ENABLENCE TECHNOLOGIES INC.

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

FOR THE YEAR ENDED JUNE 30, 2014

DATED: OCTOBER 28, 2014

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

The following is a discussion and analysis of the financial condition of Enablence Technologies Inc. at June 30, 2014 compared to June 30, 2013 and results of operations for the year ended June 30, 2014 compared to the year ended June 30, 2013.

This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes for the years ended June 30, 2014 and 2013. References made herein to "Enablence", the "Company", "we" and "our" mean Enablence, its subsidiaries, and its joint venture, collectively, unless the context indicates otherwise. All amounts (including numbers of common shares, options and warrants) included in the MD&A are in thousands, except per share amounts or as indicated otherwise. All financial amounts are in US$, unless stated otherwise. Other continuous disclosure filings for the Company are available on www.sedar.com

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

The effective date of this MD&A is October 28, 2014.

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 year end, the Company received short-term, non-interest bearing, unsecured bridge loans ("Bridge Loan") in the amount of $666 from certain related parties of which $473 was provided by companies controlled by directors of the Company. The Bridge Loan is expected to be repaid on or before November 30, 2014. Those persons that have provided the Bridge Loan have been issued warrants exercisable at a price of $0.15 for an aggregate of 4,800 common shares of the Company, which expire in one year. The common shares issuable upon the exercise of the warrants are subject to a four month hold period which will expire January 26, 2015.

In addition, Irixi Holding Ltd. ("Irixi") extended a further short-term, non-interest bearing, unsecured loan in the amount of $519.

SELECTED FISCAL YEAR INFORMATION

Statement of Operations Data	**Year ended June 30**		
	2014	2013	2012
Revenue	**$4,686**	$7,490	$13,385
Gross margin	**(3,365)**	(616)	1,139
Operating expenses	**8,995**	8,608	11,425
Operating loss	**(12,360)**	(9,224)	(10,195)
Net loss from continuing operations	**(16,732)**	(14,007)	(13,756)
Net income (loss) from discontinued operations	**555**	(1,551)	7,729
Net loss	**(16,177)**	(15,558)	(6,027)
Basic and diluted loss per share:			
Net loss from continuing operations	**($0.12)**	($0.38)	($0.03)
Net loss	**($0.12)**	($0.42)	($0.01)

Balance Sheet Data	**As at June 30**		
	2014	2013	2012
Total assets	**$9,253**	$14,519	$25,194
Total liabilities	**8,177**	20,286	26,095
Cash dividends declared per share	**nil**	nil	nil

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 growing product line includes, 8x10G/10x10G TOSA/ROSA, ROADM switch components, AWG products, VOAs and VMUX products that combine AWG and VOA functions into one product. The Company also earns revenues from engineering and design services, generally for products on the Company's roadmap and retaining any IP developed under such contracts. In addition, Sunblence Technologies Co., ("Sunblence") is our joint venture with SUNSEA Telecommunications Co., Ltd., ("SUNSEA") in China. Sunblence develops, manufactures and sells optical splitter chips for the Chinese market.

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

Sunblence - Our Chinese Joint Venture

Sunblence is based in Foshan, China. Sunblence develops, manufactures and sells optical components based primarily on Enablence's planar lightwave circuit ("PLC") technology. Enablence and SUNSEA owns 49% and 51% interest in Sunblence, respectively.

Sunblence has developed 1x4, 1x8, 1x16, and 1x32 splitters. The supply and demand dynamics of the optical splitter market in China has experienced unfavorable trends. Due to price erosion, Sunblence has not as yet been able to achieve its anticipated financial goal. The overall business and market dynamics for optical splitter chips has significantly deteriorated in the past several years due to oversupply. Without any anticipation of significant change in market dynamics or any change in Sunblence's main source of income from sales of optical splitter chips, we compared the expected future cash flow resulting from Sunblence's operation with the carrying value of Sunblence on our books. We concluded an impairment provision is required on our investment in Sunblence at this time.

Prior to its current fiscal year beginning July 1, 2013, the Company accounted for its investment using the proportionate consolidation method whereby 49% of the assets and liabilities and revenue and expenses of Sunblence were included in Enablence's consolidated results.

Effective July 1, 2013, the Company has adopted IFRS 11, *Joint Arrangements*. Adoption of this standard has resulted in a change in the method of accounting for the investment in the joint venture from proportionate consolidation to the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated as at the beginning of the immediately preceding period which is July 1, 2012.

RESULTS OF OPERATIONS

<u>Summary of Fourth Quarter Results</u>

The Company reported revenues of $1,242 for the quarter ended June 30, 2014 as compared to $1,054 for the prior quarter ended March 31, 2014. The Company reported a net loss from continuing operations of $7,459 for the quarter ended June 30, 2014 as compared to $3,056 for the quarter ended March 31, 2014. A significant portion of the increase in the loss for the quarter ended June 30, 2014 related to the impairment loss of $2,947 on the Company's investment in Sunblence. Certain other expenses that increased included a write-down of inventory and reserve for inventory obsolescence of $749, and increase in severance costs and royalties.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ending September 30, 2012 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 audited consolidated financial statements for the fiscal year ended June 30, 2014. All necessary adjustments, consisting of reclassifying the results due to a change in accounting policy for reporting its investment in Sunblence from proportionate consolidation to the equity method, and other normal recurring adjustments necessary for a fair presentation of information presented, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above-noted consolidated financial statements. The quarter ended December 31, 2012 includes the results of operations for ENA Switzerland within discontinued operations, up to the date of its divestiture in November 2012.

	30-Sep 2012	31-Dec 2012	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014
Revenue	$ 2,125	$ 2,153	$ 1,742	$ 1,470	$ 1,321	$ 1,069	$ 1,054	$ 1,242
Gross Margin	444	(1,412)	223	129	(691)	(548)	(608)	(1,518)
GM %	20.9%	(65.6%)	12.8%	8.8%	(52.3%)	(51.3%)	(57.7%)	(122.2%)
Expenses								
Research & development	1,382	1030	1,145	1,103	987	1,156	1,144	1,483
Sales & marketing	153	142	134	144	141	144	156	164
General & administration	752	1,060	718	685	756	859	748	864
Stock-based compensation	116	112	231	53	123	113	97	60
Restructuring	-	-	-	(352)		-		-
Expenses	2,403	2,344	2,228	1,633	2,007	2,272	2,145	2,571
Operating loss	(1,959)	(3,756)	(2,005)	(1,504)	(2,698)	(2,820)	(2,753)	(4,089)
Other expense	(556)	(368)	(272)	(999)	(271)	(33)	(29)	(28)
Write-down of intangible and other assets	-	-	-	(129)	-	-		(59)
(Loss) gain on sale of property, plant and equipment	-	45	-	(102)	-	-		-
Equity loss from joint venture	(542)	(347)	(262)	(997)	(398)	(448)	(310)	(318)
Impairment loss on investment in joint venture	-	-	-	-	-	-	-	(2,947)
Foreign exchange (loss) gain	531	(52)	(290)	(443)	26	26	36	(18)
Gain on debt settlement	-	-	-	-	399	-		
Loss from continuing operations	(2,526)	(4,478)	(2,829)	(4,174)	(2,942)	(3,275)	(3,056)	(7,459)
Income (loss) from discontinued operations	(1,604)	106	-	(53)	-	-	-	555
Net loss	(4,130)	(4,372)	(2,829)	(4,227)	(2,942)	(3,275)	(3,056)	(6,904)
Weighted average shares outstanding	23,327	28,578	42,275	53,413	77,252	157,516	157,516	157,883
Basic and diluted income (loss) per share								
Continuing operations	($0.11)	($0.16)	($0.07)	$2.00	($0.04)	($0.02)	($0.02)	($0.05)
Discontinued operations	($0.07)	$0.00	$0.00	($0.00)	$0.00	$0.00	$0.00	$0.00
Adjusted EBITDA[(1)]	(1,804)	(3,303)	(1,462)	(2,626)	(2,412)	(2,633)	(2,412)	(3,783)

