



**ENABLENCE TECHNOLOGIES INC.**

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2025

DATED: December 1, 2025

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a discussion and analysis of the financial condition of Enableness Technologies Inc. (“Enableness” or the “Company”) as at September 30, 2025 compared to the year ended June 30, 2025 and the results of operations for the three months ended September 30, 2024 compared to the year ended June 30, 2024 (collectively, the “MD&A”).

This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes for the years ended June 30, 2025 and June 30, 2024. References made herein to “Enableness”, the “Company”, “we” and “our” mean Enableness, 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](http://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 actively addressing these issues; however, 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 December 1, 2025.

### **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 to allow it to execute fully on its business plan.
- Enableness 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.
- Enableness will be able to attract and retain key people.

- Enablence will continue to maintain an ongoing tenancy for its fabrication facility in Fremont, California, which is now supported by a 3-year lease.
- The Company will be able to raise additional new capital in the future to allow the Company to expand its manufacturing capacity as required.
- The Company will be able to maintain production volumes that are sufficient to meet sales demand and expectations of customers.

## SELECTED FISCAL YEAR INFORMATION

Statement of Operations Data	Year ended June 30	
	2025	2024
Revenue	\$5,941	\$1,601
Gross margin	(2,402)	(2,329)
Operating expenses	9,044	7,601
Loss before other income (expenses)	(11,446)	(9,930)
Net loss	(18,153)	(14,108)
Basic loss per share	(\$0.95)	(\$0.75)
Diluted loss per share	(\$0.95)	(\$0.75)

Balance Sheet Data	Year ended June 30	
	2025	2024
Total assets	\$16,583	\$4,131
Total non-current financial liabilities	\$44,545	\$22,074
Total liabilities	\$54,101	\$30,307
Cash dividends declared per share	Nil	Nil

## OVERVIEW

### ENABLENCE'S BUSINESS

Enablence Technologies Inc. was incorporated under the *Canada Business Corporations Act*. The head office of Enablence is located at 390 March Road, Suite 119, Ottawa, Ontario, K2K 0G7, Canada. Enablence is a publicly traded company listed on the TSX Venture Exchange ("TSXV") (TSXV:ENA). The Company designs, manufactures and sells optical components, primarily in the form of planar lightwave circuits ("PLC") on silicon-based chips. Enablence products serve a global customer base, primarily focused on optical communications, optical sensing, and optical computing markets. Enablence works with customers to provide high-performance solutions for data centres, artificial intelligence interconnectivity, automotive & industrial LiDAR, and medical devices. In select strategic instances, the Company also uses its proprietary, non-captive fabrication plant in Fremont, California to manufacture chips designed by third party customers.

## RESULTS OF OPERATIONS

### Summary of First Quarter Results

The Company reported revenues of \$836 for the quarter ended September 30, 2025 as compared to \$1,218 for the quarter ended September 30, 2024, an decrease of \$382, or 31%.

The Company also reported a higher net loss of \$6,350 for the quarter ended September 30, 2025 as compared to a net loss of \$3,914 for the quarter ended September 30, 2024, an increase

of \$2,436, or 62%. The increased loss is attributed in large part to an increase in finance and interest expenses of \$2,367, and slightly higher operating expenses, which increased from \$2,156 to \$2,332. The company saw a lower revenue for the quarter following delays of purchasing from its largest customer. The Company benefited from a recapitalization, totaling \$22,028 at year end with incremental accordion funding which supported the quarter. R&D increased slightly by \$150 or 21%. As the Company continues to focus its investments in LiDAR and AI, R&D investments are outpacing revenue growth for the near term but are expected to deliver returns over FY26.

### 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 September 30, 2023 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, 2025. 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.

