 (see Related Party note).

On November 12, 2015, the Company announced a non-brokered private placement for up to CDN$2,000 at a price of CDN$0.0525 per unit. Each unit was comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable for a period of eighteen months at an exercise price of $0.07 per warrant. The financing was completed in two parts. The first part closed on November 24, 2015 for gross proceeds of $1,455 (CDN$1,936) from the issuance of 36,880 shares and 18,440 warrants. The shares and

7. SHARE CAPITAL (continued)

warrants are subject to a four month hold period expiring on March 25, 2016. The remainder of the financing closed on December 7, 2015 for gross proceeds of $48 (CDN$64) from the issuance of 1,215 shares and 608 warrants. The shares and warrants were subject to a four month hold period which expired on April 5, 2016.

On September 15, 2015, the Company announced a proposed conversion of up to CAD$3,000 of existing debt arrangements into units at a price of $0.0525 per unit, with each unit comprised of one common share and one half warrant. Each full warrant was exercisable for a period of 18 months at an exercise price of $0.07 per warrant. Additionally, the Company proposed to convert up to CAD$1,000 of existing debt arrangements, with certain insiders of the Company, for shares at a price of $0.0525 per share. Such Insiders would not receive warrants as part of this conversion. The proposed conversion was completed on October 23, 2015 with the conversion of $2,810 of debt and the issuance of 70,528 shares and 25,740 warrants. The securities are subject to a four month hold period which expired on February 24, 2016.

On August 21, 2015 the Company announced an overall financing and debt conversion package (the “Financing”) of up to CDN$10,000. The Financing includes three components, the first of which is a non-brokered private placement financing (the “Equity Financing”) for a minimum of CDN$4,000 at a price of $0.05 CDN per unit (“Unit), which was completed on October 5, 2015 (see details below). The second component of the Financing, which is conditional, is the provision of a loan facility for up to CDN$3,000 (the “Loan Facility”) by a senior, investment grade lender. Enablence has received a “Non-Binding Indication” letter from the prospective lender. The Loan Facility is subject to a number of closing conditions including the completion of the Equity Financing for a minimum CDN$4,000. The Loan Facility is designed to finance purchase orders from ZTE Corporation to Enablence and is to be in the form of a term loan with principal repayment commencing 18 months after funds are drawn. The Loan Facility would be secured against the assets of the Company with first ranking priority.

The third component is, as part of the Financing, certain existing non-secured debt arrangements (not to exceed CDN$3,000) may be required to be converted into equity.

In order to meet a condition of the new senior, secured lender, Enablence will use proceeds from the Financing to repay its existing senior secured debt. This existing secured bank debt was acquired by a lending group (“Consortium”) in Canada in August 2015, secured against the assets of the Company in Canada and the United States, to replace the existing secured facility with a bank in the United States.

The total amount owing to the Consortium at August 21, 2015, as a result of its acquisition of the Company’s bank debt, was $1,638. This is comprised of the bank debt outstanding just prior to August 21, 2015 of $1,468 (see note 6), plus additional fees and legal costs of $170 associated with the transaction. Interest on the Consortium debt accrues at the same rate as previously on the bank debt, which is prime rate as published in the Wall Street Journal plus 3.25%. The Consortium debt includes $209 invested by a related party and a company controlled by one of the directors of Enablence, De Jong & Co. The final portion of the Consortium debt was fully repaid in February 2016

7. SHARE CAPITAL (continued)

The CDN$4,000 Equity Financing was completed in three tranches: The first tranche of the financing closed on September 14, 2015 for $159 (CDN$210) with the sale of 4,200 units resulting in the issuance of 4,200 shares and 2,100 warrants. The second tranche of the financing closed on September 18, 2015 for $465 (CDN$615) with the sale of 12,300 units resulting in the issuance of 12,300 shares and 6,150 warrants. The third and final tranche closed on October 5, 2015 for $2,407 (CDN$3,175) with the sale of 63,500 units resulting in the issuance of 63,500 shares and 31,750 warrants. The shares and warrants were subject to a four-month holding period.

In June 2015, the Company initiated a non-brokered private placement for up to CDN$2,000 at a price of CDN$0.05 per unit. Each unit was comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable for a period of eighteen months at an exercise price of $0.06 per warrant. The first tranche of the financing closed on June 26, 2015 for CDN$350 with the sale of 7,000 units resulting in the issuance of 7,000 shares and 3,500 warrants. The shares and warrants are subject to a four-month holding which expired on October 27, 2015. The second tranche of this financing closed on July 6, 2015 for $435 (CDN$550) with the sale of 11,000 units resulting in the issuance of 11,000 shares and 5,500 warrants. The shares and warrants are subject to a four-month holding which expired on November 7, 2015.