(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-Sep 2012	31-Dec 2012	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014
Net loss for the period	(4,130)	(4,372)	(2,829)	(4,227)	(2,942)	(3,275)	(3,056)	(6,904)
Add (deduct):								
(Income) loss from discontinued operations	1,604	(106)	-	53	-	-	-	(555)
Net interest and other expense (gain)	556	323	272	1,101	(128)	33	29	28
Amortization	581	688	574	174	561	522	554	564
Impairment of intangible and other assets	-	-	-	129	-	-	-	59
Impairment loss on investment in joint venture	-	-	-	-	-	-	-	2,947
Realized foreign exchange (gain) loss	(531)	52	290	443	(26)	(26)	(36)	18
Stock-based compensation expense	116	112	231	53	123	113	97	60
Restructuring recovery	-	-	-	(352)	-	-	-	-
"Adjusted EBITDA"	(1,804)	(3,303)	(1,462)	(2,626)	(2,412)	(2,633)	(2,412)	(3,783)

SUMMARY OF RESULTS FOR THE YEAR ENDED JUNE 30, 2014 COMPARED TO THE YEAR ENDED JUNE 30, 2013

The results from Enablence's photodiode components business, ENA Switzerland, have been reported as discontinued operations. ENA Switzerland was divested on November 19, 2012. Additional information is provided later in this MD&A.

The following table sets forth a summary of key earnings information from our consolidated financial statements for the years ended June 30, 2014 and 2013.

	Year ended June 30, 2014	Year ended June 30, 2013	Increase (decrease)
Revenues	**$ 4,686**	$ 7,490	$ (2,804)
Cost of revenues	**7,302**	6,740	562
Loss on inventory impairment	**749**	1,366	(617)
Gross margin	**(3,365)**	(616)	(2,749)
	(71.8%)	*(8.2%)*	
Operating expenses:			
Research and development	**4,770**	4,660	110
Sales and marketing	**605**	573	32
General and administrative	**3,227**	3,215	12
Stock based compensation	**393**	512	(119)
Restructuring charges	**-**	(352)	352
Total operating expenses	**8,995**	8,608	387
			-
Operating loss	**(12,360)**	(9,224)	(3,136)
Other income (expenses):			
Finance and other income	**9**	5	4
Finance expense	**(370)**	(2,200)	1,830
Equity loss from joint venture	**(1,474)**	(2,148)	674
Impairment loss on joint venture	**(2,947)**	-	(2,947)
Foreign exchange gain (loss)	**70**	(254)	324
Loss on transfer of property, plant and equipment to Sunblence	**-**	(104)	104
Gain on debt settlement	**399**	-	399
Gain on sale of property, plant and equipment	**-**	39	(39)
Write-down of intangible assets	**(59)**	(121)	62
Net loss from continuing operations	**(16,732)**	(14,007)	(2,725)
Net income (loss) from discontinued operations	**555**	(1,551)	2,106
Net loss	**(16,177)**	(15,558)	(619)
			-
Other comprehensive (loss) income (net of tax):			-
Foreign currency translaction (loss) gain	**109**	398	(289)
Comprehensive loss	**$ (16,068)**	$ (15,160)	$ (908)

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 year ended June 30, 2014 in terms of the Canadian dollar equivalent of US$1 was CDN$1.07 (2013 - CDN $1.01).

REVENUES

Revenue for the year ended June 30, 2014 was $4,686 as compared to $7,490 for the prior year, a decrease of 37% or $2,804.

The decrease was due to a combination of the impact of losing traction with certain customers early in the year, due to our unstable financial situation at that time, as well as the transitioning from certain older products to new products for the datacenter market. The new products are in their early stages and as a result, sales volumes are low, though they are expected to ramp up given the potential growth opportunities in the China marketplace.

During the year ended June 30, 2014, two customers accounted for 28% of the Company's total revenue (16% and 12% individually). One customer accounted for 26% of the Company's total revenue during the year ended June 30, 2013.

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

	Year ended			
	June 30, 2014		June 30, 2013	
Americas	**$**	**2,255**	$	3,311
Asia Pacific		**1,265**		1,679
Europe, Middle East and Africa		**1,166**		2,500
	$	**4,686**	$	7,490

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 year ended June 30, 2014 was (71.8%) as compared to (8.2%) for the prior year. The unfavourable Gross Margin is primarily due to the following: the impact of the fixed component of production costs on the low volume level of sales; no current capability to take advantage of the discounted volume pricing offered by our vendors due to our low revenue and materials purchase volumes; costs involved during this transitional period as we focus on rolling out new products, ramping up our capacity to produce Tosa/Rosa products, while continuing to support the fixed cost base.

OPERATING EXPENSES

R&D expenses for the year ended June 30, 2014 was $4,770 as compared to $4,660 for the prior year. This increase was primarily due to $318 of royalty costs on repayable grant revenue being recorded in the current year which was partially offset by lower material and compensation costs as a result of reduced number of employees and activity in the current year as well as lower amortization costs.

Sales & Marketing expenses for the year ended June 30, 2014 was $605. The amount is consistent with the prior year amount of $573.

General & Administration expenses for the year ended June 30, 2014 of $3,227 was consistent with the prior year amount of $3,215. Higher severance costs incurred in 2014 were offset by lower professional fees. Professional fees were higher in 2013 as a result of the restructuring of the Company involving the sale of ENA Switzerland and debt settlements.

Stock-based compensation for the year ended June 30, 2014 was $393 as compared to $512 for the prior year. The higher amount in the prior year primarily related to the expense associated with the options granted in March 2013, a significant number of which vested immediately on grant date.

Restructuring recoveries for the year ended June 30, 2014 were nil as compared to $352 in the prior year. The recoveries in the prior year were a result of the reversal of certain accrued liabilities that were no longer applicable.

FINANCE AND OTHER INCOME

Enablence invests cash and cash equivalents in short-term investments with financial institutions. The Company earned $9 interest for the year ended June 30, 2014 as compared to $5 for the prior year. Interest income is a function of prevailing interest rates and the amount of funds invested.

FINANCE EXPENSE

Interest expense for the year ended June 30, 2014 was $370 as compared to $2,200 for the prior year. Interest expense in the current year primarily relates to secured bank loans while the amount in the prior year included interest on convertible notes and other subordinated notes payable. The convertible notes were converted in February 2013 while the subordinated notes payable were settled in September 2013.

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

		June 30, 2014	June 30, 2013
Secured Note 1	(a)	**$ 770**	$ 1,313
Secured Note 2	(b)	**1,141**	1,797
Line of credit	(c)	**962**	-
Subordinated Notes	(d)	**-**	11,633
Bridge Loan	(e)	**-**	1,000
		2,873	15,743
Less current portion		**2,873**	13,927
Long term portion		**$ -**	$ 1,816

(a) This represents the balance of a secured note of $5,000 with a maturity date of December 2015 and monthly payments of principal and interest of $42. The interest rate at June 30, 2014 was 5.50% (June 30, 2013 - 5.50%). The note is secured by the assets of Enablence USA Components Inc. and is subject to certain financial performance and asset coverage covenants of the subsidiary.