	2024Q1 30-Sep 2023	2024Q2 31-Dec 2023	2024Q3 31-Mar 2024	2024Q4 30-Jun 2024	2025Q1 30-Sep 2024	2025Q2 31-Dec 2024	2025Q3 31-Mar 2025	2025Q4 30-Jun 2025	2026Q1 30-Sep 2025
Revenue	\$ 225	\$ 340	\$ 412	\$ 624	\$ 1,218	\$ 1,380	\$ 1,248	\$ 2,095	\$ 836
Gross Margin	(670)	(534)	(610)	(515)	(557)	(473)	(782)	(590)	(1,653)
GM %	(297.8%)	(157.1%)	(148.1%)	(82.6%)	(45.7%)	(34.3%)	(62.7%)	(28.2%)	(197.7%)
Expenses									
Research & development	654	602	571	940	712	699	825	826	862
Sales & marketing	169	179	173	217	249	267	215	195	222
General & administration	941	780	706	1,496	1,109	1,008	1,122	1,542	1,224
Stock-based compensation	47	129	9	(12)	86	166	79	(56)	24
Expenses	1,811	1,690	1,459	2,641	2,156	2,140	2,241	2,507	2,332
<b>Operating loss</b>	<b>(2,481)</b>	<b>(2,224)</b>	<b>(2,069)</b>	<b>(3,156)</b>	<b>(2,713)</b>	<b>(2,613)</b>	<b>(3,023)</b>	<b>(3,097)</b>	<b>(3,985)</b>
Gain on modification of debt	-	-	-	-	-	-	-	37	-
Gain on forgiveness of debt	-	-	-	-	-	-	-	(1,163)	-
Interest expense	(12)	(1,570)	(867)	(1,418)	(1,262)	(1,346)	(1,357)	(2,852)	(2,367)
Finance/other income	6	(18)	-	(292)	5	13	(6)	273	2
Foreign exchange (loss) gain	20	8	(18)	(18)	56	(90)	2	67	-
Income taxes	-	-	-	-	-	-	-	916	-
<b>Net income (loss)</b>	<b>(2,466)</b>	<b>(3,804)</b>	<b>(2,954)</b>	<b>(4,884)</b>	<b>(3,914)</b>	<b>(4,036)</b>	<b>(4,384)</b>	<b>(5,819)</b>	<b>(6,350)</b>
Income (loss) from discontinued operations									
<b>Net loss</b>	<b>(2,466)</b>	<b>(3,804)</b>	<b>(2,954)</b>	<b>(4,884)</b>	<b>(3,914)</b>	<b>(4,036)</b>	<b>(4,384)</b>	<b>(5,819)</b>	<b>(6,350)</b>
Weighted average shares outstanding	18,590	18,590	18,590	18,914	18,680	18,828	18,973	20,959	20,959
Basic income (loss) per share	(\$0.13)	(\$0.20)	(\$0.16)	(\$0.26)	(\$0.21)	(\$0.21)	(\$0.23)	(\$0.28)	(\$0.30)
Diluted income (loss) per share	(\$0.13)	(\$0.20)	(\$0.16)	(\$0.26)	(\$0.21)	(\$0.21)	(\$0.23)	(\$0.28)	(\$0.30)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>(2,375)</b>	<b>(2,029)</b>	<b>(2,009)</b>	<b>(2,646)</b>	<b>(2,437)</b>	<b>(2,254)</b>	<b>(2,735)</b>	<b>(2,581)</b>	<b>(3,646)</b>

(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 presentation of Adjusted EBITDA provides useful information to investors.

Adjusted EBITDA comprises net income (loss) excluding the following: other income, interest and finance 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-Sep 2023	31-Dec 2023	31-Mar 2024	30-Jun 2024	30-Sep 2024	31-Dec 2024	31-Mar 2025	30-Jun 2025	30-Sep 2025
Net income (loss) for the period	(2,466)	(3,804)	(2,954)	(4,884)	(3,914)	(4,036)	(4,384)	(5,819)	(6,350)
Add (deduct):									
Gain on modification of debt	-	-	-	-	-	-	-	(37)	-
Gain on forgiveness of debt	-	-	-	-	-	-	-	1,163	-
Net interest and other expense	12	1,570	867	1,418	1,262	1,346	1,357	2,852	2,367
Foreign exchange (gain) loss	(20)	(8)	18	18	(56)	90	(2)	(67)	-
Stock-based compensation expense	47	129	9	(12)	86	166	79	(56)	24
Amortization calculation	53	54	51	537	190	193	224	299	313
Income tax (recovery) expense	-	-	-	-	-	-	-	(916)	-
Others	-	30	-	277	(5)	(13)	(9)	-	-
<b>"Adjusted EBITDA"</b>	<b>(2,375)</b>	<b>(2,029)</b>	<b>(2,009)</b>	<b>(2,646)</b>	<b>(2,437)</b>	<b>(2,254)</b>	<b>(2,735)</b>	<b>(2,581)</b>	<b>(3,646)</b>
YoY increase rate (revenue)	-59%	-19%	-16%	26%	441%	306%	203%	236%	-31%
QoQ increase rate (revenue)	-54%	51%	21%	51%	95%	13%	-10%	68%	-60%

## SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2025 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2024

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three months ended September 30, 2025 and 2024.

