ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2021

DATED: June 24, 2021

Corrective disclosure was requested by staff of the Ontario Securities Commission ("OSC") in connection with the OSC's review of the Company's application to revoke a Cease Trade Order issued by the OSC on June 9, 2020 (the "CTO"). In accordance with OSC Staff Notice 51-711 (Revised) Refilings and Correction of Errors, the Company has filed the revised MD&A included herein, which includes such details that provide:

- Additional disclosure on the impacts of COVID-19 on the Company's business and operations;
- Additional detail on changes in revenue for the three and nine months ended March 31, 2021 as compared to the comparable periods in 2020;
- Additional detail on individual expense and income categories for the reporting periods
- Additional information on the outlook for the Company's business;
- Added detail relating to the CTO issued by the OSC on June 9, 2020, and its expected impact on the Company's business;
- Additional information on the Company's liquidity position, its use of short-term loans to finance operations and the capital resources needed to effect its business plan;
- Noted that shares to be issued to related parties remain subject to the approval of the TSX Venture Exchange; and
- Added disclosure to the Risks and Uncertainties section to reflect those associated with the CTO.

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

The following is a discussion and analysis of the financial condition of Enablence Technologies Inc. ("Enablence" or the "Company") at March 31, 2021 compared to June 30, 2020 and results of operations for the three and nine months ended March 31, 2021 compared to the three months and nine months ended March 31, 2020.

This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2021 as well as our audited consolidated financial statements and accompanying notes for the year ended June 30, 2020. References made herein to "Enablence", the "Company", "we" and "our" mean Enablence, its subsidiaries, 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 otherwise indicated. All financial amounts are in thousands of U.S. dollars ("US$" or "USD"), 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 conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. 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 current situation and the plans to resolve it are contained in the Outlook section of this MD&A.

The effective date of this MD&A is May 28, 2021.

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 the terms of its debt obligations with Export Development Canada ("EDC") and its convertible debt holders, as both obligations are past their maturity dates
- The Company will be able to modify the terms of its debt obligations with holders of short-term loans to increase balance sheet flexibility, reduce the amount of on-demand repayment obligations and reduce the Company's overall leverage

- 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
- 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 be able to attract and retain key people
- The Company will be able to raise additional capital to allow the Company fully implement its business plan
- The Company will be able to re-open its offices in Ottawa, Canada and Fremont, California to full capacity, as both locations have been required to shift to "at-home" work since the start of the COVID-19 pandemic, even though the Company's fabrication plant staff in Fremont, California have been allowed to continue to work onsite as they fit the State of California's definition of essential workers due to their role in Critical Manufacturing activities
- The Company will be able to meet supply chain challenges faced since the start of the COVID-19 pandemic, which have resulted in plant closures and shipping delays for certain suppliers of Enablence raw materials, particularly for suppliers in the Asia Pacific region

SUBSEQUENT EVENTS

The following events happened subsequent to March 31, 2021:

- The Company received $521 (including $342 from a related party) in unsecured short-term loans with interest accruing at a rate of 10% per annum. These short-term loans are repayable on demand. The Company accrued commissions of $31 (including $21 in connection with the related party amount) in connection with the raising of these loans for which the Company is expected to issue common shares as payment, subject to the approval of the TSX Venture Exchange ("TSX-V").
- On May 12, 2021, the Company submitted its application to the Ontario Securities Commission to revoke the previously issued CTO. The Company is awaiting comments from the OSC on the application and anticipates that its common shares will return to active trading following the completion of the OSC's review.
- As of May 28, 2021, the Company continues to negotiate a settlement agreement with Fraunhofer-Gesellschaft zur Forderung der angewandten Forschung e.V. ("Fraunhofer) which states that the Company agrees to pay Fraunhofer a total of $828 over a period of approximately 17 months until such liability is extinguished. It is anticipated that such payments will commence no later than September 30, 2021. Since 2018, Fraunhofer's Heinrich Hertz Institute ("HHI") has developed a series of novel optical products for the Company, which the Company plans to further develop and bring to market.

SELECTED FISCAL YEAR INFORMATION

Statement of Operations Data	Year ended June 30		
	2020	2019	2018
Revenue	**$1,101**	$1,424	$3,388
Gross margin	**(1,660)**	(2,509)	(2,158)
Operating expenses	**5,153**	5,673	6,682
Loss from operations	**(6,813)**	(8,182)	(8,840)
Net loss	**(9,920)**	(10,355)	(10,956)
Basic and diluted loss per share	**($0.02)**	($0.02)	($0.02)

Balance Sheet Data	Year ended June 30		
	2020	2019	2018
Total assets	**$1,615**	$2,242	$4,633
Total non-current financial liabilities	**$350**	$260	$0
Total liabilities	**32,705**	25,171	18,336
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. The Company utilizes its patented technologies, including planar lightwave circuit ("PLC") intellectual property, know-how and trade secrets in the production of photonic components. The Company's product lines address access – connecting homes and businesses to the network; metro – communication rings within cities of different sizes; 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 400 gigabits per second. Enablence's PLC optical chip technology make it a solution for an array of end markets including telecommunications (including 5G networks), cloud data centers, sensor systems, biomedical and aerospace applications.

Prior to the first calendar quarter of 2019, the Company was in the business of manufacturing and selling completed optical modules (also known as transceivers), which the Company assembled using its in-house designed optical chips and other components such as lasers and photodiodes which were purchased from third parties. The Company faced significant competition from a large, well-capitalized group of peers that were established in the market, making growth in industry difficult. In addition, the need to source multiple component parts and the large number of staff needed to assemble and test the finished products added significant capital and overhead needs to the Company's business. In order to simplify business operations and focus its resources on its core capability and expertise in chip design, the decision was made to eliminate the assembly business and sell only optical chips, which are the most critical and highly valued component in the optical modules. The Company believes this revised strategy focused on its core design expertise will be well received by customers and will allow the Company to reach the scale necessary to become a leader in the global optics industry.

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 June 30, 2019 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 year ended June 30, 2020.

All normal recurring adjustments necessary for a fair presentation of information presented, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above-noted consolidated financial statements.