(b) On May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of $3,500, secured by $1,200 of cash on deposit and a lien on the shares in the Company's investment in Sunblence. During the quarter ended September 30, 2012, $1,200 of cash was used to pay down the loan. The note has a maturity date of April 20, 2016 and monthly payments of principal and interest of $52. The loan has an interest rate of 5.50% at June 30, 2014 (June 30, 2013 - 5.50%).

(c) On May 6, 2014, the Company obtained a variable rate revolving line of credit loan of $1,500 for working capital purposes. The loan is secured by the accounts receivable of the Company. As further collateral, $500 has been deposited with the lending bank by a related party, related due to a 12% ownership interest in the Company, to protect against the possibility that the accounts receivable will not completely satisfy a future default under the loan. This deposit will be repaid by the Company upon the closing of the next financing. The loan has a maturity date of June 1, 2015 and an interest rate based on the Wall Street Journal prime rate plus 3.25% resulting in an interest rate of

6.50% at June 30, 2014. Monthly payments of interest only are required beginning July 1, 2014. The loan balance consisting of principal and accrued unpaid interest is due on June 1, 2015.

The Company is required to comply with certain financial covenants with respect to secured note 1 and secured note 2 and the Line of credit. As at June 30, 2014, the Company was in contravention of certain of these banking covenants, therefore the full amount of the secured notes 1 and 2 have been classified as current liabilities.

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

(e) In July 2012, the Company obtained a $3,000 bridge loan from a U.S. Bank ("Bridge Loan"), to fund Enablence's operations through October 2012. The Bridge Loan, which was guaranteed by a third party, was secured by the proceeds from the sale of ENA Switzerland, and the assets of the Company. On November 20, 2012, following the sale of ENA Switzerland, the Company repaid $2,000 on the Bridge Loan. In conjunction with the Bridge Loan, the Company previously entered into a priorities and standstill agreement with the holders of the Secured Notes (defined below), which are subordinated notes with principal and interest owing of $11,633 at June 30, 2013. This agreement provided the Bridge Loan lender with senior security to the Secured Notes as well as certain restrictions on the Secured Notes holders from initiating enforcement action against the Company. This agreement was intended to provide the Company the time it needed to complete the negotiation and documentation of amendments to the Company's loan obligations. The Bridge Loan was paid in full subsequent to the close of the equity financing completed in September 2013.

IMPAIRMENT LOSS ON INVESTMENT IN JOINT VENTURE

Management performed a review of the Sunblence Joint Venture following the identification of certain impairment indicators, including continued losses and negative gross margins. As a result, through a discounted cash flow analysis, comparing the expected future cash flows with the carrying value of the Sunblence Joint Venture, it was concluded an impairment provision was required on the equity investment at June 30, 2014 for the full amount of $2,947.

FOREIGN EXCHANGE GAIN (LOSS)

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

During the fiscal year ended June 30, 2014 the Company recorded a foreign exchange gain of $70 as compared to a loss of $254 for the prior year. This was primarily as a result of the effect of the fluctuation in the $CDN/$US exchange rate.

INCOME TAXES

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

NET LOSS FROM CONTINUING OPERATIONS

Net loss from continuing operations excludes the results from discontinued operations of ENA Switzerland. The net loss from continuing operations for the year ended June 30, 2014 was $16,732 as compared to $14,007 for the prior year. This increase in net loss was primarily due to the lower revenue and gross margin, increased royalty expenses as well as an impairment loss on the investment in the Sunblence joint venture. This was partially offset by lower interest expense in the current year.

LOSS FROM DISCONTINUED OPERATIONS

Management performed a review of the $555 provision relating to discontinued operations. Based on criteria within IAS 37 in relation to provisions and contingent liabilities, it was determined that this provision no longer met the criteria under IAS 37 and as a result was reversed at June 30, 2014.

The loss from discontinued operations represents the financial results from the Company's Swiss subsidiary, ENA Switzerland. The summary of operating results from discontinued operations are as follows:

	Year ended	
	June 30, 2014	June 30, 2013
Revenue	**$ -**	$ 1,314
Cost of revenue	**-**	476
Gross margin	**-**	838
Operating expenses:		
Research and development	**-**	209
Sales and marketing	**-**	83
General and administrative	**-**	85
Amortization	**-**	28
Operating expenses	**-**	405
Operating income	**-**	433
Impairment loss on property, plant and equipment	**-**	(1,676)
Reversal of accrued liability	**555**	-
Loss on sale of ENA Switzerland	**-**	(165)
Foreign exchange loss	**-**	(43)
Income (loss) before income taxes	**555**	(1,451)
Income tax expense	**-**	(100)
Income (loss) from discontinued operations	**$ 555**	$ (1,551)

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

LOSS PER COMMON SHARE

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

	Year ended June 30, 2014	Year ended June 30, 2013
Basic and diluted loss per common share:		
From continuing operations	$(0.12)	$(0.38)
From discontinued operations	$0.00	$(0.04)
Weighted Average Number of Common Shares	137,359	36,824

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

OUTLOOK

We expect that during the next few quarters, our financial status will be impacted by a number of factors: 1) We are working on obtaining additional equity financing from potential investors. The timing and amount of funding from our investors will impact our timetable to deliver our products and ramp up our production capacity which is currently constrained by our limited financial resources. 2) Products currently under development using our proprietary PIC technology, will start to contribute positively to the Company’s financial status. We anticipate that market demand for high bandwidth transmission products with a small form factor, low power consumption and low cost will continue the current rapid expansion for at least several years. Our PIC products, based on our PLC integration platform, are commercially mature enough to become a viable solution to address this market demand. The revenue from PIC products is expected to provide the growth engine for the Company in the foreseeable future.

More specifically, the Company continues to invest its capital and human resources in its 40G and 100G TOSA/ROSA product portfolio. It is anticipated that there will be increased demand for these products in 2014-2016. TOSA/ROSA, inclusive of 4x10G, 4x25G, 8x10G and 10x10G configurations, are either available right now or are expected to become available in the coming quarters. The Company has secured several purchase orders for the above mentioned TOSA/ROSA products from a Global Tier-1 communication system vendor and transceiver module makers. The Company continues to focus on ramping up its production volume capacity at its Fremont location. The Company is also seeking other options to quickly ramp up its delivery capacity including seeking an external contract manufacturer.

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

LIQUIDITY

The Company’s objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company’s operating, debt service and organic growth requirements. Enablence secured new equity investments during the year, as well as subsequent to year-end, and has existing bank facilities, both of which assist in funding ongoing operations. The

Company settled debt of $11.7 million of Subordinated Notes and a $1 million Bridge Loan in September 2013.

Enablence has not generated positive cash flow from operations since its inception, and has relied on cash from the issuance of shares and debt to fund its operations. The table below sets out the cash, cash equivalents, short-term investments and working capital at June 30, 2014 and 2013.

	June 30, 2014	June 30, 2013
Cash and Cash Equivalents:		
Continuing operations	$ 1,182	$ 568
Restricted cash	5	21
	1,187	589
Working Capital (deficiency):		
Continuing operations	(1,539)	(11,207)
Discontinued operations	-	(555)

The decrease in the working capital deficiency from $11,207 to $1,539 from continuing operations is mainly due to a decrease in notes payable as a result of the settlement of debt in September 2013, along with other changes to cash and other operating working capital items.