	Three Months Ended September 30		Increase / (Decrease)	
	2025	2024		
	\$	\$	\$	%
Revenue	836	1,218	(382)	-31%
Cost of goods sold	2,489	1,775	714	40%
Gross margin	(1,653)	(557)	(1,096)	197%
Gross margin as % of revenue	-198%	-46%	-152%	332%
Operating expenses				
Research and development	862	712	150	21%
Sales and marketing	222	249	(27)	-11%
General and administration	1,224	1,109	115	10%
Stock-based compensation	24	86	(62)	-72%
	2,332	2,156	176	8%
Loss before other income (expenses)	(3,985)	(2,713)	(1,272)	47%
Other income (expense)				
Finance/other income	2	5	(3)	-60%
Interest expense	(2,367)	(1,262)	(1,105)	88%
Foreign exchange gain (loss)		56	(56)	-100%
Income (loss) before taxes	(6,350)	(3,914)	(2,436)	62%
Income tax recovery (expense)				
Net loss	(6,350)	(3,914)	(2,436)	62%
Other comprehensive income (loss), net of tax				
Foreign currency translation gain (loss)	1,016	(466)	1,482	-318%
<b>Comprehensive loss</b>	<b>(5,334)</b>	<b>(4,380)</b>	<b>(954)</b>	<b>22%</b>

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 and the Canadian dollar can have an impact on the reported results for each fiscal period as well as changes in the exchange rate between the Chinese renminbi (RMB). The average exchange rate for the three months ended September 30, 2025 in terms of the Canadian dollar equivalent of US\$1 was CAD \$1.3921 (2024 – CAD \$1.3916) and in terms of the Chinese RMB equivalent of US\$1 was RMB \$7.123 (2024 – RMB \$7.117)

## **REVENUE**

Revenue for the three months ended September 30, 2025 was \$836 as compared to \$1,218 for the prior year, an decrease of \$382, or -31%. This quarter, product revenue accounted for \$689, or 82% of the total.

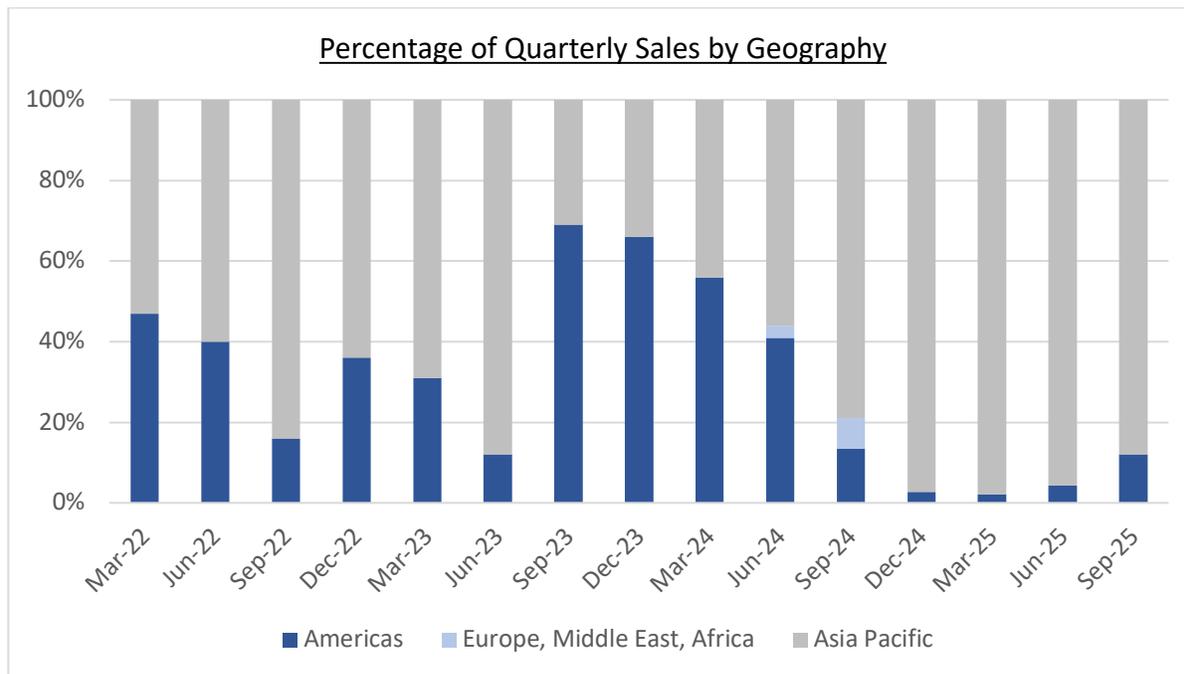
During the three months ended September 30, 2025, two customers accounted for 84% of the Company's total revenue (2024 – eight customers, 79%). While Enablence continues to focus on diversifying customers, geographies, and applications, one customer secured a significant commitment for chip production for the short term.

