ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

DATED: NOVEMBER 26, 2015

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

The following is a discussion and analysis of the financial condition of Enablence Technologies Inc. ("Enablence" or the "Company") at September 30, 2015 compared to June 30, 2015 and results of operations for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements for the three months ended September 30, 2015 as well as our audited consolidated financial statements and accompanying notes for the year ended June 30, 2015. References made herein to "Enablence", the "Company", "we" and "our" mean Enablence, its subsidiaries, and its joint venture, collectively, unless the context indicates otherwise. All amounts (including numbers of common shares, options and warrants) included in the MD&A are in thousands, except per share amounts or as indicated otherwise. All financial amounts are in US$, unless stated otherwise. Other continuous disclosure filings for the Company are available on www.sedar.com

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

The effective date of this MD&A is November 26, 2015.

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

On October 5, 2015, the Company closed the third and final tranche of the private placement of CDN$4,000 initiated in September 2015. This third tranche was for CDN$3,175 resulting in the issuance of 63,500 shares and 31,750 warrants. Each full warrant is exercisable for a period of 18 months at an exercise price of CDN$0.07 per warrant. The shares and warrants are subject to a four-month holding expiring in February 2016. The CDN$4,000 raising in this private placement achieved one of the conditions that was set by a senior, investment grade lender for the provision of a loan facility of up to $3,000 (the "Loan Facility"). This condition was part of a "non-binding indication" letter. The Loan Facility is designed to finance purchase orders from ZTE Corporation to Enablence.

On October 23, 2015, certain debt arrangements totalling CDN$2,702 were converted to equity at a price of CDN$0.0525 per unit. Each unit is comprised of one common share and one half warrant. Each full warrant is exercisable for a period of 18 months at an exercise price of CDN$0.07 per warrant. Additionally, debt arrangements totalling CDN$1,000, with a certain insider of the Company, Irixi Holding Ltd., were converted for shares at a price of $0.0525 per share. As an Insider, no warrants were received as part of this conversion. As a result of these debt conversions, 70,528 shares and 25,740 warrants were issued.

On November 24, 2015, the Company closed a private placement for approximately CDN$1,930 at a price of CDN$0.0525 per unit. Each unit was comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable for a period of eighteen months at an exercise price of $0.07 per warrant. The shares and warrants are subject to a four-month holding period.

OVERVIEW

ENABLENCE'S BUSINESS

Enablence designs, manufactures and sells optical components and subsystems for all three segments of optical networks - access, metro and long-haul markets - to a global customer base. It utilizes its patented technologies, including planar lightware circuit ("PLC") intellectual property, know-how and trade secrets in the production of an array of photonic components. The Company's product lines address: access - connecting homes and businesses to the network; metro - communication rings within large cities; and long-haul - linking cities, countries and continents. The Company offers leading expertise in transmission, switching & routing, wavelengths management, and signal performance management for networks ranging from 1.25 to 100 gigabits per second. The Company's current product line includes multiple wavelength channel transmission and receiving optical subassembly (TOSA/ROSA), and wavelength management products. The Company is expanding its TOSA/ROSA production capacity by collaborating with a manufacturing partner. The new capacity is expected to be ready in early 2016. The Company also earns revenues from engineering and design services, generally for products on the Company's roadmap and retains any IP developed under such contracts.

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

The Company has a 49% ownership interest in a joint venture, Sunblence Technologies Co., ("Sunblence"), which is located in Foshan, China. Sunblence develops, manufactures and sells splitter chips, based primarily on Enablence's planar lightwave circuit ("PLC") technology, to the Chinese market. The balance of the 51% ownership interest is held by SUNSEA Telecommunications Co., Ltd., ("SUNSEA"). During the year-ended June 30, 2014, the Company wrote off its investment in Sunblence due to the identification of certain impairment indicators at that time. The operation continues to require at least one additional product line as well as additional funding in order to continue operations, neither of which may be readily available.

RESULTS OF OPERATIONS

Summary of Unaudited Quarterly Results

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ended December 31, 2013 and subsequent quarters has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the unaudited consolidated financial statements for the fiscal period ended September 30, 2015.

All necessary adjustments for these past eight quarters, consisting of restating the investment in the Sunblence joint venture under the equity method and the subsequent impairment, reclassifying the results of the Systems business to discontinued operations and other normal recurring adjustments necessary for a fair presentation of information presented, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above-noted consolidated financial statements.