In April 2015, the Company completed a non-brokered private placement for CDN$1,500 at a price of CDN$0.05 per unit. Each unit was comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable for a period of eighteen months at an exercise price of $0.06 per warrant. The financing was completed in two parts. The first part closed on April 2, 2015 for gross proceeds of CDN$1,150 from the issuance of 23,000 shares and 11,500 warrants. The shares and warrants were subject to a four month hold period which expired on August 3, 2015. The remainder of the financing closed on April 10, 2015 for gross proceeds of CDN$350 from the issuance of 7,000 shares and 3,500 warrants. The shares and warrants were subject to a four month hold period which expired on August 11, 2015. De Jong & Co Inc., controlled by Louis De Jong, and John Roland, each purchased 5,000 of these Units. Each is an insider and considered a related party.

In June 2014, the Company initiated a non-brokered private placement for up to 66,667 shares at a price of CDN$0.15 for gross proceeds of CDN$10,000, to be subscribed for in tranches by new strategic shareholders as well as certain existing shareholders of the Company. The first tranche of the financing closed on June 26, 2014 with the sale of 6,667 shares for gross proceeds of $937 and net proceeds of $924 after share issuance costs. The second tranche of the financing closed on December 12, 2014 with the sale of 18,000 shares for gross proceeds of $2,322 and net proceeds of $2,300 after share issuance costs. The shares are subject to a four-month hold period pursuant to applicable securities law. A finder's fee of 6%, namely, 1,080 common shares of the Company, was also paid to an arm's length party, and these shares were also subject to a four month hold period pursuant to applicable securities laws.

(In thousands of United States dollars and shares)

7. SHARE CAPITAL (continued)

Warrants

Each warrant entitles the holder to purchase one common share of the Company. A summary of the warrants outstanding and the changes during the period is presented below:

	Three months ended				Nine months ended			
	March 31, 2016		March 31, 2015		**March 31, 2016**		March 31, 2015	
	Number of warrants	**Weighted average exercise price (Cdn $)**	Number of warrants	Weighted average exercise price (Cdn $)	**Number of warrants**	**Weighted average exercise price (Cdn $)**	Number of warrants	Weighted average exercise price (Cdn $)
Outstanding and exercisable, beginning of period	**108,788**	**$ 0.06**	4,800	$ 0.15	**23,300**	**$ 0.07**	-	$ -
Issued	**-**				**90,288**	**0.06**	4,800	0.15
Exercised	**(200)**	**0.06**			**(200)**	**0.06**		
Expired	**-**	**-**	-	-	**(4,800)**	**0.15**	-	-
Outstanding and exercisable, end of period	**108,588**	**$ 0.06**	4,800	$ 0.15	**108,588**	**$ 0.06**	4,800	$ 0.15

The following table summarizes information for warrants outstanding:

Exercise price per share (CAD$)	Issue date	Expiry date	**March 31, 2016**	March 31, 2015
$0.15	25-Sep-14	25-Sep-15	-	4,800
$0.06	02-Apr-15	02-Oct-16	**11,500**	-
$0.06	10-Apr-15	10-Oct-16	**3,500**	-
$0.06	26-Jun-15	26-Dec-16	**3,500**	-
$0.06	06-Jul-15	06-Jan-17	**5,500**	-
$0.06	14-Sep-15	14-Mar-17	**2,100**	-
$0.06	18-Sep-15	18-Mar-17	**5,950**	-
$0.06	05-Oct-15	05-Apr-17	**31,750**	-
$0.07	23-Oct-15	23-Apr-17	**25,740**	-
$0.07	24-Nov-15	24-May-17	**18,440**	-
$0.07	04-Dec-15	04-Jun-17	**608**	-
			108,588	4,800

Stock option plan

The Company has established a stock option plan available for directors, officers, employees and consultants, and has authorized a stock option pool equal to 10% of the outstanding common shares. At March 31, 2016, the available unused portion of the option pool was a total of 30,456 (2015 – 5,303). The Board of Directors administers the stock option plan.

Options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options generally vest in four equal annual portions starting one year after the date of grant. Options granted to the directors' vest over a two-year period. All options expire on the tenth anniversary of the grant. After termination of employment, unvested options are forfeited immediately and vested options expire 90 days subsequent to termination.