The chart below highlights the Company's cash flows during the year ended June 30, 2014 and 2013.

	Year ended June 30, 2014	Year ended June 30, 2013
Cash provided by (used in)		
Operating activities		
Continuing operations	**(8,223)**	(9,491)
Discontinued operations	**-**	303
Investing activities		
Purchase of property, plant and equipment	**(979)**	(141)
Continuing operations	**(979)**	(141)
Discontinued operations	**-**	1,464
Financing activities		
Net proceeds from issuance of shares	**15,005**	6,229
Advances from operating line of credit	**962**	-
Payments on notes payable	**(6,060)**	(394)
Continuing operations	**9,907**	5,835
Effect of foreign currency translation	**(107)**	291
Net change in cash and cash equivalents	**598**	(1,739)

At June 30, 2014, the Company had cash available of $1,182 (not including $5 of restricted cash). The Company consumed $8,223 in continuing operating activities during the year ended June 30, 2014 due mainly to the low revenue level and losses from operations. The Company has sustained significant losses since its inception, and expects to incur losses in its next quarters. The Company's ability to reach profitability is dependent on successful 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.

Share Consolidation
On December 5, 2012, following shareholder and TSX Venture Exchange approval, the Company consolidated its common share capital on the basis of one (1) post-consolidating common share for every twenty (20) pre-consolidating common shares. The Share Consolidation reduced the Company's 668,126 issued and outstanding common shares at that time to 33,406 post-consolidation common shares. The exercise or conversion price of outstanding stock options and warrants, and the number of such options and warrants outstanding, was proportionately adjusted based upon the Share Consolidation. The Company's share and per share data for prior periods has been restated to give effect to the Share Consolidation.

Equity Financing
In November 2012, Enablence completed private placements for a total of 201,580 common shares, on a pre-consolidated share basis, for gross proceeds of $3,346 and net proceeds of $3,299. Two existing shareholders of the Company participated in the equity offering. Subsequent to the private placement, one of the shareholders held directly or indirectly 16.5% of the Company's issued and outstanding shares and the other held directly or indirectly 19.5% of the Company's issued and outstanding shares.

The first tranche of the non-brokered private placement financing closed on November 5, 2012 with the sale of 124,133 common shares for net proceeds of $2,032. The first tranche was completed at two different prices: (i) CDN$462 at a price of CDN$0.005 per share with the sale of 92,370 common shares of Enablence, using the TSX Venture Exchange Policy on Temporary Relief from Certain Pricing Requirements ("TRCPR"), and (ii) CDN$1,588 at a price of CDN$0.05 per share with the sale of 51,578 common shares of Enablence. The second tranche closed on November 26, 2012 with the sale of 77,447 common shares for net proceeds of $1,267. The second tranche was completed at two different prices: (i) CDN$288 at a price of CDN$0.005 per share with the sale of 57,630 common shares of Enablence, using the TRCPR, and (ii) CDN$991 at a price of CDN $0.05 per share with the sale of 19,817 common shares of Enablence. The shares were subject to a four-month hold period which expired on March 24, 2013, pursuant to applicable securities laws.

On February 19, 2013, Enablence completed a private placement of 9,121 common shares at a price of CDN$0.33 per share for net cash proceeds of $2,930 and gross proceeds of $2,963. Two existing shareholders of the Company participated in the equity offering.

Also on February 19, 2013, Enablence issued 10,834 common shares on the conversion and cancellation of unsecured convertible notes. The shares were issued at a price of CDN$0.33 per share and resulted in the repayment of debt of US$3,520 (CDN$3,575).

On May 31, 2013, Enablence issued 150 common shares to one of its Board members in lieu of compensation at a price of CDN$0.33 per share.

On September 9, 2013, the Company completed a $14,325 financing transaction (the "Financing Transaction") and retired all of the remaining secured subordinated promissory notes in conjunction with the financing.

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

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

The Equity Transaction was subject to certain conditions including the Noteholder Condition. In connection with the Noteholder Condition, Enablence entered into an agreement in principle with the holders of substantially all of the secured subordinated promissory notes to eliminate (pro rata to each note holder's interest) approximately $11,725 of principal and accrued interest. These notes were exchanged for total cash payments of $3,861 and the issuance of 19,865 common shares of Enablence recorded at a fair value for accounting purposes of $0.372 per share. There were an additional 180 shares issued by the Company to the holders of these secured subordinated promissory notes which were recorded at the same fair value for accounting purposes of $0.372. The cash payments combined with the issuance of the shares represented a full and final settlement of these subordinated notes. As a result, the Company recorded a gain of $399 on the settlement of these subordinated notes. The fair value reflects a 10% discount from the closing market price on the date of the transaction. Management believes the discount is appropriate given the volatility of the stock and the four-month holding period that the shares were subject to.

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 shares are subject to a four-month hold period pursuant to applicable securities law. The balance of the financing is expected to close subsequent to June 30, 2014.

Divestiture of ENA Switzerland

On November 19, 2012 the Company sold its wholly-owned Swiss subsidiary, Enablence Switzerland ("ENA Switzerland"), to management of the subsidiary, for gross proceeds of $2,000 (net proceeds of $1,930) paid on closing and the repayment of an intercompany loan of $82 within twelve months of the closing. The Company agreed to pay 3.5% commission on the purchase price to its financial advisor, Paradigm Capital Inc., who is also a shareholder of the Company.

Banking and Notes Payable
In July 2012, the Company obtained a $3,000 Bridge Loan with Cathay Bank, a chartered California bank ("Bridge Loan"). The Bridge Loan, which was guaranteed by a third party, has in turn been secured by the proceeds from the proposed sale of ENA Switzerland, and the assets of the Company and its subsidiaries. In November 2012, following the sale of ENA Switzerland, the Company repaid $2,000 on this loan. The final balance of $1,000 of the Bridge Loan was paid in September 2013.

In conjunction with Bridge Loan, the Company entered into a priorities and standstill agreement with the holders of the subordinated secured notes payable ("Secured Notes"), with the amount owing of $10,000 plus accrued interest. This agreement provided the bank with senior security to the Secured Notes payable on the Bridge Loan, as well as certain restrictions on the Secured Notes holders' ability to initiate enforcement action against the Company to provide the Company the ability to complete the negotiation and documentation of amendments to the Company's loan obligations. In November 2012 the Company paid an amount of CDN $718 on the Secured Notes. In September 2013 an agreement was reached and settlement was made on the Secured Notes.

Subsequent Events

Subsequent to year end, the Company received short-term, non-interest bearing, unsecured bridge loans ("Bridge Loan") in the amount of $666 from certain related parties of which $473 was provided by companies controlled by directors of the Company.

In addition, the Company obtained a further short-term, non-interest bearing, unsecured loan ("Short-Term Loan") in the amount of $519. For further details see "Subsequent Events" section above.

CAPITAL RESOURCES

Enablence finances its operations through the issuance of common shares and debt. The Company may also receive cash proceeds on the issue of additional common shares on the exercise of options and warrants depending in part on the market price for its shares.

The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves to protect itself from the effects of the volatile economic conditions that are difficult to predict.

As stated above in the "Subsequent Events" section, the Company received bridge loans in September 2014. In addition, the Company expects to complete equity financing during the balance of calendar 2014. The balance sheet restructuring in September 2013 and 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 164,183 common shares issued and outstanding as of October 28, 2014 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 June 30, 2015	to June 30, 2016	to June 30, 2017	Total
Accounts payable and accrued liabilities	$ 4,591	$ -	$ -	$ 4,591
Secured notes payable	1,911	-	-	1,911
Line of credit payable	962	-	-	962
Total	$ 7,464	$ -	$ -	$ 7,464

The Company is required to comply with certain financial covenants with respect to the secured notes payable and the line of credit. As at June 30, 2014, the Company was in contravention of certain of these banking covenants, therefore the full amount of the secured notes has been classified as current liabilities.

