ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016

DATED: MAY18, 2016

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. ("Enablence" or the "Company") at March 31, 2016 compared to June 30, 2015 and results of operations for the three and nine months ended March 31, 2016 compared to the three and nine months ended March 31, 2015.

This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements for the three and nine months ended March 31, 2016 as well as our audited consolidated financial statements and accompanying notes for the year ended June 30, 2015. 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 May 18, 2016.

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 raise sufficient financing to meet its financial obligations as they come due, and will be able to renegotiate certain financial obligations as they come due.
- 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.

- Enablence will be able to attract and retain key people

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.

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 lightware 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. 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 current product line includes multiple wavelength channel transmission and receiving optical subassembly (TOSA/ROSA), and wavelength management products. The Company is expanding its TOSA/ROSA production capacity by collaborating with a manufacturing partner. The Company expects some of the new capacity to be put into use in first half of calendar 2016 with more capacities to be added in the second half of calendar 2016. The Company also earns revenues from engineering and design services, generally for products on the Company's roadmap and retains any IP developed under such contracts.

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 a solution for an array of applications including telecommunications, data centres and sensor systems, biomedical and aerospace applications and instrumentation.

The Company has a 49% ownership interest in a joint venture, Sunblence Technologies Co., ("Sunblence"), which is located in Foshan, China. Sunblence develops, manufactures and sells splitter chips, based primarily on Enablence's planar lightwave circuit ("PLC") technology, to the Chinese market. The balance of the 51% ownership interest is held by SUNSEA Telecommunications Co., Ltd., ("SUNSEA"). During the year-ended June 30, 2014, the Company wrote off its investment in Sunblence due to the identification of certain impairment indicators at that time.

RESULTS OF OPERATIONS

<u>Summary of Unaudited Quarterly Results</u>

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ended June 30, 2014 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 March 31, 2016.

All necessary adjustments for these past eight quarters, consisting of restating the investment in the Sunblence joint venture under the equity method and the subsequent impairment, reclassifying the results of the Systems business 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.

	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016
Revenue	$ 1,242	$ 1,089	$ 299	$ 428	$ 231	$ 205	$ 194	$ 544
Gross Margin	(1,518)	(393)	(789)	(998)	(1,916)	(692)	(665)	(247)
GM %	(122.2%)	(36.1%)	(263.9%)	(233.2%)	(829.4%)	(337.6%)	(342.8%)	(45.4%)
Expenses								
Research & development	1,483	947	823	716	762	656	710	1,177
Sales & marketing	164	96	104	53	32	1	-	1
General & administration	864	573	466	435	691	397	454	704
Stock-based compensation	60	202	160	129	(23)	40	39	71
Expenses	2,571	1,818	1,553	1,333	1,462	1,094	1,203	1,953
Operating loss	(4,089)	(2,211)	(2,342)	(2,331)	(3,378)	(1,786)	(1,868)	(2,200)
Other expense	(28)	(46)	(38)	(31)	(186)	(146)	(16)	(24)
Write-down of intangible and other assets	(59)	-	-	-	-	-	-	-
Equity loss from joint venture	(318)	-	-	-	-	-	-	-
Impairment loss on investment in joint venture	(2,947)	-	-	-	-	-	-	-
Loss on sale of equipment	-	-	-	-	-	-	-	(127)
Foreign exchange (loss) gain	(18)	-	(15)	(21)	(14)	(37)	3	17
Loss from continuing operations	(7,459)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)	(1,881)	(2,334)
Income from discontinued operations	555	-	-	-	-	-	-	-
Net loss	(6,904)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)	(1,881)	(2,334)
Weighted average shares outstanding	157,883	164,183	168,124	183,264	212,220	232,881	376,962	469,858
Basic and diluted loss per share								
Continuing operations	($0.05)	($0.01)	($0.01)	($0.01)	($0.02)	($0.01)	($0.01)	($0.01)
Adjusted EBITDA[(1)]	(3,783)	(1,823)	(1,902)	(1,922)	(3,170)	(1,491)	(1,574)	(2,015)

(1) Adjusted EBITDA does not have a standardized meaning according to IFRS and is defined and reconciled to net income (loss) below.