	30-Jun 2019	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020	30-Sep 2020	31-Dec 2020	31-Mar 2021
Revenue	$ 683	$ 281	$ 233	$ 220	$ 367	$ 541	$ 683	$ 698
Gross Margin	(269)	(428)	(449)	(468)	(317)	(208)	(25)	(16)
GM %	(39.4%)	(151.9%)	(192.7%)	(212.6%)	(86.2%)	(38.4%)	(3.7%)	(2.3%)
Expenses								
Research & development	581	535	511	407	459	389	325	397
Sales & marketing	39	32	40	60	55	65	62	69
General & administration	1,341	549	747	848	545	598	408	431
Stock-based compensation	5	5	4	3	3	1	1	1
Expenses	1,966	1,120	1,302	1,318	1,062	1,052	795	898
Operating loss	(2,235)	(1,548)	(1,750)	(1,786)	(1,379)	(1,260)	(820)	(914)
Finance and other expense	(676)	(756)	(837)	(795)	(406)	(774)	(937)	(31)
Gain on sale of property, plant and equip.	158	-	-	-	-	-	-	
Foreign exchange (loss) gain	96	(56)	140	(799)	415	169	447	174
Net loss	(2,657)	(2,360)	(2,447)	(3,380)	(1,370)	(1,865)	(1,310)	(771)
Weighted average shares outstanding	641,927	641,927	641,927	641,927	641,927	641,927	641,927	641,927
Basic and diluted income (loss) per share	($0.00)	($0.00)	($0.00)	($0.01)	($0.00)	($0.00)	($0.00)	($0.00)
Adjusted EBITDA[1]	(2,179)	(1,508)	(1,707)	(1,745)	(1,338)	(1,221)	(780)	(874)

(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: finance income and expense, income tax recovery and expense, depreciation, amortization, losses on write-off or sale of equipment, foreign exchange gains and losses in earnings, and stock-based compensation expense. Therefore, it may not be comparable to similar measurements presented by other companies. The reconciliation of Adjusted EBITDA with the IFRS measure of net income (loss) is as follows:

	30-Jun 2019	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020	30-Sep 2020	31-Dec 2020	31-Mar 2021
Net loss for the period	(2,657)	(2,360)	(2,447)	(3,380)	(1,370)	(1,865)	(1,310)	(771)
Add (deduct):								
Net interest and other expense	676	756	837	795	406	774	937	31
Amortization	51	35	40	38	37	38	39	38
Gain on sale of equipment	(158)	-	-	-	-	-	-	-
Foreign exchange (gain) loss	(96)	56	(140)	799	(415)	(169)	(447)	(174)
Stock-based compensation expense	5	5	4	3	3	1	1	1
"Adjusted EBITDA"	(2,179)	(1,508)	(1,707)	(1,745)	(1,338)	(1,221)	(780)	(874)

SUMMARY OF RESULTS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2021 COMPARED TO THE THREE AND NINE MONTHS ENDED MARCH 31, 2020

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three and nine months ended March 31, 2021 and 2020.

	Three months ended March 31, 2021	Three months ended March 31, 2020	Increase (decrease)		Nine months ended March 31, 2021	Nine months ended March 31, 2020	Increase (decrease)	
Revenues	**$ 698**	$ 220	$ 478	*217%*	**$ 1,922**	$ 734	$ 1,188	*162%*
Cost of revenues	**714**	688	26	*4%*	**2,171**	2,078	93	*4%*
Gross margin	**(16)**	(468)	452	*(97%)*	**(249)**	(1,344)	1,095	*(81%)*
	(2%)	*(213%)*			*(13%)*	*(183%)*		
Operating expenses:								
Research and development	**397**	407	(10)	*(2%)*	**1,110**	1,453	(343)	*(24%)*
Sales and marketing	**69**	60	9	*15%*	**196**	132	64	*48%*
General and administrative	**431**	855	(424)	*(50%)*	**1,437**	2,151	(714)	*(33%)*
Stock based compensation	**1**	3	(2)	*(67%)*	**2**	11	(9)	*(82%)*
Total operating expenses	**898**	1,325	(427)	*(32%)*	**2,745**	3,747	(1,002)	*(27%)*
Loss from operations	**(914)**	(1,793)	879	*(49%)*	**(2,994)**	(5,091)	2,097	*(41%)*
Other income (expenses):								
Finance and other income (expense)	**611**	(1)	612		**632**	31	601	
Finance expense	**(642)**	(795)	153	*(19%)*	**(2,374)**	(2,419)	45	*(2%)*
Foreign exchange gain (loss)	**174**	(799)	973		**789**	(715)	1,504	
Net loss	**(771)**	(3,388)	2,617	*(77%)*	**(3,947)**	(8,194)	4,247	*(108%)*
Other comprehensive income (net of tax):							-	
Foreign currency translation gain (loss)	**(441)**	2,481	(2,922)	*(118%)*	**(2,601)**	2,225	(4,826)	*186%*
Comprehensive loss	**$ (1,212)**	$ (907)	$ (305)	*34%*	**$ (6,548)**	$ (5,969)	$ (579)	*9%*

Enablence converts foreign currency-denominated transactions related to the statement of comprehensive loss at the average exchange rates for the periods. As such, changes in the exchange rate between the United States dollar, the Canadian dollar and the Chinese renminbi ("RMB") can have an impact on the reported results for each fiscal period. The average exchange rate for the nine months ended March 31, 2021 in terms of the Canadian dollar equivalent of US$1 was CAD $1.3004 (2020 – CAD $1.3283) and in terms of the Chinese RMB equivalent of US$1 was RMB $0.1500 (2020 – RMB $0.1426).

REVENUE

Revenue for the three months ended March 31, 2021 was $698 as compared to $220 for the same period of the prior year, an increase of $478, or 217%. The increase is primarily due to increases in non-recurring engineering ("NRE") revenue ($208), as the Company completed four projects in the current period from new and existing customers in various industries. In addition, the Company generated $117 in the current quarter (nil for the comparable quarter in the prior fiscal year) from contract manufacturing services (i.e. use of its fabrication plant to manufacture third-party designed chips) for a mega-cap technology company. The remaining increase of $153 pertains to increases in sales of the Company's optical chips as it continued to expand sales to existing and new customers in the quarter. While the Company had a strong contribution from NRE revenue, it should be noted that this source can be volatile from quarter-to-quarter given the short-term nature of most of these projects.