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars, also in Swiss francs relating to ENA Switzerland, whose results are included in discontinued operations to the date of its divestiture in November 2012, and Chinese renminbi, primarily through Sunblence. Management is evaluating foreign exchange risk management strategies, however, the Company has not entered into forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates.

Enablence has not entered into any other material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, or derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

MANAGEMENT AND BOARD OF DIRECTORS

As a result of the refinancing and restructuring of the Company completed in September 2013, the board of directors of the Company was restructured and expanded to seven directors at the Company's shareholder meeting held on December 18, 2013. As a result, the board was then comprised of the following directors: Louis de Jong, appointed as Chairman of the Board, succeeding John Roland, John Roland, Jacob Sun, as the Company's Chief Executive Officer, Jim Seto, Zhiyin Gao, Tao (Todd) Zhang, as the Company's Chief Financial Officer, and Shengyin (Kevin) Chu. In order to provide for these agreed appointments, Peter Dey and Dan Hilton resigned from the Board effective as of September 10, 2013. Messrs. Gao, Zhang and Chu are nominees of China Tricomm Ltd.

On May 20, 2014, Evan Chen was appointed as Chief Executive Officer of the Company succeeding Jacob Sun. Jacob Sun subsequently resigned as a director of the Company.

TRANSACTIONS WITH RELATED PARTIES

As at June 30, 2014, China TriComm Ltd. ("TriComm") owned 30,000 Enablence common shares, which represents approximately 18.27% of the issued and outstanding common shares of the Company. TriComm is controlled by Mr. Gao, a director and significant shareholder of the Company. During September 30, 2013, as a result of equity financing received, the Company recorded $112 of legal fees owing to Win Brand Limited which is included in accounts payable and accrued liabilities at June 30, 2014. Win Brand Limited ("Win Brand") is controlled by a Director and Officer of the Company.

As at June 30, 2014 Irixi owned 20,360 Enablence common shares, which represents approximately 12.4% of the issued and outstanding common shares of the Company. In addition, Irixi holds 2,133 common share options. Irixi is a joint venture controlled by TriComm and Win Brand. During the fiscal year ended June 30, 2014, the Company ordered certain materials from suppliers on behalf of Irixi in the amount of $81 which is included in accounts receivable at June 30, 2014.

During the fiscal year ended June 30, 2014, the Company recorded consulting fee expense of $98 for Evan Chen and Todd Zhang. This amount is payable to Irixi and is included in accounts payable and accrued liabilities at June 30, 2014.

The Company controls 49% of the Sunblence Joint Venture. During the fiscal year ended June 30, 2014, the Company fulfilled certain orders from Sunblence in the amount of $106. This amount was fully paid off during the year and the accounts receivable relating to these transactions was nil at June 30, 2014.

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 year ended June 30, 2014 the Company did not enter into any material transactions with related parties outside of those noted elsewhere in the MD&A.

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result management expectations may not be realized for a number of reasons. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The current global economic crises pose additional risks and uncertainties which may materially affect management's expectations.

Any investor should also consider carefully these risks and the risks and uncertainties that are detailed in APPENDIX A.

CRITICAL ACCOUNTING ESTIMATES

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

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:

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective January 21, 2018. *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

Amendments to IAS 32 *Financial Instruments: Presentation* clarify certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time.
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters.

New disclosures about revenue are also introduced. This standard is applicable to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2017.

The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

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.

APPENDIX A

RISKS AND UNCERTAINTIES

An investment in the Enablence common shares is subject to a variety of risks. The Company operates in a rapidly changing environment that involves risks and uncertainties that could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The current global economic uncertainty poses additional risks and uncertainties that may materially affect management's expectations. Any investor should also consider carefully these risks and the risks and uncertainties that are detailed below and available as part of the Company's continuous disclosure record available at www.sedar.ca.

The following are the principal risk factors relating to Enablence and its business:

Significant Future Capital Requirements; Need for Significant Additional Financing

The Company's future capital requirements will be significant. There can be no assurances that the Company will be able to raise the additional funds (on commercially reasonable terms, or at all) that it will need to develop its products and remain competitive in its markets. Any inability to obtain additional financing when needed would have a material adverse effect on the Company. In addition, any additional equity financing or conversion of debt obligations may involve substantial dilution to Company's then existing shareholders.

The Company's revenue and operating results can be difficult to predict and can fluctuate substantially, which may harm its results of operations and cash flows

The Company's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, the Company's operating results may not follow any past trends. The Company's quarterly revenue is generally dependent upon conversion of opportunities in the sales pipeline during the quarter. As a result, revenues and operating results can be difficult to predict and can fluctuate substantially. Accordingly, Enablence must build inventory based in part on its revenue forecast in order to meet delivery requirements for a major portion of its short lead-time orders. The factors affecting the Company's revenue and results, many of which are outside of its control, include:

- lack of long-term purchase commitments from customers;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products, product announcements and changes in pricing policy by the Company or its competitors
- market acceptance of the Company's products;
- the Company's ability to maintain existing relationships and to create new relationships with customers;
- the discretionary nature of purchase and budget cycles of the Company's customers;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, strategic investments or changes in business strategy; and
- timing of product development and new product initiatives.

The Company's gross margin and operating results may be adversely affected by lower pricing required to compete successfully and/or if its product cost targets cannot be achieved

The intensely competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products and services, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes or actions would reduce the Company's margins and could adversely affect the Company's operating results. Many of the Company's competitors have significantly greater financial, technical, marketing or service resources than the Company. Many of these competitors also have a larger installed base of products, have longer operating histories or have greater name recognition that the Company. Customers and prospective customers of the Company are generally concerned that their suppliers will continue to operate and provide product support, maintenance and warranty services.

The Company's ability to compete successfully depends on a number of factors, including:

- the successful identification and development of new products for the Company's core market;
- the Company's ability to anticipate customer and market requirements and changes in technology and industry standards in a timely manner;
- the Company's ability to gain access to and use technologies in a cost-effective manner;
- the Company's ability to introduce cost-effective new products in a timely manner;
- the Company's ability to differentiate its products from its competitors' offerings;
- the Company's ability to gain customer acceptance of its products;
- the performance of the Company's products relative to its competitors' products;
- the Company's ability to market and sell the Company's products through effective sales channels;
- the Company's ability to establish and maintain effective internal financial and accounting controls and procedures;
- the protection of the Company's intellectual property, including its processes, trade secrets and know-how; and
- the Company's ability to attract and retain qualified technical, executive and sales personnel.

Participation in Joint Ventures

Enablence is currently participating in one joint venture in which the Company does not have a majority interest. Under the governing documents for these joint ventures, certain key matters such as the approval of business plans and decisions as to the timing and amount of cash distributions require the consent of the joint venture partners, and some matters may be approved without the Company's consent. The Company's joint venture partners may have economic or business interests or goals that are inconsistent with the Company's goals, exercise their rights in a way that prohibits the Company from acting in a manner in which the Company would like to or our partners may be unable or unwilling to fulfil their obligations under the joint venture arrangement or other agreements. The Company may enter into similar arrangements in the future to pursue additional opportunities. There can be no assurance given that the actions or decisions of the Company's joint venture partner will not affect the Company's ventures in a way that hinders the Company's corporate objectives or reduces any anticipated cost savings or revenue enhancement resulting from these ventures.