NON-GAAP FINANCIAL MEASURES

Management reports and analyzes its financial results and performance using a range of financial measures. Some of these measures, such as revenues, net income and cash flow from operating activities, are defined by IFRS. Other measures are not defined by IFRS.

One key non-IFRS measure used by management is “Adjusted EBITDA”. The Company discloses Adjusted EBITDA as a supplemental non-GAAP financial performance measure because the Company believes it is a useful metric by which to compare the performance of our business from period to period. The Company understands that measures similar to Adjusted EBITDA are broadly used by analysts, rating agencies and investors in assessing our performance. Accordingly, we believe that the presentation of Adjusted EBITDA provides useful information to investors.

Adjusted EBITDA comprises: net income (loss) excluding the following: income (loss) from discontinued operations, finance income and expense, income tax recovery and expense, depreciation, amortization, asset impairment charges, foreign exchange gains and losses in earnings, stock-based compensation expense and restructuring charges. Therefore, it may not be comparable to similar measurements presented by other companies. The reconciliation of Adjusted EBITDA with the IFRS measure of net income (loss) is as follows:

	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016
Net loss for the period	(6,904)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)	(1,881)	(2,334)
Add (deduct):								
Income from discontinued operations	(555)	-	-	-	-			
Net interest and other expense	28	46	38	31	186	146	16	24
Amortization	564	186	280	280	231	255	255	241
Impairment of intangible and other assets	59	-	-	-	-	-	-	-
Impairment loss on investment in joint venture	2,947	-	-	-	-	-	-	-
Foreign exchange (gain) loss	18	-	15	21	14	37	(3)	(17)
Stock-based compensation expense	60	202	160	129	(23)	40	39	71
"Adjusted EBITDA"	(3,783)	(1,823)	(1,902)	(1,922)	(3,170)	(1,491)	(1,574)	(2,015)

SUMMARY OF RESULTS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2016 COMPARED TO THE THREE AND NINE MONTHS ENDED MARCH 31, 2015

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three and nine months ended March 31, 2016 and 2015.

	Three months ended March 31, 2016	Three months ended March 31, 2015	Increase (decrease)	Nine months ended March 31, 2016	Nine months ended March 31, 2015	Increase (decrease)	
Revenues	**$ 544**	$ 428	$ 116	**$ 943**	$ 1,816	$ (873)	(48.1%)
Cost of revenues	**791**	1,426	(635)	**2,547**	3,996	(1,449)	(36.3%)
Gross margin	**(247)**	(998)	751	**(1,604)**	(2,180)	576	(35.9%)
	(45.4%)	*(233.2%)*		*(170.1%)*	*(120.0%)*		
Operating expenses:							
Research and development	**1,177**	716	461	**2,543**	2,486	57	2.3%
Sales and marketing	**1**	53	(52)	**2**	253	(251)	(99.2%)
General and administrative	**704**	435	269	**1,555**	1,474	81	5.5%
Stock based compensation	**71**	129	(58)	**150**	491	(341)	(69.5%)
Total operating expenses	**1,953**	1,333	620	**4,250**	4,704	(454)	(9.7%)
			-				
Operating loss	**(2,200)**	(2,331)	131	**(5,854)**	(6,884)	1,030	(15.0%)
Other income (expenses):							
Finance and other income	**8**	-	8	**40**	-	40	
Finance expense	**(32)**	(31)	(1)	**(226)**	(115)	(111)	49.1%
Loss on sale of equipment	**(127)**	-		**(127)**	-	(127)	
Foreign exchange gain (loss)	**17**	(21)	38	**(17)**	(36)	19	
Net loss	**(2,334)**	(2,383)	49	**(6,184)**	(7,035)	851	(13.8%)
Other comprehensive (loss) income (net of tax):						-	
Foreign currency translation gain	**37**	82	(45)	**220**	137	83	37.7%
Comprehensive loss	**$ (2,297)**	$ (2,301)	4	**$ (5,964)**	$ (6,898)	$ 934	(15.7%)

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 and nine months ended March 31, 2016 in terms of the Canadian dollar equivalent of US$1 was CAD $1.373 and CAD $1.338 as compared to CAD $1.241 and CAD $1.152, for the same period of the prior year.