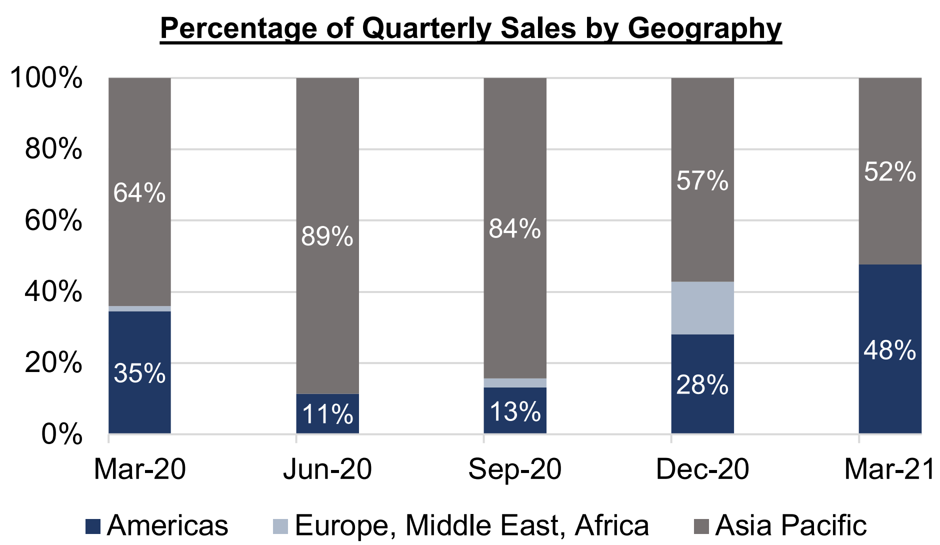
Revenue for the nine months ended March 31, 2021 was $1,922 as compared to $734 for the same period of the prior year, an increase of $1,188, or 162%. The increase is due to higher product sales of optical chips ($642), an increase in NRE revenue ($356) and the addition of third party fabrication services revenue ($190). In the nine months ended March 31, 2021, the Company has approximately twenty-five separate customers across its business, which is a similar figure to the nine months ended March 31, 2020.

During the three and nine months ended March 31, 2021, respectively, five customers accounted for 84% and 61%, respectively, of the Company's total revenue (2019 – 81% and 69%, respectively)

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

	Nine months ended March 31,	
	2021	2020
	$	$
Americas	**596**	242
Europe, Middle East, Africa	**114**	32
Asia Pacific	**1,212**	460
	1,922	734

The Company continues to see increasing demand from all geographies, but it has focused efforts on increasing its percentage of business in the Americas since the beginning of 2020, which grew to 48% of total revenue for the three-month period ended March 31, 2021 (35%: 2020). The Company believes that increasing its Americas business is important since it has the only non-captive (i.e. not owned by, or beholden to, one customer) optical chip fabrication plant in North America and it can deliver its products faster to local customers than competitors who primarily manufacture products in Asia. It is the Company's intention to continue to prioritize growth in the Americas business in the near-term.



40% of the Company's revenue for the three months ended March 31, 2021 are comprised of product revenue (2020: 62%) and 60% is comprised of non-recurring engineering revenue (2020: 38%), which includes amounts relating to third party fabrication services. Product revenue generally results from the sale of wafers/chips to end customers. NRE revenue is comprised of new research and development projects for customers and revenue from third-party fabrication services work performed at the Company's Fremont facility. Often times, NRE projects result in long-term recurring product revenue for the Company once it has solved a design challenge for the customer. In this sense, growth in the percentage of NRE revenues can be seen as a positive leading indicator for future revenues of the Company as it indicates increasing demand for new engineering services from customers.

Of the $915 in NRE revenue for the nine months ended March 31, 2021, approximately 21% is comprised of revenue related to third party fabrication services for a mega-cap technology company. Management of the Company believes this work is material as growth in fabrication services revenue will offset the overall fixed costs of operating the fabrication plant and increasing orders from this customer may allow for the introduction of additional staff shifts in the future and higher revenues for the Company; orders from this customer have increased 164% from the three months ended December 31, 2020 to the three months ended March 31, 2021 (nil orders for the same periods in the prior fiscal year).

GROSS MARGIN

The Company's cost of revenues is comprised of several 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. In general, the Company's costs are heavily skewed towards fixed costs because of the operation of its fabrication plant in Fremont, California and the significant number of staff needed at that operation, particularly in the areas of testing and processing once wafers and chips have been completed. The Company estimates that its fixed costs, or costs which do not vary with production levels, represented approximately 70% of its aggregate cost of revenues.

Gross margin for the three months ended March 31, 2021 was ($16) as compared to ($468) for the same period of the prior year, an improvement of $452, or 97%, and gross margin for the nine months ended March 31, 2021 was ($249) as compared to ($1,344) for the same period of the prior year, an improvement of $1,095, or 81%. The improvement in both periods is due to increased revenues and operating efficiencies due to the Company's change in strategy to manufacturing and selling optical chips rather than finished optical assembles (see Overview – Enablence's Business above).

OPERATING EXPENSES

Research & Development ("R&D") expense for the three months ended March 31, 2021 was $397 as compared to $407 for the same period of the prior year, a decrease of $10, or 2%, and R&D expense for the nine months ended March 31, 2021 was $1,110 as compared to $1,453 for the same period of the prior year, a decrease of $343, or 24%. Changes for the three-month period ended March 31, 2021 as compared to the three month period ended March 31, 2020 are minimal as staffing levels were maintained across these periods.

The decrease of $343 for the nine-month period ended March 31, 2021 versus the comparable period in 2020 was primarily the result of staffing reductions that reduced compensation expenses by $282 that took effect in the first half of the 2020 fiscal year.

Sales & Marketing expense for the three months ended March 31, 2021 was $69 as compared to $60 for the same period of the prior year, an increase of $9, or 15%, and sales & marketing expense for the nine months ended March 31, 2021 was $196 as compared to $132 for the same period of the prior year, an increase of $64, or 48%. Changes for the three-month period ended March 31, 2021 as compared to the three month period ended March 31, 2020 are minimal as staffing levels were maintained across these periods.

The increase of $64 for the nine-month period ended March 31, 2021 versus the comparable period in 2020 is the result of a full year of compensation being included in the current period figures for the Company's Director of Sales who was hired by the Company in December 2019.

General & Administration expense for the three months ended March 31, 2021 was $431 as compared to $855 for the same period of the prior year, a decrease of $424, or 50%. The decrease is due to a reduction in overall salaries due to the departure of the Company's former Chief Executive Officer and decreased professional fees for strategic advisory services (see Transactions with Related Parties).

General & administration expense for the nine months ended March 31, 2021 was $1,437 as compared to $2,151 for the same period of the prior year, a decrease of $714, or 33%. The decrease is due to a reduction in overall salaries due to the departure of the Company's former Chief Executive Officer, lower expected credit losses and decreased professional fees for strategic advisory services (see Transactions with Related Parties).

Stock-Based Compensation expense for the three months ended March 31, 2021 was $1 as compared to $3 for the same period of the prior year, a decrease of $2, or 67%, and stock-based compensation expense for the nine months ended March 31, 2021 was $2 as compared to $11 for the same period of the prior year, a decrease of $9, or 82%.