Managing Growth

The Company pursues a growth strategy that focuses on organic growth. The Company has undertaken several acquisitions in prior years to allow the Company to expand its product offerings and customer base, and may do so in the future. While the Company has no active plans to acquire other companies, the success with which the Company can integrate companies acquired in the future will be critical in achieving the benefits from them. Failure to properly integrate and save costs and achieve market leadership based on these acquisitions may hinder the Company's ability to be successful in its growth plans. On-going plans for further acquisitions will also be dependent on the Company's ability to fund an acquisition, identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired operations and technology of such companies successfully with its own and maintain the goodwill of the acquired business. The Company is unable to predict whether it will be able to identify further suitable additional acquisition candidates or the likelihood that these potential additional acquisitions will be completed. In addition, efforts to integrate acquisitions entail significant risks including, but not limited to, the possibility that the operations of the acquired business will not be profitable, diversion of the attention of the Company's management from day-to-day operation of the Company's business and the assumption of significant and/or unknown liabilities of the acquired business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Acquisitions could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that the acquisitions made to date will be successfully integrated and future acquisitions will be successfully completed or that, if more acquisitions are completed, the acquired businesses, products or technologies will be integrated successfully or generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

Dependence on Third Party Suppliers
The Company relies heavily on its suppliers and contract manufacturers. If third party suppliers or manufacturers lack sufficient quality control or if there are significant changes in the financial or business conditions of such third parties, it may have a material adverse effect on the Company's business. The Company's profit margins and time to market may be affected by factors beyond its immediate control. The Company's products also use other customized components that are procured from third parties. The performance and ability of these suppliers and the performance of their components are critical to its success. The hybridization of these active components onto the Company's PLC platform requires specialized equipment, the capacity of which cannot be assured through its outsourcing suppliers. Certain packaging of the Company's components is performed through contract manufacturers, and it relies on their ability to achieve the Company's pricing and capacity requirements.

Divestitures may adversely affect our business
The Company has actively pursued certain divestitures, such as the Systems segment and ENA Switzerland, to further its business objectives, or eliminate assets that did not meet our return-on-investment criteria. The anticipated benefits of our divestitures and other strategic transactions may not be realized or may be realized more slowly than we expected. Divestitures and other strategic opportunities have resulted in, and in the future could result in, a number of financial consequences, including without limitation: reduced cash balances; contingent liabilities, including indemnification obligations; restructuring actions, which could result in charges that have a material effect on our results of operations and our financial position; legal, accounting and advisory fees; and one-time write-offs of large amounts.

Inventory Management
Lead times for the materials and components that the Company orders through its contract manufacturers may vary significantly and depend on numerous factors, including the specific supplier, contract terms and market demand for a component at a given time. If the Company overestimates its production requirements, its contract manufacturers may purchase excess components and build excess inventory. If the Company's contract manufacturers purchase excess components that are unique to its products or build excess products, the Company could be required to pay for these excess parts or products and recognize related inventory write-down costs. If the Company underestimates its product requirements, its contract manufacturers may have inadequate component inventory, which could interrupt manufacturing of its products and result in delays or cancellation of sales. In prior periods the Company has experienced excess and obsolete inventory write-downs which impact the Company's cost of revenue. This may continue in the future, which would have an adverse effect on the gross margins, consolidated financial condition and consolidated results of operations of the Company.

Accounts Receivable Management
In certain instances, the Company is limited in its ability to evaluate the creditworthiness of direct customers who decline to provide it with financial information. Any collection problems the Company may experience with these customers could have an adverse impact on the business, operating results, or financial condition of the Company. Any material collection issues with the Company's customers could result in increases in bad debt expense or collection costs, inventory impairments, or adjustments to its reported revenues or deferred revenues, any of which could adversely affect the results of operations of the Company and could result in a decline in the price of the Common Shares.

International Operations
The Company generates a significant portion of its sales from customers outside of North America, including emerging markets, and is executing on a strategy to expand sales to more international markets, in part through its joint venture arrangements in China. Regulations or standards adopted by other countries may require the Company to redesign its existing products or develop new products suitable for sale in those countries. If the Company invests substantial time and resources to expand its international operations and is unable to do so successfully and in a timely manner, the business, financial condition and results of operations of the Company will suffer. In the course of expanding the Company's international operations and operating overseas, it will be subject to a variety of risks, including:

- differing regulatory requirements, including tax laws, trade laws, labour regulations, tariffs, export quotas, custom duties or other trade restrictions and changes thereto;

- greater difficulty supporting and localizing the Company's products;
- different or unique competitive pressures as a result of, among other things, the presence of local equipment suppliers;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- limited or unfavourable intellectual property protection;
- changes in a specific country's or region's political or economic conditions; and
- restrictions on the repatriation of earnings.

Uncertain Global Economic Conditions
Current conditions in the domestic and global economies are uncertain. There continues to be a high level of market instability and market volatility with unpredictable and uncertain financial market projections. The impacts of a global recession or depression will have consequences on the Company's operations in North America and globally, preventing the roll out of optical network deployments or other consequences such as the costs of such roll outs, unavailability of funds for roll outs of new products, or upgrades of the curtailment of expenditures on new optical infrastructure. Global financial problems and lack of confidence in the strength of global financial institutions have created many economic and political uncertainties that have impacted the global economy. As a result, it is difficult to estimate the level of growth for the world economy as a whole. It is even more difficult to estimate growth in various parts of the world economy, including the markets in which the Company participates. All components of the Company's budgeting and forecasting are dependent on estimates of growth of the optical components market and the widespread acceptance of PLC technology throughout the world. The prevailing economic uncertainties render estimates of future income and expenditures difficult.

Political, Economic and Other Risks of Joint Venture Operations in China
The Company is participating in a joint venture in China, as such the Company is subject to political, economic and social risks relating to operating in a foreign jurisdiction, these risks including: (i) nationalization, expropriation of assets or property with or without compensation, forced modification or cancellation of existing contracts, (ii) currency fluctuations and devaluations, unfavourable tax enforcement, changing political conditions, political unrest and civil strife, (iii) changes in governmental regulations or policies with respect to currency, production, price controls, profit repatriation, export controls, labour, taxation, trade, environmental and health and safety matters. Any of these risks could have a material adverse effect on business, results of operations and financial performance of the Company.

Difficulty in enforcement of judgements
Significant assets of the Company are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

The Company has a joint venture incorporated in China and the joint venture operations are conducted in China. The Company also has a number of subsidiaries incorporated in the United States. Certain directors and officers, including our President and Chief Executive Officer and our Chief Financial Officer, reside outside of Canada, namely in the United States and in China, and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted outside of Canada. Courts in such jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Market Opportunities

The demand for the Company's products depends in large part on the continued growth of the industries in which it participates, particularly in the deployment of long haul, metro and FTTH markets. A market decline could have an adverse effect on the Company's business. The speed of FTTH deployment may be affected by numerous factors including regulatory changes and general economic conditions. The rate at which the portions of the telecommunications industry and the FTTH market in which the Company participates grow is critical to its ability to meet expectations and improve the Company's financial performance.