REVENUES

Revenue for the three months ended March 31, 2016 was $544 as compared to $428 for the same period of the prior year and the revenue for the nine months ended March 31, 2016 was $943 as compared to $1,816 for the same period of the prior year. The increase in the current quarter is due to a large order for legacy products from one customer. The revenue in the current year is primarily from the sale of legacy products and is lower than last year as the Company continues to focus on the development and production of its new TOSA/ROSA products to meet the demand of its customers. It is expected that the volume production and sale of the new products will ramp up in the last quarter of the current fiscal year.

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.

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

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 three months ended March 31, 2016 was $(247) as compared to $(998) for the same period of the prior year. Gross margin for the nine months ended March 31, 2016 was $(1,604) as compared to $(2,180) for the same period of the prior year. The improvement in the current quarter gross margin is due to higher sales in the current quarter and lower inventory write-off and adjustments of $50 as compared to $541 in the same period of the prior year. Other costs and write-offs are lower in the current period as there are fewer costs related to the transition from legacy products to new products.

OPERATING EXPENSES

R&D expenses for the three months ended March 31, 2016 increased by $461 or 64% to $1,177 as compared to $716 for the same period of the prior year. R&D expenses for the nine months ended March 31, 2016 increased by $57 or 2% to $2,543 as compared to $2,486 for the same period of the prior year. The current quarter increase is due primarily to the $450 of R&D development services provided by Irixi Photonics Inc. For the nine months, the increase resulting from the development service fee is offset by a decrease in compensation costs, resulting in no significant change from the same period of the prior year.

Sales & Marketing expenses for the current year's three and nine months ended March 31, 2016 was minimal as compared to $53 and $253 for the same periods of the prior year. The decrease is due to reduced activity and no compensation costs incurred in the current fiscal year.

General & Administration expenses for the three months ended March 31, 2016 were $704 as compared to $435 for the same period of the prior year. General & Administration expenses for the nine months ended March 31, 2016 increased by $81 or 6% to $1,555 as compared to

$1,474 for the same period of the prior year. The current quarter increase relative to the same period of the prior year is due to a combination of higher compensation expenses, increased travel costs, professional fees related to the set-up of a 100% owned Chinese subsidiary, increased activity at the contract manufacturer site in China, and settlement of costs relating to an insurance provider.

Stock-based compensation expense for the three months ended March 31, 2016 decreased by $58 or 45% to $71 as compared to $129 for the same period of the prior year. Stock-based compensation expense for the nine months ended March 31, 2016 also decreased by $341 or 70% to $150 from $491 in the previous year. The higher expense in the prior year's periods mainly related to expensing of options granted in previous years at lower forfeiture rates than in the current periods.

FINANCE EXPENSE

Interest expense for the three months ended March 31, 2016 was $32 as compared to $31 for the same period of the prior year. Interest expense for the nine months ended March 31, 2016 was $226 as compared to $115 for the same period of the prior year. Interest expense primarily relates to Notes Payable and the current year increase is as a result of the transaction fees associated with the acquisition of the secured bank debt by the Consortium on August 21, 2015.

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:

		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. The remaining balance of $10 (CAD$14) is expected to be paid before March 31, 2016. No payments were made in the quarter ended March 31, 2016 and a balance of $11 (CAD$14) remains outstanding.

(c) During the period from September 2014 through August 2015, certain related and unrelated parties extended short-term, non-interest bearing, unsecured loans ("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 has 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.

LOSS ON SALE OF EQUIPMENT

The Company reported a loss of $127 on the sale of equipment. This loss was incurred on the sale of a bonder to our contract manufacturer in China.

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 three and nine months ended March 31, 2016 the Company recorded a foreign exchange gain of $17 and a foreign exchange loss of $17 respectively, as compared to a loss of $21 and $36 in each of the same periods of the prior year.

INCOME TAXES

There were no income taxes payable or recoverable in the current or prior year.

NET LOSS

The net loss from continuing operations for the three months ended March 31, 2016 was $2,334 as compared to $2,383 for the same period of the prior year. The net loss from continuing operations for the nine months ended March 31, 2016 was $6,184 as compared to $7,035 for the same period of the prior year. The decrease in net loss is primarily due to lower compensation costs, reduced inventory write-offs, lower stock based compensation and no sales and marketing expenses. This is partially offset by additional, R&D services fees, finance expense relating to the Consortium debt and the loss on the sale of equipment.