In the quarter ended September 30, 2025, the Company processed sales to 9 separate customers across its business, a decrease in total customers in the same period in the prior year (2024 – 25 customers).

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

	<b>September 30, 2025</b>	September 30, 2024
	<b>\$</b>	<b>\$</b>
Americas	<b>103</b>	167
Europe, Middle East, Africa	-	92
Asia Pacific	<b>733</b>	959
	<b>836</b>	1,218

For the three months ended September 30, 2025, the Company's Americas business decreased by 38% (2024 – increase of 7%). Over the same period, APAC also decreased by 24% to \$733. The Company will gain momentum in its Americas business 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. Production is at capacity, with the fab getting increased investments in equipment to stretch capacity to meet increased market demand. It is the Company's intention to continue to prioritize growth in the Americas business in the near-term.



For the three months ended September 30, 2025, 82% of the Company’s revenue is comprised of product revenue (2024: 80%) which includes amounts relating to recurring third-party fabrication services revenue from work performed at the Company’s Fremont facility, and 14% is comprised of non-recurring engineering revenue (2024: 14%). Product revenue generally results from the sale of wafers/chips to end customers while NRE revenue is comprised of new research and development projects for customers. Often, 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, stability or 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.

The split of revenue between product sales of optical chips, NRE and Fab services revenue is as follows:

	<b>September 30, 2025</b>	September 30, 2024
	<b>\$</b>	<b>\$</b>
Product	<b>689</b>	971
NRE	<b>116</b>	169
Fab Service	<b>31</b>	78
	<b>836</b>	1,218

### **GROSS MARGIN**

The Company’s cost of goods sold 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.

Gross margin for the year ended September 30, 2025 was (\$1,653) as compared to (\$557) for the prior year, a decline of \$1,096, or 197%. The decline is due to a 31% drop in revenue matched with a significant investment in wafer fabrication in support of a ramp up in wafer production. Early investment was necessary to counter any risks to capacity constraints for the pipeline opportunities.

### ***OPERATING EXPENSES***

**Research & development** (“R&D”) expense for the three months ended September 30, 2025 was \$862 as compared to \$712 for the prior year, an increase of \$150, or 21%.

The increase in 2025 versus 2024 reflects the investment in additional specialized engineers as the company seizes growing market opportunities in LiDAR and AI.

**Sales & marketing** expense for the three months ended September 30, 2025 was \$222 as compared to \$249 for the prior year, an decrease of \$27, or 11%.

**General & administration** expense for the three months ended September 30, 2025 was \$1,224 as compared to \$1,109 for the prior year, a moderate increase of \$115, or 10%.

The increase is due to higher compensation costs of \$830, up from \$655, relating to an increase in headcount and moderate raises. Also there was an increase in rent from \$250 to \$325 for this period.

**Stock-based compensation** expense for the three months ended September 30, 2025 was \$24 as compared to \$86 for the prior year, an decrease of \$62 or 72%.

During the 2025 fiscal year, the Company awarded options, but did not award RSUs and DSUs to certain employees and the directors of the Company under the terms of the updated omnibus equity incentive plan approved by the Company’s common shareholders at the AGM on October 26, 2021.