No stock-based compensation has been awarded by the Company since February 28, 2019, but the Company does anticipate using this as a compensation tool for employees, officers and directors of the Company in the future.

FINANCE AND OTHER INCOME

Enablence invests cash and cash equivalents in short-term investments with financial institutions. Interest income is a function of prevailing interest rates and the amount of funds invested.

Finance and other income expense for the three months ended March 31, 2021 was $611 as compared to a loss of $1 for the same period in the prior year, an increase of $612. The increase is a result of the forgiveness in the quarter of a $613 loan provided to the Company's US subsidiary by the U.S. Small Business Administration ("SBA") under the Paycheck Protection Program ("PPP").

FINANCE EXPENSE

The Company's interest expense is a function of the balance of debt, and applicable interest rates, and the average foreign exchange rate between the underlying currency of the debt security and the U.S. dollar.

Interest and finance expense for the three months ended March 31, 2021 was $642 as compared to $795 for the same period of the prior year, a decrease of $153, or 19%. The decrease is due to a decrease in commission accruals related to the issuance of notes payable, offset by an increase in notes payable.

Interest and finance expense for the nine months ended March 31, 2021 was $2,374 as compared to $2,419 for the same period of the prior year, a decrease of $45, or 2%. The decrease is due to a decrease in commission accruals related to the issuance of notes payable, offset by an increase in notes payable.

Notes payable were as follows at March 31, 2021:

	March 31, 2021	June 30, 2020
	$	$
Short-term loans (a)	**19,074**	15,568
Federal government loans (b)	**95**	29
Loan from Export Development Canada (c)	**5,372**	4,497
Loan from Irixi (d)	**370**	321
	24,910	20,415
Less current portion	**24,445**	20,065
Long-term portion	**465**	350

(a) During the nine months ended March 31, 2021, the Company obtained 10% interest bearing unsecured short-term loans in the amounts of $1,952, of which $477 were from related parties. During the year ended June 30, 2020, the Company obtained 10% interest bearing unsecured short-term loans in the amounts of $4,725 of which $781 was from related parties. These short-term loans are repayable on demand.

As at March 31, 2021, a total amount of $19,074 (June 30, 2020 - $15,568) remains owing on these loans which includes $2,428 (June 30, 2020 - $1,396) of accrued interest and $125 (June 30, 2020 - $125) of accrued fees. During the nine months ended March 31, 2021, $946 (2020 - $434) of interest was accrued.

During the nine months ended March 31, 2021, the Company accrued commissions that are included in finance expense of $116 (for the year ended June 30, 2020 - $285) on these loans, which commissions are reflected in shares to be issued.

(b) In April 2020, the Company received $30 from the Canada Emergency Business Account ("CEBA") which is an interest-free loan to cover operating costs. In August 2020, the Company received another CEBA loan in the amount of $30, and in January 2021, the Company received an aggregate of $32 in additional CEBA loans. As at March 31, 2021, the CEBA loan balance is $95 (June 30, 2020 - $29). Repaying the balance of the loans on or before December 31, 2022 will result in a loan forgiveness of $32.

(c) On March 3, 2016, the Company closed a secured term loan facility with EDC of CAD $3 million. In August 2016, the loan facility was increased to CAD $5 million which amounted to US$3.8 million, based on then prevailing exchange rates. The loan facility was intended to finance up to 85% of the value of purchase orders from a major telecommunications equipment provider, ZTE Corporation, a strategic investor in the Company. The loan facility was available in the form of a term loan for a period of 18 months from the date of the initial drawdown, which was in March 2016. Repayment of principal was to commence 18 months after the first draw on the loan in 17 equal monthly instalments. Interest is payable monthly at the rate of prime plus 10% resulting in a rate of 12.45% at March 31, 2021 (June 30, 2020 - 12.45%). The loan facility is secured against all of the assets of the Company and is guaranteed by the Company's subsidiaries.

On October 30, 2017, the Company received a principal repayment extension from EDC resulting in the first monthly principal repayment being deferred to commence in March 2018. On March 9, 2018 the Company received an additional principal repayment extension from EDC resulting in the first monthly principal repayment being deferred to commence in August 2018. In accordance with IFRS 9, *Financial Instruments: Recognition and Measurement*, the amendment was considered a modification of debt. On October 3, 2018, the Company received a default notice from EDC as a result of scheduled principal and interest payments having not been made. On October 26, 2018, as a result of the default, EDC provided Enablence with a demand for repayment for the total value of the loan, inclusive of interest to date at that time of $3,997. At the same time, EDC provided the Company with forbearance on the loan, providing the Company three months to remedy the default, subject to the Company meeting certain ongoing terms and conditions. On October 28, 2019, the Company signed a forbearance agreement with EDC relating to scheduled principal and interest payments having not been made. The forbearance provided the Company until January 28, 2019 to remedy the default subject to meeting certain ongoing terms and conditions. The Company made an interest payment of $191 as part of this agreement. On May 11th, 2020, the Company announced a fourth amending and waiver agreement with EDC to capitalize the total amount of outstanding advances and accrued interest, to waive prior events of default, and to commence principal payments at a to-be-determined point-in-time during the year 2020, according to a mutually agreed schedule. The Company was unable to make such payments and is currently in breach of the agreement and has received a default notice from EDC. The Company is in discussions with EDC to restructure and/or modify the terms of the debt sot that it can maintain compliance in the future.

During the nine months ended March 31, 2021, the Company made principal payments on the loan in the amount of $Nil (2019 - $Nil) and accrued interest during the nine months ended March 31, 2021 of $485 (2020 - $171). As at March 31, 2021, the amount drawn on the EDC loan is $5,372 (June 30, 2020 - $4,497), inclusive of interest.

(d) On May 31, 2019, Enablence and Irixi Holdings Ltd. ("Irixi"), a related party, signed an Asset Transfer Agreement which resulted in Suzhou Enablence Optoelectronic Technologies Co. Ltd. ("Enablence Suzhou") selling the majority of its assets and liabilities to Irixi including $94 of fixed assets, $173 of leasehold improvements, $47 of inventory as well as the transfer of all of the employee contracts, less Enablence Suzhou costs of $60 owed by Irixi to Enablence. As part of this agreement, Enablence USA Components ("Enablence Fremont") also sold certain fixed assets to Irixi amounting to $86. Under the Asset Transfer Agreement, Enablence and Irixi agreed that the consideration due to Enablence from Irixi from this transaction would be offset against certain debts owing to Irixi by Enablence of $720. The net remaining amount due to Irixi of $260 has been treated as a long term Note Payable with annual interest accruing at 7.5%, with the interest and principal amount due on May 31, 2022. During the nine months ended March 31, 2021, a total of $17 of interest has been accrued and the amount owing on the Note Payable is $370 (June 30, 2020 - $321).