(In thousands of United States dollars and shares)

7. SHARE CAPITAL (continued)

A summary of the Company's stock options and changes during the periods is presented below.

	Three months ended				Nine months ended			
	March 31, 2016		March 31, 2015		**March 31, 2016**		March 31, 2015	
	Number of options	**Weighted average exercise price (Cdn $)**	Number of options	Weighted average exercise price (Cdn $)	**Number of options**	**Weighted average exercise price (Cdn $)**	Number of options	Weighted average exercise price (Cdn $)
Outstanding, beginning of period	10,563	$ 0.34	13,369	$ 0.59	11,404	$ 0.34	14,606	$ 0.63
Issued	8,800	0.09	-	-	8,800	0.09	-	-
Forfeited	(80)	0.16	(307)	0.18	(267)	0.19	(1,379)	0.2
Expired	(30)	0.18	(39)	17.15	(684)	0.38	(204)	8.49
Outstanding, end of period	19,253	$ 0.23	13,023	$ 0.55	19,253	$ 0.23	13,023	$ 0.55
Exercisable, end of period	6,008	$ 0.48	3,786	$ 1.49	6,008	$ 0.48	3,786	$ 1.49

The following table summarizes the options outstanding and exercisable as at March 31, 2016.

Options Outstanding			Options Exercisable
Exercise Price (Cdn $)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable
$ 0.09	8,800	9.9	-
0.15	7,400	8.2	3,138
0.33	2,905	7.0	2,722
7.40	68	0.4	68
10.00	41	1.9	41
12.00	9	4.6	9
16.00	26	1.0	26
23.00	4	2.4	4
$ 0.23	19,253	8.7	6,008

The Company granted 8,800 options during the three and nine months ended March 31, 2016.

The fair value of options granted is determined using the Black-Scholes option pricing model. The following assumptions were used:

(In thousands of United States dollars and shares)

7. SHARE CAPITAL (continued)

	Three and nine months ended March 31, 2016	Three and nine months ended March 31, 2015
Risk-free interest rate	0.51%	n/a
Expected life of options (years)	5	n/a
Expected annualized volatility	117%	n/a
Expected dividend yield	nil	n/a
Weighted average Black-Scholes value of each option	0.07	n/a

Total stock-based compensation expense for the nine months ended March 31, 2016 was $150 (2015 - $491).

8. LOSS PER SHARE

As a result of the net loss in each of the reporting periods, the potential effect of the exercise of stock options, convertible notes and warrants was anti-dilutive. Accordingly, 19,253 potentially dilutive option shares at March 31, 2016 (2015 – 13,023) and 108,588 share warrants (2015 – 4,800) have not been included in the calculation of diluted loss per common share for the three and nine months ended March 31, 2016.

9. FINANCIAL INSTRUMENTS

Credit risk
The age of trade accounts receivable is summarized as follows gross of the allowance of $26 at March 31, 2016 (June 30, 2015 - $26)):

	March 31, 2016	June 30, 2015
Current or under 60 days	**$ 470**	$ 166
Past due 61 to 90 days	**20**	26
Past due more than 90 days	**43**	378
Total Trade accounts receivable	**$ 533**	$ 570

Management has reviewed the receivables balances in detail, and is satisfied that the allowance for uncollectible accounts is sufficient.

(In thousands of United States dollars and shares)

9. FINANCIAL INSTRUMENTS (continued)

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and cash equivalents. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

At March 31, 2016, the Company has financial liabilities, payments for which are due as follows:

	to March 31, 2017	to March 31, 2018	to March 31, 2019	Total
Accounts payable and accrued liabilities	$ 2,919	$ -	$ -	$ 2,919
Loans payable	11	74	115	200
Total	$ 2,930	$ 74	$ 115	$ 3,119

10. SEGMENTED INFORMATION

The Company operates in one segment, Optical Components.

Property, plant and equipment is analyzed geographically as follows:

	Property plant and equipment	
	March 31, 2016	June 30, 2015
United States	**$ 903**	$ 1,513
Canada	**50**	405
Total	**$ 953**	$ 1,918

Revenue is analyzed geographically as follows:

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	**March 31, 2016**	March 31, 2015
Americas	**$ 60**	$ 151	**$ 156**	$ 511
Asia Pacific	**136**	231	**269**	927
Europe, Middle East and Africa	**348**	46	**518**	378
	$ 544	$ 428	**$ 943**	$ 1,816

During the nine months ended March 31, 2016, three customers accounted for 64% (26%, 21% and 17% respectively) of the Company's total revenue and for the same period of the prior year, three customers accounted for 55% (27%, 17%, and 11% respectively) of the Company's total revenue.