FOREIGN CURRENCY TRANSLATION GAIN

During the three months ended March 31, 2016 the Company recorded a foreign exchange translation gain of $37 as compared to a gain of $82 in the same period of the prior year. During the nine months ended March 31, 2016 the Company recorded a foreign exchange gain of $220 compared to a gain of $137 in the same period of the prior year.

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 March 31,		Nine months ended March 31,	
	2016	**2015**	**2016**	**2015**
Basic and diluted loss per common share:	$(0.01)	$(0.01)	$(0.01)	$(0.04)
Weighted Average Number of Common Shares	469,858	183,264	437,410	171,774

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

OUTLOOK

In recent months, the Company has been actively raising financing which has resulted in the closing of additional equity financing and the conversion of CAD$4,504 of existing debt to equity. The Company’s financial position continues to remain challenged and cash conservation measures and cost saving strategies continue to be considered. In the event the Company is unable to raise the additional financing, the Company will have to look at other alternatives including the possibility of ceasing operations. The Company also continues to be highly dependent on additional equity financing in the longer term, until revenues and gross margins increase to a point at which operations become profitable. There is no certainty that additional funding in the immediate or longer term will be secured.

As reported previously, in February 2016, the Company signed an updated Business Cooperation Agreement with a Strategic Investor in conjunction with the closing of equity financing of CAD$4.6 million from the same investor (See Equity Financing section) This Business Cooperation Agreement builds on the original agreement signed at the end of calendar 2014 expanding on existing and future research and development and product supply collaboration between Enablence and the Strategic Investor. Products covered under the Agreement include advanced TOSA / ROSA products which are based on our unique hybrid integration technology. The volume requirements for products covered under this Agreement are expected to increase significantly during the next 12 months, and we are expected to meet certain milestones in connection with the Agreement. This is an important step for the Company on its roadmap to entering the high end TOSA/ROSA market which places significant reliance on our PLC integration platform and provides a growth engine for the Company in the foreseeable future.

TOSA/ROSA products currently shipping and under development using our proprietary PIC technology are expected to contribute positively to our financial status, assuming we are able to successfully ramp up capacity, increase production levels and reduce product unit costs. In this regard, the Company recently entered into an agreement with a large, well-established manufacturing partner, in order to work with them to fulfill these production objectives. Our ability to quickly ramp up the existing TOSA/ROSA production capacity is our top priority in both meeting our Strategic Investor's supply requirement and achieving financial success in the new emerging datacenter market.

Assuming the immediate financing requirements are achieved, we expect that during the next few quarters, our financial status will be impacted by a number of factors: 1) The pursuit of additional equity financing from potential investors. The timing and amount of funding from our investors will impact the timing of the ramp-up of our production capacity and our product delivery, which is currently constrained by limited financial resources. 2) The success of continuing with cost efficiencies and production improvement initiatives. We aim to further reduce costs and expect that our profitability on TOSA/ROSA products will improve significantly as a result of product development and capacity expansion. 3) The adjustment of the existing product portfolio. To minimize cash consumption and focus our limited resources on the demands of the fast growing TOSA/ROSA market, we will continue to phase-out low volume/low margin products. Such initiatives will continue to have a negative impact on our revenue in the short term, as we transition to and ramp up our TOSA/ROSA product volume over the next several quarters.

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. During the nine months ended March 31, 2016, Enablence secured new equity investments and secured a loan facility of up to $3,000 designed to finance customer purchase orders. In addition, the Company's bank debt which was acquired by a lending consortium ("Consortium") in August 2015 was fully repaid in February 2016. See full financing details below as well as within the Subsequent Events section above.

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, and working capital at March 31, 2016 and June 30, 2015.

	March 31, 2016	June 30, 2015
Cash and Cash Equivalents	$ 763	$ 169
Restricted cash	4	4
	767	173
Working Capital deficiency	(945)	(7,196)

The working capital deficiency from operations at March 31, 2016 was $945 as compared to a working capital deficiency of $7,196 at June 30, 2015. The decrease in deficiency was primarily due to the successful completion of multiple financings over the nine-month period ending March 31, 2016 as well as the reduction of debt levels.