FOREIGN EXCHANGE GAIN (LOSS)

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

During the three and nine months ended March 31, 2021, the Company recorded a foreign exchange gain of $174 and $789, respectively, as compared to a loss of $799 and $715, respectively for the same periods of the prior year. See also – Foreign Currency Translation Gain.

INCOME TAXES

There were no income taxes payable or recoverable during the three- or nine-month periods ended March 31, 2021 or the three- or nine-month periods ending March 31, 2020.

NET LOSS

The net loss for the three months ended March 31, 2021 was $771 as compared to a net loss of $3,388 for the same period of the prior year, an improvement of $2,617, or 77%, and the net loss for the nine months ended March 31, 2021 was $3,947 as compared to a net loss of $8,914 for the same period of the prior year, an improvement of $4,247, or 108%.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

During the three months ended March 31, 2021, the Company recorded a foreign exchange translation loss of $441, as compared to a gain of $2,481 for the same period of the prior year. During the nine months ended March 31, 2021, the Company recorded a foreign exchange translation loss of $2,601, as compared to a gain of $2,225 for the same period of the prior year. These changes are the result of conversion of the Company's operations that are being transacted in non-US dollar currencies (Canadian dollar and Chinese renminbi), being converted to the Company's reporting currency, which is the US dollar.

LOSS PER COMMON SHARE

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

	Three months ended March 31,		**Nine months ended March 31,**	
	2020	2019	**2020**	2019
Basic and diluted loss per common share	$(0.00)	$(0.01)	$(0.01)	$(0.01)
Weighted Average Number of Common Shares	641,927	641,927	641,927	641,927

The Company's last reported share price would result in all outstanding options and convertible debentures being out-of-the-money. As such, there is no dilutive impact from these securities which results in no difference between the basic and diluted loss per common share for the periods referenced above.

OUTLOOK

The Company continues to develop its core competency in PLC optical chip design and fabrication, targeting high-growth markets – namely data centers and fifth generation ("5G") wireless networks. Both of these markets are experiencing high-growth rates in equipment sales and the related PLC chips and other components and modules required for their construction and ongoing operation.

Data center construction continues to grow globally to support a number of cloud-based services, including computing, storage, databases, and Internet of Things, among many others. 5G networks are in the early stages of deployment in major markets around the globe, including the United States, Korea, China, Canada and Europe, with increasing construction, deployment, and consumer usage forecast in 2021 and beyond.

Enablence has developed a series of compact PLC optical chips - multiplexers and demultiplexers - to be used in multi-channel high-speed optical transceivers for our target markets. In the past two years, we have worked closely with our customers and contract manufacturers to ensure our products meet their design and process specifications. After completing rigorous product qualifications with a number of customers, the Company has begun to deliver against larger commercial orders and expects production volumes to continue to increase as existing customers increase their orders and new customers are identified.

Our goal over the upcoming quarters is to fully utilize our Fremont fabrication facility with production orders of PLC optical chips, as our customers increase their order size from pilot runs to larger-volume runs to match their own increasing production volumes of optical transceivers that require chips like ours to operate. We believe that increasing capacity utilization of the plant and increasing its revenue generating capability is critical as this is expected to result in a positive gross profit for the Company and will decrease its loss from operations. In addition, we selectively offer our fabrication facility services to third party customers that are deemed strategic to the core business of Enablence or where order volumes are sufficiently high. This allows us to maximize run time on the facility and amortize our operating costs over a wider volume of orders. We also continue to examine methods to supplement our fabrication capabilities by potentially outsourcing certain non-strategic production elements to external third-party contract manufacturers to further increase our revenue generating potential over time.

Our challenges include system-level qualification at the end customer level, process level qualification at the contract manufacturers, and scaling our internal production. We have passed a number of customer qualifications and we are confident that we can continue to pass additional customer qualifications as we expand our sales to existing and new customers.

In the normal course, Enablence also examines other strategic opportunities in markets other than data center and 5G wireless markets. For example, the Company is currently leveraging its world-class optics knowledge to provide R&D solutions for customers in need of Light Detection and Ranging ("LiDAR") solutions needed in automotive applications. We are currently working with one customer in the LiDAR industry on a design project and anticipate additional long-term demand increases from this customer as it completes testing of our products and moves forward with the commercial launch of its products in the coming years. The Company is also evaluating opportunities to provide the services of its fabrication plant to third parties outside of the traditional use for solely Enablence-designed chips. The Company is currently working with a mega-cap technology company to service their needs and anticipates additional demand increases from this customer in the coming quarters. Enablence will continue to examine additional market opportunities in these areas as they are presented.

In order to achieve its long-term financial and operating goals, the Company plans to implement a \$3-5 million capital improvement plan across its business; however, it does not currently have the capital on-hand to do so. The Company plans to explore all options available to it to raise the funds needed, which may include, but not be limited to, the issuance of new debt or common shares of the Company; however, no formal discussions have commenced with regards to such capital raising activities and there is no assurance that such funds will be raised by the Company in the future. These funds, if raised, will allow the Company to modernize equipment in its Fremont fabrication plant to increase output capacity and reduce maintenance and downtime issues as well as expand the Company's design, testing and processing capabilities in both Fremont, California and Ottawa, Ontario, allowing it to better support existing and new customers. A portion of these funds, if raised, will also be used to hire new staff in key operational and sales roles to support the planned ramp-up in customer demand. The failure to raise new funds to support this capital plan would result in slower growth for the Company and would potentially limit its ability to achieve the revenues necessary to achieve profitability from its business operations.

The impact of the COVID-19 pandemic is continuing on the business operations of the Company. The Company's Fremont, California plant operations have been allowed to continue to remain open under the Critical Manufacturing exemption for essential workers enacted by the State of California, however, the remainder of its office staff in California and in Canada have been required to work remotely since March 2020. In the plant specifically, the Company has enacted measures to enforce social distancing, reduced operating hours and increased sanitation procedures which have all reduced production capacity. The inability to closely collaborate with colleagues has had a negative impact on morale and collaboration capabilities which are both important in a research & development focused organization such as Enablence. In addition, the Company is reliant on raw materials for its products that are in extremely high demand globally which has increased lead times for the Company and made production planning difficult. Two primary examples include blank silicon wafers which are sourced from Asia where factories have been closed numerous times during the pandemic started and oxygen tanks which are in high demand for alternative uses such as COVID-19 patient treatment. The Company is managing these issues primarily through larger bulk advance orders for these products and in some instances, prepayment which negatively impacts the cash available to support other business operations. The Company has also experienced demand fluctuations for its products as its customers have often delayed orders and shipments for issues faced in their own operations. The Company is hopeful that the start of vaccine rollouts, particularly in North America, will allow it to re-open its offices fully to its staff later in 2021 and to decrease supply chain issues for its largely foreign supplier base.