	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015
Revenue	$ 1,069	$ 1,054	$ 1,242	$ 1,089	$ 299	$ 428	$ 231	$ 205
Gross Margin	(548)	(608)	(1,518)	(393)	(789)	(998)	(1,916)	(692)
GM %	(51.3%)	(57.7%)	(122.2%)	(36.1%)	(263.9%)	(233.2%)	(829.4%)	(337.6%)
Expenses								
Research & development	1,156	1,144	1,483	947	823	716	762	656
Sales & marketing	144	156	164	96	104	53	32	1
General & administration	859	748	864	573	466	435	691	397
Stock-based compensation	113	97	60	202	160	129	(23)	40
Restructuring	-		-					
Expenses	2,272	2,145	2,571	1,818	1,553	1,333	1,462	1,094
Operating loss	(2,820)	(2,753)	(4,089)	(2,211)	(2,342)	(2,331)	(3,378)	(1,786)
Other expense	(33)	(29)	(28)	(46)	(38)	(31)	(186)	(146)
Write-down of intangible and other assets	-	-	(59)	-	-	-	-	-
Equity loss from joint venture	(448)	(310)	(318)	-	-	-	-	-
Impairment loss on investment in joint venture	-	-	(2,947)	-	-	-	-	-
Foreign exchange (loss) gain	26	36	(18)	-	(15)	(21)	(14)	(37)
Loss from continuing operations	(3,275)	(3,056)	(7,459)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)
Income from discontinued operations	-	-	555	-	-	-	-	-
Net loss	(3,275)	(3,056)	(6,904)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)
Weighted average shares outstanding	157,516	157,516	157,883	164,183	168,124	183,264	212,220	232,881
Basic and diluted loss per share								
Continuing operations	($0.02)	($0.02)	($0.05)	($0.01)	($0.01)	($0.01)	($0.02)	($0.01)
Adjusted EBITDA[(1)]	(2,633)	(2,412)	(3,783)	(1,823)	(1,902)	(1,922)	(3,170)	(1,491)

(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:

	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015
Net loss for the period	(3,275)	(3,056)	(6,904)	(2,257)	(2,395)	(2,383)	(3,578)	(1,969)
Add (deduct):								
Income from discontinued operations	-	-	(555)	-	-	-	-	
Net interest and other expense	33	29	28	46	38	31	186	146
Amortization	522	554	564	186	280	280	231	255
Impairment of intangible and other assets	-	-	59	-	-	-	-	-
Impairment loss on investment in joint venture	-	-	2,947	-	-	-	-	-
Foreign exchange (gain) loss	(26)	(36)	18	-	15	21	14	37
Stock-based compensation expense	113	97	60	202	160	129	(23)	40
"Adjusted EBITDA"	(2,633)	(2,412)	(3,783)	(1,823)	(1,902)	(1,922)	(3,170)	(1,491)

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2014

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three months ended September 30, 2015 and 2014.

	Three months ended September 30, 2015	2014	Increase (decrease)
Revenues	**$ 205**	$ 1,089	$ (884)
Cost of revenues	**897**	1,482	(585)
Gross margin	**(692)**	(393)	(299)
	(337.6%)	*(36.1%)*	
Operating expenses:			
Research and development	**656**	947	(291)
Sales and marketing	**1**	96	(95)
General and administrative	**397**	573	(176)
Stock based compensation	**40**	202	(162)
Total operating expenses	**1,094**	1,818	(724)
			-
Operating loss	**(1,786)**	(2,211)	425
Other income (expenses):			
Finance and other income	**22**	-	22
Finance expense	**(168)**	(46)	(122)
Foreign exchange loss	**(37)**	-	(37)
Net loss	**(1,969)**	(2,257)	288
Other comprehensive (loss) income (net of tax):			
Foreign currency translation gain	**227**	11	216
Comprehensive loss	**$ (1,742)**	$ (2,246)	504

Enablence converts foreign currency-denominated transactions related to the statement of income (loss) at the average exchange rates for the periods. As such, changes in the exchange rate between the United States dollar and the Canadian dollar can have an impact on the reported results for each fiscal period. The average exchange rate for the three months ended September 30, 2015 in terms of the Canadian dollar equivalent of US$1 was CDN $1.309 as compared to CDN $1.09, for the same period of the prior year.

REVENUES

Revenue for the three months ended September 30, 2015 was $205 as compared to $1,089 for the same period of the prior year. The Company has been phasing out its legacy product portfolio over the last year which previously was the main revenue contributor for the Company. In the meantime, the Company's lack of available financial resources has prevented it from increasing the production of its TOSA/ROSA product despite the demand from its customers. The combination of these two situations has led to the reduction in revenues for the year over year period. At this point, the Company is focusing on releasing an upgraded version of its TOSA/ROSA products to its customers and then to start the process of ramping up production in calendar 2016.