(In thousands of United States dollars and shares)

10. SEGMENTED INFORMATION (continued)

The Company generates revenue principally from the sale of its components and subsystems products ("Product") to leading communications systems suppliers. The Company also generates revenue from non-recurring engineering ("NRE") development services for clients. A breakdown of revenues is as follows:

	March 31, 2016	March 31, 2015	**March 31, 2016**	March 31, 2015
Product	**$ 506**	$ 428	**$ 876**	$ 1,745
NRE	**38**	-	**67**	71
	$ 544	$ 428	**$ 943**	$ 1,816

11. RELATED PARTY TRANSACTIONS

On February 2, 2016, the Company closed a private placement with ZTE Corporation ("Strategic Investor) for 77,000 shares at a price of CDN$0.06 per common share for proceeds of CDN$4,620. All securities will be subject to a four month hold period pursuant to applicable securities laws expiring June 3, 2016. As a result of the closing, the Strategic Investor held approximately 19% of the issued and outstanding shares of the Company. As part of the financing, (i) the Strategic Investor entered into a voting agreement with certain shareholders of the Company to vote in favour of one nominee of the Strategic Investor to the Board of Directors of the Company, (ii) the Strategic Investor will have a right of participation to maintain its percentage of shareholdings in the Company in future issuances of securities by the Company, and (iii) the Company has put in place a Product Roadmap Development Committee which will make recommendations to the Board of Directors on future product development (iv) an updated version of the Business Cooperation Agreement from December 2014 was signed by the Company and the Strategic Investor.

The Consortium debt as discussed in Note 6 above, includes $209 invested by a related party and a company controlled by one of the directors of Enablence, De Jong & Co. This debt was fully repaid by the Company in February 2016.

During the nine months ended March 31, 2016, the Company recorded consulting fee expense of $68 for Evan Chen and Todd Zhang (2015 - $117). This amount is payable to Irixi. At March 31, 2016, the total amount owing to Irixi related to consulting fee expense is $322 (June 30, 2015 - $254) and is included in accounts payable and accrued liabilities.

During the three months ended December 31, 2015, the Company repaid loans to Irixi in the amount of $230. In addition, Irixi debt in the amount of CDN$1 million was converted to equity as part of the debt to equity conversion discussed in Note 7 above, which closed in October 2015.

(In thousands of United States dollars and shares)

11. RELATED PARTY TRANSACTIONS (continued)

In January 2016 the Company entered into a one year R&D Services Agreement with Irixi whereby, for R&D services provided by Irixi for the development of a new product and assistance in ramping up its volume production, Enablence will pay Irixi $150/month ("Service Fees") over a twelve month term. In addition, if certain agreed upon volume production milestones are met during the twelve month period, Irixi may be eligible for the payment of a success fee ("Success Fee"). The Success Fee amounts to $2 million less any Service Fees previously paid. The Company will retain ownership of all Intellectual Property associated with the products under the agreement. During the quarter ended March 31, 2016, the Company paid Irixi $450 of service fees, pursuant to this agreement.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items:

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	**March 31, 2016**	March 31, 2015
Net inflow (outflow) of cash:				
Accounts and other receivables	**$ (387)**	$ (145)	**$ (24)**	$ 206
Inventories	**(278)**	632	**49**	920
Prepaid expenses and deposits	**(71)**	51	**(180)**	(100)
Accounts payable and accrued liabilities	**149**	(140)	**(1,214)**	(542)
Deferred revenue	**(24)**	(11)	**331**	510
	$ (611)	$ 387	**$ (1,038)**	$ 994

13. RESTATEMENT IN PRIOR PERIODS

During 2015, the Company determined that certain errors had accumulated in its calculations of amortization for prior periods. These errors resulted in amortization being understated for prior periods. As a result the Company has restated its amortization for previous periods as follows:

Impact on equity (increase/(decrease) in equity)	**July 1, 2013**
Property, plant and equipment	(337)
Total assets	(337)
Net impact on equity	(337)

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, the Company made a second draw of CAD$1,201 against the existing loan facility with EDC.

Also subsequent to March 31, 2016, 8,750 warrants were exercised at a price of CAD$0.06 per warrant resulting in gross proceeds of CAD$525.