The Company is currently operating under the terms and conditions imposed by a CTO issued by the Ontario Securities Commission on June 9, 2020. Among other things, the CTO limits the Company's ability to engage in certain capital markets activities that it may otherwise consider under normal business circumstances. This includes, but may not be limited to, the ability to issue new common shares of the Company for equity and the ability to restructure certain debt obligations. These are both activities that the Company may otherwise consider under normal circumstances in order to reduce its overall leverage and improve its balance sheet flexibility to support its long-term growth plans, including the implementation of the capital improvement plan described above. The failure to receive a notice of revocation of the CTO from the OSC on a timely basis will negatively impact the Company's ability to enact its business plan or continue as a going concern.

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 March 31, 2021, the Company obtained short- and long-term debt financing in the amount of $796 and during the nine months ended March 31, 2021, the Company obtained short- and long-term debt financing in the amount of $1,296.

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. As at March 31, 2021, there are 641,927 common shares and no preferred shares outstanding.

The Company has sustained significant losses since its inception and expects to continue to incur losses until such time as its customer base and their order volumes are sufficient to generate enough revenue for the Company to exceed its expenses. The Company's ability to reach profitability is dependent on successful introduction of new products, improved margins, revenue growth, the completion of required maintenance and upgrades to its fabrication facility and the securing of additional financing to support this growth. 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.

Enablence has not generated positive cash flow from operations since its inception and has relied on cash from the issuance of equity and debt to fund its operations. The table below sets out the Company's cash and cash equivalents, and working capital as at March 31, 2021 and June 30, 2020.

	March 31, 2021	June 30, 2020
Cash and Cash Equivalents	**$311**	$131
Restricted cash	**4**	4
	315	135
Working capital (deficiency)	**(37,340)**	(31,281)

The working capital deficiency from operations at March 31, 2021 was $37,340 as compared to a working capital deficiency of $31,281 at June 30, 2020, stemming primarily from short-term notes payable and convertible debentures that have been largely used to finance the Company over recent years. This reduction in the working capital during the nine months ended March 31, 2021 as compared to the prior year's period was mainly due to the cash used in operations as well as the increase in notes payable and accounts payable and accrued liabilities.

The working capital deficiency primarily results from significant amounts of short-term notes payable, convertible debentures, accrued liabilities and accounts payable. The majority of the notes payable are due on demand and any demand for repayment of a portion, or all, of these notes payable would have severe financial consequences for the Company, as it would be required to either (i) issue new replacement debt, (ii) issue new equity, or (iii) pursue such other alternatives as may be available to the Company to allow for the repayment of the debt. Given the large amount of debt owed, there can be no guarantee that the Company will be able to successfully execute on these strategies and its ability to operate as a going concern would be challenged. However, at this time, no creditor of the Company has made the Company aware of such creditors desire to issue a demand for repayment and many of its short-term creditors continued to make additional short-term loan advances to the Company in the three-month period ended March 31, 2021. Please refer to the section entitled *Risks and Uncertainties* detailed in our revised annual MD&A for the three and twelve months ended June 30, 2020 and refiled on June 24, 2021 for further information on the Company's future capital requirements.

The chart below highlights the Company's cash flows during the nine months ended March 31, 2021 and 2020.

	Nine months ended March 31, 2021	Nine months ended March 31, 2020
Cash used in Operating activities	**(838)**	(4,612)
Investing activities		
Purchase of property, plant and equipment	**(63)**	(171)
	(63)	(171)
Financing activities		
Advances from (repayments on) short term notes payabl	**1,983**	4,150
	1,983	4,150
Effect of foreign currency translation	**(902)**	633
Net change in cash and cash equivalents	**180**	-

As at March 31, 2021, the Company had cash available of $311 (not including $4 of restricted cash). The Company consumed $838 in operating activities for the nine months ended March 31, 2021 as compared to $4,612 for the same period of the prior year. This reduction in cash used in operating activities has allowed the Company to reduce its need for external financing but the Company still needs to increase its revenue in order to fully offset its costs of revenue and operating costs to generate a positive balance in its cash flow from operating activities; this is a key focus area for Company management.

Short Term Loan Financing

During the nine months ended March 31, 2021, the Company obtained 10% interest bearing unsecured short-term loans in the amounts of $1,952, of which $477 were from related parties. As at March 31, 2021, a total amount of $19,073 remains owing on these loans which includes $2,428 of accrued interest and $125 of accrued fees.

Unsecured short-term loans have been the primary method of obtaining financing for the Company since July 1, 2018. Of the total financing raised by the Company since July 1, 2018, approximately 94% has been provided by way of unsecured short-term demand loans. The Company maintains strong relationships with its creditors and believes that it can continue to raise additional short-term loan financing to support its operating deficits and growth needs; however, the ability to continue to do so may be restricted under the restrictions imposed by the CTO. If the Company does not receive approval from the OSC to revoke the CTO in a timely manner, the Company may not be able to continue to raise additional short-term loans on substantially the same terms and conditions as the existing short-term loans, or obtain new short-term loans at all, which may negatively impact business operations.

Convertible Debenture Financing

On June 30, 2017, the Company issued a total of $5,780 ($7,500 CAD) of unsecured convertible debentures (the "Debentures") of which $4,624 of the Debentures were issued through a private placement for cash, and $1,156 were issued as a result of a debt settlement agreement with a related party creditor (Note 22) to settle outstanding short-term loans received by the Company during the year ended June 30, 2017. The Debentures bear interest at a rate of 10% per annum, are payable quarterly commencing on September 30, 2017, and are convertible, at the option of their holder, into common shares of the Company (the "Shares") at a price of $0.08 CAD per Share. The Debentures had a maturity date of June 30, 2020.