Sales Cycles are Long and Unpredictable

The timing of the Company's revenues is difficult to predict. The Company's sales efforts often involve educating its customer base about the use and benefits of its products. The Company's customers often undertake a significant evaluation process, which frequently involves not only the Company's products but also those of its competitors and this can result in a long sales cycle. The Company spends substantial time, effort and money in its sales efforts without any assurance that its efforts will produce any sales. In addition, product purchases are frequently subject to budget constraints, multiple approvals and unplanned administrative, processing and other delays. If sales from a specific customer for a particular quarter are not realized in that quarter or at all, the Company may not achieve its revenue forecasts and its business could be materially and adversely affected.

Dependence on Key Customers

A limited number of customers account for a large percentage of the Company's revenue within any given period. The Company expects that a significant portion of its revenues will continue to be derived from a small number of customers. These customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's sales and profits to decline. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, it could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, as a result of a significant volume of revenue being generated with any particular customer(s), there is the risk of trade accounts receivable being concentrated to a limited number of customers, whereas any delays or non-payment of such trade accounts receivable, could have a negative impact on the Company's liquidity and/or the Company's cash available to support business operations.

Customer Spending Patterns

Demand for the Company's products depends on the magnitude and timing of capital spending by telecom network and service providers as they construct, expand and upgrade their networks. The Company sells its components to customers that sell to the telecom service providers. Continued macroeconomic weakness and uncertainty in 2013 or future periods could result in further weakness in the Company's new order activity, which would have an adverse effect on the business, revenues, operating results, and financial condition of the Company.

Other factors affecting the capital spending patterns of telecom service providers include the following:

- competitive pressures, including pricing pressures;
- consumer demand for new services;
- an emphasis on generating sales from services delivered over existing networks instead of new network construction or upgrades;
- the timing of annual budget approvals;
- evolving industry standards and network architectures;
- free cash flow and access to external sources of capital; and
- completion of major network upgrades.

Competitive Pressures

Competition in the Company's markets is intense, and the Company expects competition to increase. The market for optical components and subsystems is susceptible to price reductions among competitors seeking relationships with large multinational, well-capitalized businesses.

New products may be slow to be accepted into the market or may not be accepted at all. The Company is constantly exposed to the risk that its competitors may implement new technology before the Company does, or may offer lower prices, additional products or services or other incentives that Enablence cannot and will not offer. The Company can give no assurances that it will be able to compete successfully against existing or future competitors.

The Company's ability to compete successfully depends on a number of factors, including:

- the successful identification and development of new products for the Company's core market;
- the Company's ability to anticipate customer and market requirements and changes in technology and industry standards in a timely manner;
- the Company's ability to gain access to and use technologies in a cost-effective manner;
- the Company's ability to introduce cost-effective new products in a timely manner;
- the Company's ability to differentiate its products from its competitors' offerings;
- the Company's ability to gain customer acceptance of its products;
- the performance of the Company's products relative to its competitors' products;
- the Company's ability to market and sell the Company's products through effective sales channels;
- the Company's ability to establish and maintain effective internal financial and accounting controls and procedures;
- the protection of the Company's intellectual property, including its processes, trade secrets and know-how; and
- the Company's ability to attract and retain qualified technical, executive and sales personnel.

Many of the Company's existing and potential competitors are larger than the Company, with longer operating histories and substantially greater financial, technical, marketing or other resources, significantly greater name recognition, and a larger installed base of customers. Unlike some of the Company's competitors, the Company does not provide equipment financing to potential customers. In addition, many of the Company's competitors have broader product lines than it does, so they can offer bundled products, which may appeal to certain customers.

The products that the Company and its competitors sell require a substantial investment of time and funds for our customers to design into their products. Customers are typically reluctant to switch component suppliers once a particular supplier's product has been designed in. As a result, competition among component suppliers to secure contracts with potential customers is particularly intense and will continue to place pressure on product pricing. Some of the Company's competitors have resorted in the past, and may resort in the future, to offering substantial discounts to win new customers and generate cash flows. If the Company is forced to reduce prices in order to secure customers, the Company may be unable to sustain gross margins at desired levels or achieve profitability.

Product Defects and Warranty Obligations

Although the Company's products are tested prior to shipment, they may contain defects or interoperability issues (collectively described as "defects") that may only be detected when tested in the final product of our customer. In addition, defects or other malfunctions or quality control issues may not appear until the equipment has been deployed for an extended period of time. The Company also continues to introduce new products that may have undetected defects. The Company's customers may discover defects in its products at any time after deployment or as their networks are expanded and modified. Any defects in the Company's products discovered in the future, could result in lost sales and market share and negative publicity regarding its products. The Company provides limited warranties on its products. As a result, warranties on a product with a significant product defect could adversely affect the results of operations of the Company.

Product Development and Technological Change

The markets for the Company's products are characterized by rapidly changing technologies, frequent new product introductions and evolving industry standards. The Company's success will depend, in substantial part, on the timely and successful introduction of products and upgrades to those products to comply with emerging industry standards and to address competing technological and product developments carried out by its competitors. The research and development of technologically advanced products is a complex and uncertain process requiring high levels of innovation as well as the accurate anticipation of technological and market trends. The Company may focus its resources on technologies that do not become widely accepted and are not commercially viable. In addition, products may contain defects that are detected only after deployment. If the Company's products are not competitive or do not work properly, its business will suffer. The Company's products are also intended to replace current technologies. Any improvements in the costs of production of current products in the market can negatively impact the Company's margins and its competitive position in the marketplace with prices for its products falling and reducing profit margins.

Product Obsolescence

The Company's market is characterized by rapid technological advances, frequent new product introductions, evolving industry standards and recurring changes in end-user requirements. The Company's future success will depend significantly on its ability to anticipate and adapt to such changes and to offer, on a timely and cost-effective basis, products and features that meet changing customer demands and industry standards. The timely development of new or enhanced products is a complex and uncertain process, and the Company may not be able to accurately anticipate market trends or have sufficient resources to successfully manage long development cycles. The Company may also experience design, manufacturing, marketing and other difficulties that could delay or prevent the development, introduction or marketing of new products. The introduction of new or enhanced products also requires that the Company manages the transition from older products to these new or enhanced products in order to minimize disruption in customer ordering patterns and ensure that adequate supplies of new products are available for delivery to meet anticipated customer demand. If the Company is unable to develop new products or enhancements to its existing products on a timely and cost-effective basis, or if the new products or enhancements fail to achieve market acceptance, the business, consolidated financial condition and consolidated results of operations of the Company would be materially and adversely affected.

Development Stage Products and Customer Expectations

The Company may not be able to successfully demonstrate high yields on large volume production of its components and meet all of the specification requirements of all products in accordance with industry requirements for all of its product lines. There may be potential quality issues on the manufacture of these products resulting from the way the products are designed or manufactured or in the processes used for the design and manufacture of the product(s), or from the software or materials used in the product(s). These factors may cause delays in availability and shipping of products to potential customers, or even the cancellation of orders by customers. Quality issues in the products may have legal and financial implications for the Company, including delays in revenue recognition, loss of revenue or future orders, customer-imposed penalties for failure to meet contractual shipment deadlines, increased costs associated with repairing or replacing products, and a negative impact on goodwill and brand name reputation and higher manufacturing costs.

Intellectual Property

The Company depends on its proprietary technology for its success and ability to compete. The Company currently holds several issued patents and has several patent applications pending. The Company relies on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect its proprietary rights. Existing patent, copyright, trademark and trade secret laws will afford the Company only limited protection. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of Canada. The Company cannot be assured that any pending patent applications will result in issued patents, and issued patents could prove unenforceable. Any infringement of the Company's proprietary rights could result in significant litigation costs. Further, any failure by the Company to adequately protect its proprietary rights could result in the Company's competitors offering similar products, resulting in the loss of its competitive advantage and decreased sales.