During the three months ended September 30, 2015, three customers accounted for 73% (34%, 29%, and 10% respectively) of the Company's total revenue and for the same period of the prior year, four customers accounted for 84% (47%, 13%, 13% and 11% respectively) of the Company's total revenue.

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

		Three months ended		
		September 30, 2015		September 30, 2014
Americas	**$**	**38**	$	302
Asia Pacific		**77**		628
Europe, Middle East and Africa		**90**		159
	$	**205**	$	1,089

GROSS MARGIN

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

Gross margin for the three months ended September 30, 2015 was $(692) as compared to $(393) for the same period of the prior year. The reduced 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, obtaining new financing, ramping up our capacity to produce TOSA/ROSA products, while continuing to support the fixed cost base.

OPERATING EXPENSES

R&D expenses for the three months ended September 30, 2015 was $656 as compared to $947 for the same period of the prior year. The decrease of $291 or 32% is due primarily to a reduction in compensation costs.

Sales & Marketing expenses for the three months ended September 30, 2015 was $1 as compared to $96 for the same period of the prior year. The decrease is due to reduced activity and no compensation costs incurred in the current quarter.

General & Administration expenses for the three months ended September 30, 2015 was $397 as compared to the same period of the prior year amount of $573. This decrease was mainly due to lower compensation costs and lower professional and consulting fees in the current year's period as compared to that of the prior year.

Stock-based compensation for the three months ended September 30, 2015 was $40 as compared to $202 for the same period of the prior year. The decrease in the current year is due to the expense impact of option grants issued towards the end of the prior fiscal year as well as a higher forfeiture of options resulting in lower expense.

FINANCE EXPENSE

Interest expense for the three months ended September 30, 2015 was $168 as compared to $46 for the same period of the prior year. Interest expense primarily relates to Notes Payable and this period over period increase is as a result of the transaction fees associated with the acquisition of the secured bank debt by the Consortium on August 21, 2015.

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

			September 30, 2015		June 30, 2015
Loan payable to Lending Consortium	(a)	**$**	**1,649**	$	-
Secured Note 1	(a)		**-**		505
Secured Note 2	(a)		**-**		836
Line of credit	(a)		**-**		465
Bridge Loan	(b)		**390**		416
Short-term Loans	(c)		**3,084**		2,408
		$	**5,123**	$	4,630
Less current portion			**5,123**		4,630
Long term portion		**$**	**-**	$	-

(a) On August 21, 2015, the Company’s existing secured bank debt provided by a bank in the United States (see the table above: Secured Note 1 and 2 and Line of Credit) was acquired by a lending a group in Canada (the “Consortium”), made up of certain minority shareholders of the Company, secured against the assets of the Company in Canada and the United States. The total amount owing to the Consortium at August 21, 2015 was $1,638. This is comprised of the outstanding secured bank debt at that time of $1,468, plus additional fees and legal costs of $170 associated with the transaction. Interest on the Consortium debt accrues at the same rate as previously on the bank debt, which is prime rate as published in the Wall Street Journal plus 3.25%. Interest in the amount of $11 has been accrued as of September 30, 2105 and is included in the loan balance payable. Subsequent to September 30, 2015, $418 of the loan was repaid by the Company to Consortium holders. The repayment terms of the remaining Consortium debt is yet to be completely determined. Therefore, the full amount of the loan has been classified as a current amount. The Consortium debt includes $209 invested by a related party and a company controlled by one of the directors of Enablence, De Jong & Co.

(b) During the quarter ended September 30, 2014, the Company received short-term, non-interest bearing, unsecured bridge loans (“Bridge Loan”) in the amount of $540 from certain related parties of which $390 was provided by companies controlled by directors of the Company. $150 of the Bridge Loan was repaid prior to June 30, 2015. Subsequent to September 30, 2015, $240 of the Bridge loan was converted to equity. The remaining $150 of the loan is expected to be repaid by May 1, 2016. Those companies that have provided the Bridge Loan were issued warrants exercisable at a price of $0.15 for an aggregate of 4,800 common shares of the Company, which expired on September 25, 2015. The common shares issuable upon the exercise of the warrants were subject to a four month hold period.

(c) Starting in September 2014, certain related and unrelated parties extended short-term, non-interest bearing, unsecured loans (“Short-Term Loans”), in the amount of $3,187, of which $824 was received during the three months ended September 30, 2015. $58 of the Short-Term Loan was repaid prior to June 30, 2015 and $39 was paid in the three months ended September 30, 2015. Subsequent to September 30, 2015, $2,727 of the loans were converted to equity and another $150 was repaid. Another $112K of the loan is expected to be repaid by May 1, 2016. The There were no warrants issued in respect of these Short-Term Loans.