The chart below highlights the Company's cash flows during the three and nine months ended March 31, 2016 and 2015.

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
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)
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
	2,439	846	**6,474**	3,692
Effect of foreign currency translation	**155**	88	**460**	161
Net change in cash and cash equivalents	**77**	**(683)**	**594**	(1,023)

At March 31, 2016, the Company had cash available of $763 (not including $4 of restricted cash). The Company consumed $6,255 in operating activities for the nine months ended March 31, 2016 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 few quarters. The Company's ability to reach profitability is dependent on successful introduction of new products, improved margins, revenue growth and additional financing. There can be no assurance that Enablence will gain adequate market acceptance for its new products or be able to generate sufficient gross margins to reach profitability.

Equity Financing

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 ("Strategic Investor") 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. 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.

On November 12, 2015, the Company announced a non-brokered private placement for up to CAD$2,000 at a price of CAD$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 (CAD$1,936) from the issuance of 36,880 shares and 18,440 warrants. The shares and 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 (CAD$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 CAD$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 CAD$4,000 at a price of $0.05 CAD 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 CAD$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 CAD$4,000 which occurred on October 5, 2015 (see details below). 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, that certain existing non-secured debt arrangements (not to exceed CAD $3,000), may be required to be converted into equity.

In order to meet a condition of the new senior, secured lender, Enablence used 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, 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.

The CAD$4,000 Equity Financing was completed in three tranches: The first tranche of the financing closed on September 14, 2015 for $159 (CAD$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 (CAD$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 (CAD$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 CAD$2,000 at a price of CAD$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 CAD$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 (CAD$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 CAD$1,500 at a price of CAD$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 CAD$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 CAD$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 CAD$0.15 for gross proceeds of CAD$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 are also subject to a four month hold period pursuant to applicable securities laws.

Bridge Loans

During the year ended ended June 30, 2015, and the quarter ended September 30, 2015, the Company secured bridge loans and other short-term loans in the amount of $3,721 of which $247 was repaid prior to September 30, 2015. During the three months ended December 31, 2015, another $302 was paid and approximately $2,901 was converted to equity. During the three months ended March 31, 2016, another $188 was paid leaving a balance of $11 payable at March 31, 2016, after taking into consideration differences related to foreign exchange translations.

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.

See the Liquidity and Subsequent Events sections above for details on financings completed during the nine months ended March 31, 2016 and for loans secured during and subsequent to the period. The continued equity funding will help 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 505,836,554 common shares issued and outstanding as of May 18, 2016 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 (note that amounts include future interest costs).

	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

The Company is required to comply with certain obligations with respect to the loan payable to the lending Consortium which is secured against the assets of the Company (see Finance Expense section above and the references to notes payable).

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars. 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

On February 2, 2016, the Company closed a private placement with ZTE Corporation ("Strategic Investor) for 77,000 shares at a price of CAD$0.06 per common share for proceeds of CAD$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 the Finance expense section 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 (2014 - $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.

In January 2016 the Company entered into a one-year R&D Services Agreement with Irixi Photonics Inc. ("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 has paid Irixi $450 of service fees, pursuant to this agreement. Subsequent to March 31, 2016, the Company paid Irixi another $300 of service fees.

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 CAD$1 million was converted to equity as part of the debt to equity conversion as discussed in the Liquidity section, which closed in October 2015.

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. During the nine months ended March 31, 2016 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 Company is highly dependent on additional financing to continue operations and there is no certainty that it will be able to obtain such financing. 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 28, 2015 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 impairment of intangible assets and the joint venture, allowance for doubtful accounts, valuation of debt and equity instruments, inventory provisions and valuation, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, certain accruals and provisions and unearned revenue. 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").

CHANGES IN ACCOUNTING POLICIES

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

IFRS 9 - Financial instruments

IFRS 9, "Financial instruments", (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, "Joint Arrangements" (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, “Revenue from Contracts with Customers”, (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

IAS1, “Presentation of Financial Statements (IAS 1) 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.

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.