Despite the Company's efforts to protect its proprietary rights, attempts may be made to copy or reverse engineer aspects of its products, or to obtain and use information that the Company regards as proprietary. Accordingly, the Company may be unable to protect its proprietary rights against unauthorized third party copying or use. Furthermore, policing the unauthorized use of the Company's intellectual property would be difficult. Litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect its trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the business, consolidated financial condition and consolidated results of operations of the Company.

Intellectual Property Litigation

The Company may be subject to intellectual property infringement claims that are costly to defend and could limit the Company's ability to use some technologies in the future. The Company's industry is characterized by frequent intellectual property litigation based on allegations of infringement of intellectual property rights. From time to time, third parties have asserted against the Company, and may assert against it in the future, patent, copyright, trademark or other intellectual property rights to technologies or rights that are important to the business. In addition, the Company has agreed, and may in the future agree, to indemnify its customers for any expenses or liabilities resulting from claimed infringements of patents, trademarks or copyrights of third parties. Any claims asserting that the Company's products infringe, or may infringe on, the proprietary rights of third parties, with or without merit, could be time-consuming, resulting in costly litigation and diverting the efforts of management. These claims could also result in product shipment delays or require the Company to modify its products or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available to the Company on acceptable terms, if at all.

Currency Fluctuations may Adversely Affect the Company

A substantial portion of the Company's operating costs are recognized in currencies other than US$, specifically the Canadian dollar, and in the China JV, in China Yuan Renminbi. The Company carries certain monetary assets and liabilities in these and other currencies, which differ from the Company's US dollar base reporting currency. Fluctuations in the exchange rate between these currencies and the US dollar may have a material adverse impact on the Company's business, financial condition and operating results. The Company' China JV expects to have a natural currency hedge with its RMB revenues offsetting its RMB operating costs.

Earnings History

The Company has incurred significant losses since its inception. The Company may continue to incur losses during the current and following fiscal years. The Company cannot predict with certainty that it will not continue to incur losses or experience negative cash flow in the future. The Company's continued inability to generate positive operating income and cash flow would materially and adversely affect the liquidity, consolidated results of operations and consolidated financial condition of the Company.

A significant portion of the Company's expenses is fixed, and the Company expects to continue to incur significant expenses for research and development, sales and marketing, and general and administrative functions. Given the rate of growth in the Company's customer base, its limited operating history and the intense competitive pressures it faces, the Company may be unable to adequately control operating costs. In order to achieve and maintain profitability, the Company must increase sales while maintaining control over expense levels.

Key Personnel

Competition for skilled personnel, particularly those specializing in engineering and sales, is intense. The Company cannot be certain that it will be successful in attracting and retaining qualified personnel, or that newly hired personnel, will function effectively, either individually or as a group. In particular, the Company must continue to expand its direct sales force, including hiring additional sales managers, to grow its customer base and increase sales. Even if the Company is successful in hiring additional sales personnel, new sales representatives often require up to a year to become effective. In addition, the industry is characterized by frequent claims relating to unfair hiring practices. The Company may become subject to such claims and may incur substantial costs in defending the Company against these claims, regardless of their merits. If the Company is unable to effectively hire, integrate and utilize new personnel, the execution of its business strategy and its ability to react to changing market conditions may be impeded, and the business, financial condition and results of operations of the Company could be materially and adversely affected.

Changes in Accounting and Tax Rules
The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a material adverse effect on the financial results of the Company or the manner in which the Company conducts its business. Requirements as to taxation vary substantially among the jurisdictions in which the Company operates. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could subject the Company to penalties and fees if it inadvertently fails to comply. In the event the Company inadvertently fails to comply with applicable tax laws, it could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Changes in Government Policy
The Company's results may be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of the Canadian and foreign governments, agencies and similar organizations. The Company's results may be affected by social and economic conditions that impact its operations, including in emerging markets in Asia and in markets subject to ongoing political hostilities.

Share Price Volatility
The Common Shares trade on the TSX-V; however, the Company cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in its common shares and it is possible that an active and liquid trading market will not develop or be sustained. Some companies that have volatile market prices for their securities have had securities class action lawsuits filed against them. If a lawsuit were to be filed against the Company, regardless of its outcome, it could result in substantial costs and a diversion of management's attention and resources.

The price of Common Shares may fluctuate in response to a number of events, including but not limited to:

- its quarterly operating results;
- sales of the Company's common shares by a principal shareholder;
- future announcements concerning the business of the Company or of its competitors;
- the failure of securities analysts to cover the Company and/or changes in financial forecasts and recommendations by securities analysts;
- actions of the Company's competitors;
- actions of the Company's suppliers;
- actions of directors and officers regarding purchase and sale of shares;
- the volatility of the telecommunications and technologies markets as a whole;
- general market, economic and political conditions;
- natural disasters, terrorist attacks and acts of war; and
- the other risks described in this section.

GLOSSARY OF TERMS

AIF	Annual information form, filed with SEDAR
AWG	Arrayed waveguide grating, an optical component
CDN	Canadian dollars
China JV	Sunbence, the Company's joint venture operating in China
COGS	Cost of revenues, netted in gross margin
Company	Enablence Technologies Inc., referring either to Enablence and its subsidiaries and affiliates or else the corporate entity, as the context indicates
Convertible Notes	$3,000 of Convertible Notes issued on November 19, 2008 and bear interest at 5% and at 18% since January 2012 when the Convertible Notes were in default.
CTA	Cumulative translation adjustment, a component of equity under IFRS
Enablence	Enablence Technologies Inc., either the consolidated group or the corporate entity, as the context dictates
ENA Switzerland	Enablence Switzerland AG, a wholly-owned subsidiary, located in Zurich, Switzerland, held for disposition in Fiscal 2012 and sold on November 19, 2012.
FTTP	Fibre-to-the-premises
G	Gigabit, 1 million bits of data
G&A	General and administration costs
IFRS	International financial reporting standards under which Enablence reports its financial results
MD&A	This management's discussion and analysis of financial condition and results of operations report, prepared in accordance with regulatory requirements
MSAP	Multi-service access platform, enabling very high-speed voice, data, video and internet communications
NRE	Non-recurring engineering costs, often associate with revenue-producing initiatives undertaken by the Company
PIC	A photonic integrated chip integrates sub-components (such as waveguides, photodetectors, lasers and transimpedance amplifiers) onto one platform
PLC	Planar lightwave circuit technology, including patents owned by the Company
R&D	Research and development costs
RMB	Renminbi, the Chinese currency
ROADM	Re-configurable add/drop multiplexer, an optical subsystem
Subordinated Notes	Subordinated notes, with a principal amount of $10,000, are secured by a subordinated lien on the Company's North American assets ("Secured Notes").

Sunblence	A 49%-owned joint venture operating in China; the 51% partner is Sunsea
Sunsea	SUNSEA Telecommunications Co. Ltd., the 51% partner in Sunblence
Teledata	Teledata Networks Ltd., formerly a wholly-owned subsidiary, sold effective March 31, 2012
TOSA/ROSA	Transmitter and receiver optical subassemblies, optical components
US$	United States dollars, the currency in which Enablence reports its financial results
VMUX	variable multiplexer/de-multiplexer, an optical subsystem comprising a VOA and multiplexer/de-multiplexer
VOA	Variable optical attenuator, an optical component