FOREIGN EXCHANGE GAIN (LOSS)

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

During the three months ended September 30, 2015 the Company recorded a foreign exchange loss of $37 as compared to $nil in the same period of the prior year. The loss is primarily due to an increase in US dollar denominated loans held by the Canadian entity.

INCOME TAXES

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

NET LOSS

The net loss from continuing operations for the three months ended September 30, 2015 was $1,969 as compared to $2,257 for the same period of the prior year. The decrease in net loss is primarily due to lower overhead and compensation costs partially offset by additional finance expense relating to the Consortium debt and the increase in the negative gross margin impacted by reduced revenues in the current period.

FOREIGN CURRENCY TRANSLATION GAIN

During the three months ended September 30, 2015 the Company recorded a foreign exchange translation gain of $227 as compared to a gain of $11 in the same period of the prior year. The gain is primarily due to the impact of translating the larger balance of notes payable held by the Canadian entity in the current quarter as compared to the same period of the prior year.

LOSS PER COMMON SHARE

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

	Three months ended September 30,	
	2015	**2014**
Basic and diluted loss per common share:	$(0.01)	$(0.01)
Weighted Average Number of Common Shares	232,881	164,183

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

OUTLOOK

In recent months, the Company has been actively raising financing which has resulted in the closing of additional equity financing and the conversion of CDN$3,700 of existing debt to equity. In addition, the Company is anticipating securing loan facilities of $3,000 designed to finance customer purchase orders (see more details in Subsequent Events and Liquidity sections). In light of this, the Company's financial position remains challenged and cash conservation measures and cost saving strategies continue to be considered. In the event the Company is unable to raise the additional financing, the Company will have to look at other alternatives including the possibility of ceasing operations. The Company also continues to be highly dependent on additional equity financing in the longer term, until revenues and gross margins increase to a point at which operations become profitable. There is no certainty that additional funding in the immediate or longer term will be secured.

At the end of calendar 2014, the Company entered into a continuing Business Cooperation Agreement with a Strategic Investor. This agreement outlines existing and future research and development and product supply collaboration between Enablence and the Strategic Investor. Products covered under the Agreement include advanced TOSA / ROSA products which are based on our unique hybrid integration technology. The volume requirements for products covered under this Agreement are expected to increase significantly during the next 12 to 24 months, and we are expected to meet certain milestones in connection with the Agreement. This is an important step for the Company on its roadmap to entering the high end TOSA/ROSA market which places significant reliance on our PLC integration platform and provides a growth engine for the Company in the foreseeable future.

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

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

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, debt service and organic growth requirements. During the three months ended September 30, 2015, as well as subsequent to September 30, 2015 year end, Enablence secured new equity investments. In addition, the Company's bank debt was acquired by a lending consortium ("Consortium") in August 2015. See full financing details below as well as within the Subsequent Events section above.

Enablence has not generated positive cash flow from operations since its inception, and has relied on cash from the issuance of shares and debt to fund its operations. The table below sets out the cash, cash equivalents, and working capital at September 30, 2015 and September 30, 2014.

	September 30, 2015	June 30, 2015
Cash and Cash Equivalents	$ 730	$ 169
Restricted cash	4	4
	734	173
Working Capital deficiency	(7,612)	(7,196)

The working capital position from operations at September 30, 2015 decreased to a deficiency of $7,612 from the working capital deficiency of $7,196 at June 30, 2015. The increase was primarily due to a combination of a decrease in accounts receivable as a result of collections and reduced sales, and an increase in deferred revenues relating to deposits received from customers in advance of product delivery.

The chart below highlights the Company's cash flows during the three months ended September 30, 2015 and 2014.

	Three months ended September 30,	
	2015	**2014**
Cash used in Operating activities	**(1,731)**	(1,312)
Investing activities		
Purchase of property, plant and equipment	**(31)**	(31)
Financing activities		
Net proceeds from issuance of units	**1,036**	(7)
Subscriptions received in advance of financing close	**610**	-
Repayment of bank loans	**(1,812)**	(161)
Advances from lending Consortium	**1,649**	-
Advances from bridge and short-term loans	**656**	757
	2,139	589
Effect of foreign currency translation	**184**	19
Net change in cash and cash equivalents	**561**	**(735)**

At September 30, 2015, the Company had cash available of $730 (not including $4 of restricted cash). The Company consumed $1,731 in operating activities for the three months ended September 30, 2015 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.