As the Debentures are convertible into common shares at the option of the holder, they have been accounted for into their component parts. The Company allocated the proceeds of the Debentures according to their relative fair value, specifically the fair value of the Company's liability to make future payments of principal and interest of $4,694 was allocated as a liability and the fair value of the holders' conversion option to be $1,086 was allocated to contributed surplus. The carrying value of the debentures is accreted to the principal amount over the term to conversion through a charge to interest expense. The Company determined the carrying value of the liability by discounting the stream of future cash payments of interest and principal at an estimated market rate of 18% for a similar liability that does not have an associated conversion/equity component. The carrying value of the debentures will be accreted to the principal amount over the term to conversion through a charge to interest expense. Professional and financing costs of $378 were incurred to complete the issuance of the Debentures. The portion of the financing fees that relate to the Debentures have been split between debt and equity in the same proportion as the Debentures were split between debt and equity. The debt financing costs of $307 was amortized over the three-year term of the debt. The equity financing costs of $71 have been charged to contributed surplus.

During the year ended June 30, 2020, the Company recorded accretion of $951 to interest expense, accrued $143 of arrears interest and $117 of amortization of the debt financing costs.

On June 30, 2020, the Company entered into an amending agreement with all of the holders of its Debentures to extend the original maturity date from June 30, 2020 to December 31, 2020. Other than the extension of the maturity date of the Debentures, the other terms of the Debentures remain unchanged. On December 31, 2020, the Company's convertible debentures became due in full, along with accrued and unpaid interest. The holders of the convertible have unanimously agreed to not take any action at this time, however, the Company is cognizant of the need to either (i) extend the maturity date for the debentures further, or (ii) restructure the debentures in another manner. At this time, the Company is not aware of any planned actions on behalf of the debenture holders to enforce their creditor rights.

The Company has determined under IFRS 9 Financial Instruments, that the June 30, 2020 amendment of the Debentures did not meet the tests for substantial modification and as a result, the net present value of the changes to the future contractual cash flows of $207 were recognized as other income during the year ended June 30, 2020, and the adjusted carrying amount will be amortized over the remaining term of the Debentures using the original effective interest rate.

During the nine months ended March 31, 2021, the Company recorded accretion of $653 to interest expense and accrued $163 of arrears interest. Of the $2,599 (June 30, 2020 - $1,891) interest accrued since June 30, 2017, $80 (June 30, 2020 - $73) has been paid and the unpaid balance of $2,519 (June 30, 2020 - $1,817) is overdue and included in accrued interest.

As at March 31, 2021, the total Debenture liability is $8,548 (June 30, 2020 - $7,115), including accrued and unpaid interest of $2,519 (June 30, 2020 - $1,817).

Government Loan (Deferred Income)

The Paycheck Protection Program ("PPP") is a loan program that originated from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration ("SBA"). Loans provided under the PPP have a term of two years from the date of issue, are unsecured and are guaranteed by the SBA. PPP loans carry an interest rate of 1% per annum, with payments of principal and interest deferred for six months. The Company may apply to have the loan forgiven if the loan proceeds are used to cover payroll costs (including benefits), rent and utilities.

In May 2020, the Company entered into its first PPP loan in the amount of $613 (the "First PPP Loan"). The Company applied for forgiveness of this loan in March 2021 and received notice of the approval of forgiveness on May 17, 2021. The forgiveness payment date from the SBA is March 26, 2021. Accordingly, the Company has recognized the forgiveness of the First PPP Loan into Finance and other income in the three months ended March 31, 2021.

In February 2021, the Company entered into its second PPP loan in the amount of $613 (the "Second PPP Loan"). Similar to the First PPP Loan, the Company expects to meet PPP's eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. As such, it has accounted for the proceeds under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (Note 20).

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 placements 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. Please refer to the section entitled *Risks and Uncertainties* detailed in our revised annual MD&A for the three and twelve months ended June 30, 2020 and refiled on June 24, 2021.

See the Liquidity and Subsequent Events sections above for details on financings completed during the three and nine months ended March 31, 2021 and for loans obtained subsequent to the year end. As stated in the Liquidity section above, the Company has been able to raise additional short-term loan financing to support its operating deficits and growth needs; however, the ability to continue to do so in the near term may be restricted under the restrictions imposed by the CTO. Assuming that the CTO is revoked and the Company returns to normal course capital markets operations, it is expected that it will have the ability to access a number of different financing sources, including traditional debt and equity options, to finance operations and its growth needs.

The Company is aware that the significant amount of debt on its balance sheet as compared to its equity is a limiting factor in the future growth of the business. As such, one of the Company's stated near-term priorities is to reduce leverage at the Company going forward. This could occur in one of two ways: (1) an issuance of common shares to increase the equity accounts of the Company, or (2) a restructuring of existing debt obligations, which could include an exchange of existing debt for new equity securities in the Company. Given that the Company is currently restricted in its capital markets activities under the terms of the OSC's CTO, neither option has been pursued by the Company, its Board of Directors or its management at this time; however, either option, or both options, may be pursued at the appropriate time following the date that the CTO is revoked by the OSC.

Enablence is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are 641,927 common shares issued and outstanding as of May 28, 2021 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", however, they are currently unavailable for trade under the restrictions imposed by the CTO.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The table below presents the Company's contractual obligations from operations.

	Current		Non-Current		
As at March 31, 2021	**within 6 months**	**6 to 12 months**	**1 to 5 years**	**5+ years**	**Total**
	$	$	$		$
Accounts payable and accrued liabilities	5,419	-	-	-	5,419
Notes payable	24,445	-	465	-	24,910
Convertible debentures	8,547	-	-	-	8,547
Total	38,411	-	465	-	38,876

The Company is currently in breach of its latest amending agreement with EDC relating to interest and principal payments and has received a default notice from EDC. The Company is in discussions with EDC to restructure and/or modify the terms of the debts to ensure the Company can maintain compliance in the future. The Company is also in breach of its agreement with the convertible debenture holders as the debentures matured on December 31, 2020. The holders of the convertible debentures have agreed to not take any action at this time.

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

As at March 31, 2021, China TriComm Ltd. ("TriComm") owned 30,000 common shares of the Company. TriComm is controlled by Zhiyin Gao, a former director of the Company who resigned in September 2017. As at March 31, 2021, Irixi Holding Ltd. ("Irixi"), owned 39,408 common shares of the Company. Irixi is a joint venture controlled by TriComm and Win Brand (a company where the previous CEO and CFO of the Company have ownership interests). Suzhou Irixi Ltd. ("Suzhou Irixi") is a company controlled by Irixi.