Equity Financing

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. At September 30, 2015, there are 247,763 common shares and no preferred shares outstanding.

On August 21, 2015 the Company announced an overall financing and debt conversion package (the “Financing”) of up to CDN$10,000. The Financing includes three components, the first of which is a non-brokered private placement financing (the “Equity Financing”) for a minimum of CDN$4,000 at a price of $0.05 CDN per unit (“Unit), which was completed on October 5, 2015 (see details below). The second component of the Financing, which is conditional, is the provision of a loan facility for up to CDN$3,000 (the “Loan Facility”) by a senior, investment grade lender. Enablence has received a “Non-Binding Indication” letter from the prospective lender. The Loan Facility is subject to a number of closing conditions including the completion of the Equity Financing for a minimum CDN$4,000. The Loan Facility is designed to finance purchase orders from ZTE Corporation to Enablence and is to be in the form of a term loan with principal repayment commencing 18 months after funds are drawn. The Loan Facility would be secured against the assets of the Company with first ranking priority. The third component is, as part of the Financing, certain existing non-secured debt arrangements (not to exceed CDN$3,000) may be required to be converted into equity.

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

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

The CDN$4,000 Equity Financing was completed in three tranches: The first tranche of the financing closed on September 14, 2015 for $159 (CDN$210) with the sale of 4,200 units resulting in the issuance of 4,200 shares and 2,100 warrants. The second tranche of the financing closed on September 18, 2015 for $465 (CDN$615) with the sale of 12,300 units resulting in the issuance of 12,300 shares and 6,150 warrants. The third tranche for CDN$3,175 was closed subsequent to the end of the quarter on October 5, 2015 (See subsequent events note 14). Each unit was comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable for a period of eighteen months at an exercise price of $0.06 per warrant, and the shares and warrants are subject to a four-month holding period.

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

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

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

Bridge Loans

During the year ended ended June 30, 2015, and the quarter ended September 30, 2015, the Company secured bridge loans and other short-term loans in the amount of $3,721 of which $247 was repaid prior to September 30, 2015.

CAPITAL RESOURCES

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

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

See the Liquidity and Subsequent Events sections above for details on financings completed during the three months ended September 30, 2015 and subsequent to that. The continued equity funding will help to position Enablence to address the increased demand it is experiencing in its 100G/s components business and to focus on its customer needs and future growth opportunities.

Enablence is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are 418,671,066 common shares issued and outstanding as of November 26, 2015 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 September 30, 2016	to September 30, 2017	to September 30, 2018	Total
Accounts payable and accrued liabilities	$ 3,232	$ -	$ -	$ 3,232
Loan payable to lending Consortium	1,649	-	-	1,649
Bridge and other short-term loans payable	3,474			3,474
Total	$ 8,355	$ -	$ -	$ 8,355

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

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars, Management is evaluating foreign exchange risk management strategies, however, the Company has not entered into forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates.

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

TRANSACTIONS WITH RELATED PARTIES

During the three months ended September 30, 2015, the Company recorded consulting fee expense of $29 for Evan Chen and Todd Zhang (2014 - $39). This amount is payable to Irixi. At September 30, 2015, the total amount owing to Irixi related to consulting fee expense is $283 (June 30, 2015 - $254) and is included in accounts payable and accrued liabilities.

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 three months ended September 30, 2015 the Company did not enter into any material transactions with related parties outside of those noted elsewhere in the MD&A.

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties, and as a result, management expectations may not be realized for a number of reasons. An investment in Enablence common shares is speculative and involves a high degree of risk and uncertainty. The Company is highly dependent on additional financing to continue operations and there is no certainty that it will be able to obtain such financing. The current global economic crises pose additional risks and uncertainties which may materially affect management’s expectations.

Any investor should also consider carefully these risks and the risks and uncertainties that are detailed in our Annual MD&A filed on October 28, 2015 and available at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities.

Significant estimates in the accompanying financial statements relate to the impairment of intangible assets and the joint venture, allowance for doubtful accounts, valuation of debt and equity instruments, inventory provisions and valuation, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, certain accruals and provisions and unearned revenue. Actual results could differ from these estimates.

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

CHANGES IN ACCOUNTING POLICIES

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

IFRS 9 - Financial instruments

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

IFRS 11 – Joint Arrangements

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

IFRS 15 - Revenue from Contracts with Customers

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

January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements

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

FINANCIAL AND OTHER INSTRUMENTS

Enablence's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, and notes payable. Unless otherwise noted, it is the opinion of Enablence's management that Enablence is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

ADDITIONAL INFORMATION

Additional information related to the Company can be found on SEDAR at: www.sedar.com.