On May 31, 2019, Enablence and Irixi signed an Asset Transfer Agreement which resulted in Enablence Suzhou selling the majority of its assets and liabilities to Irixi, including $94 of fixed assets, $173 of leasehold improvements, $47 of inventory as well as the transfer of all of the employee contracts, less Enablence Suzhou costs of $60 owed by Irixi to Enablence. As part of this agreement, Enablence Fremont also sold certain fixed assets to Irixi amounting to $86. Under the Asset Transfer Agreement, Enablence and Irixi agreed that the consideration due to Enablence from Irixi from this transaction would be offset against certain debts owing to Irixi by Enablence of $720. The net remaining amount due to Irixi of $260 was treated as a long term Note Payable with annual interest accruing at 7.5%, with the interest and principal amount due on May 31, 2022. During the nine months ended March 31, 2021, a total of $17 of interest has been accrued and the amount owing on the Note Payable is $370 (June 30, 2020 - $321).

The following transactions took place between Enablence and Irixi during the nine months ended March 31, 2021 and March 31, 2020.

- During the nine months ended March 31, 2021, Suzhou Irixi paid $Nil (March 31, 2020 – $50) rental costs on behalf of the Company.

As at March 31, 2021, $612 (March 31, 2020 – $612) is included in accounts payable and accrued liabilities relating to consulting services provided by Irixi.

During the fiscal year ended June 30, 2017, Irixi provided other consulting services and materials to Enablence. As at March 31, 2021, the Company has an amount of $19 owing to Irixi (March 31, 2020 - $19).

The Company signed a services agreement with Irixi for the 2017 calendar year at a monthly fee of $130, as well as a base royalty on certain future products at 3% of net sales and additionally a potential 17.5% bonus royalty on gross margin on such products if certain targets are met. As of March 31, 2021, the Company has recorded $325 as an accrued liability. The Company did not make any payments pursuant to this services agreement in the nine months ended March 31, 2021 or March 31, 2020.

During the nine months ended March 31, 2021, the Company received $Nil (March 31, 2020 - $211) in the form of a short-term bridge loan from director(s) of the Company.

Paradigm Capital Partners Limited ("PCPL") is a shareholder of Enablence and is a company controlled by close family members of a former director of Enablence who resigned from his position on February 5, 2019. PCPL is an affiliate of Paradigm Capital Inc. ("Paradigm"). The following transactions took place with Paradigm, PCPL and their affiliates and individuals related to Paradigm and PCPL (collectively the "Paradigm Affiliates"), during the periods noted below:

Nine months ended March 31, 2021

- The Company received $477 in unsecured short-term loans from a controlling shareholder of Paradigm. These short-term loans are repayable on demand (note 11(a)).
- The Company accrued commissions of $117 in connection with the raising of the unsecured short-term loans, for which the Company will issue common shares as payment, subject to the approval of the TSX Venture Exchange. The Company has accounted for these expenses in finance expenses.
- The Company received strategic advisory services from Paradigm of $203, for which the Company will issue common shares as payment , subject to approval of the TSX Venture Exchange. The Company has accounted for these expenses in professional fees.

Nine months ended March 31, 2020

- The Company received $433 in unsecured short-term loans from a controlling shareholder of Paradigm. These short-term loans are repayable on demand (note 11(a)).
- The Company accrued commissions of $267 in connection with the raising of the unsecured short-term loans, for which the Company will issue common shares as payment, subject to approval of the TSX Venture Exchange. The Company accounted for these expenses in finance expenses.
- The Company received strategic advisory services from Paradigm in the amount $410, for which the Company will issue common shares as payment, subject to approval of the TSX Venture Exchange. The Company accounted for these expenses in professional fees.

As at March 31, 2021, the total dollar value of shares to be issued to Paradigm is $2,695 (June 30, 2020 - $2,375), which issuance is subject to the approval of the TSX Venture Exchange.

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 with the related parties.

During the three and nine months ended March 31, 2021, 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's financial position remains challenged in a dynamic, rapidly changing environment that involves risks and uncertainties. As a result, management expectations may not be realized. The Company continues to be dependent on additional financing until revenues and gross margins increase to the point that operations are profitable. In addition, the Company is currently restricted from certain capital markets activities under the terms of the OSC's CTO which limits its ability to evaluate or implement certain financing strategies. Because there is no certainty that additional funding will be secured in the immediate future, or that the CTO will be revoked on a timely basis, an investment in Enablence is speculative.

Any investor should also consider carefully these risks and the risks and uncertainties that are detailed in our revised annual MD&A for the three and twelve months ended June 30, 2020 and refiled on June 24, 2021 and available at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates

Expected Credit loss (“ECL”)
The Company calculates ECLs for trade receivables based on the historical default rates over the expected life of the trade receivable and adjusts for forward-looking estimates, which is determined through the exercise of judgment. The Company’s ECL model relies forward looking information and economic inputs, such as default rates, industry growth rate, customers etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement. The allowance the Company records, if any, is the sum of these probability weighted outcomes.

Useful lives of depreciable assets
The useful lives of depreciable assets have been determined based on management’s estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence and wear and damage of assets.

Inventories
Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Management estimates the net realizable value of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market driven changes that may reduce future selling prices. Management assesses inventory periodically and uses a provision to provide for estimated obsolescence and cost-price erosion.

Stock-based compensation
The estimation of stock-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the forfeiture rate, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Judgments

Recognition of deferred income tax assets
Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment.

Going concern risk assessment
The assessment of the Company's ability to continue as a going concern and raising additional debt or equity financing or attaining sufficient revenues to achieve and sustain profitability for the ensuing year, and to fund planned research and development activities, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Impairment
Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Functional currency
An area of judgment that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency. The determination of the Company and its subsidiaries' functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

CHANGES IN ACCOUNTING POLICIES

New or amended IFRS standards effective July 1, 2019

The Company has adopted the following new or amended IFRS standards for the annual period beginning on July 1, 2019:

Leases

On July 1, 2019, the Company adopted IFRS 16. IFRS 16 uses a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

In using the modified retrospective approach, the Company has elected to record the right-of-use asset for any identified leases under IFRS 16 at the present value of their future value lease payments on July 1, 2019. On initial transition, the Company's incremental borrowing rate will be used as the discount rate in determining this value. The Company's incremental borrowing rate will continue to be used for any leases entered into after initial transition, unless the discount rate implicit in the lease is known, in which case it will be used to determine the present value of the future lease payments. The Company has also elected to use the following practical expedients in transitioning to IFRS 16:

Leases with a short remaining term - The Company will account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. During the three and nine months ended March 31, 2021, the Company has expensed $32, and $93, respectively, of lease payments as a result of using this expedient.

IFRIC 23, Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. IFRIC 23 had no material impact on the consolidated financial statements of the Company.

FINANCIAL AND OTHER INSTRUMENTS

Enablence's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, convertible debentures 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.