At September 30, 2025, the available common share equivalents pool was 20,959 (June 30, 2025 – 20,959). In addition, at September 30, 2025 outstanding options totaled 1,763 (June 30, 2025 – 1,763), outstanding RSUs totaled 709 (June 30, 2025 – 709), and outstanding DSUs totaled 672 (June 30, 2025 – 672).

Total stock-based compensation expense during the three months ended September 30, 2025 relating to current and prior year grants was \$24 (June 30, 2025 - \$275) of which \$24 relates to stock options (June 2025– \$244), \$Nil relates to RSU grants (June 30, 2025 – \$32), and \$Nil (June 30, 2025 – \$Nil), relates to grants of DSUs. For the three months ended September 30, 2025 , of the total stock-based compensation expense \$24 (June 30, 2025 – \$275) was attributable to general and administrative personnel and \$Nil (June 30, 2025 – \$Nil) relates to members of the Company’s Board.

### ***FINANCE/OTHER INCOME***

During the three months ended September 30, 2025, the Company leveraged an accordion loan that was linked to the recapitalization that took place in 2025FY.

### ***INTEREST EXPENSE***

During the three months ended September 30, 2025, the Company capitalized no borrowing costs (2024 – Nil) in accordance with IAS 23 Borrowing Costs. Interest expense is recognized in the statement of loss and comprehensive loss using the effective interest method unless capitalized as part of the cost of a qualifying asset.

Interest expense includes both cash and non-cash components, including:

- accretion of the discount on convertible instruments;
- paid-in-kind (“PIK”) interest recognized under the Vortex ENA LP facility; and
- amortization of deferred financing and modification costs associated with loan amendments and debenture issuances.

As at September 30, 2025, total interest accrued but unpaid on interest-bearing liabilities amounted to \$2,367 (2024 – \$1,262).

### ***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, 2025, the Company recorded a foreign exchange gain of \$Nil compared to a foreign exchange gain of \$56 for the prior year.

### ***INCOME TAXES***

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to net income or loss from continuing operations before income taxes, shown as follows:

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those losses can be carried forward and temporary differences are deductible. The amount of the deferred tax assets considered realizable could change materially in the near term, based on future taxable income during the carry-forward period.

### ***NET LOSS***

The net loss for the three months ended September 30, 2025 was \$6,350 as compared to a loss of \$3,914 for the same period in the prior year, an increase of \$2,436, or 62%. The increased loss was driven by investments in manufacturing capacity and production as well as an increase in interest expenses from the additional loans.

### ***FOREIGN CURRENCY TRANSLATION GAIN (LOSS)***

During the three months ended September 30, 2025, the Company recorded a foreign exchange translation gain of \$1,106, as compared to a loss of \$466 for the prior year. This is the result of conversion of the Company’s operations that are being transacted in non-US\$ currencies (Canadian dollar and Chinese Renminbi), being converted to the Company’s reporting currency, which is the U.S. dollar.

### ***INCOME (LOSS) PER COMMON SHARE***

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

	<b>For the Month ended September 30</b>	
	<b>2025</b>	<b>2024</b>
Net income / (loss) per share (basic & diluted)	<b>\$(0.30)</b>	\$(0.21)
Weighted Average Number of Common Shares (basic & diluted)	<b>20,959</b>	18,680

During the three months ending September 30, 2025, the Company did not issue RSUs and DSUs to certain employees and directors under the terms of its Equity Incentive Plan. At the discretion of the Board, RSUs and DSUs may be redeemed and settled, all or in portion, in shares issued from treasury.

The potential effect of the exercise of stock options, warrants and convertible debentures are antidilutive as all stock options and convertible debenture conversion rights are out-of-the money based on the Company's last reported share price; therefore, as of the end of the year, 4,424 potentially dilutive shares from the exercise of stock options, warrants and convertible debentures have not been included in the calculation of net loss per share (diluted).

## **OUTLOOK**

The strategic focus of Enablence Technologies Inc. remains unchanged: to exploit the Company's strength in PLC optical-chip design and fabrication for high-growth markets in data-communications, optical sensing (including automotive and industrial LiDAR), and emerging AI interconnect and optical-computing applications. Management continues to see strong secular demand for higher-speed optical links in hyperscale data centers, for solid-state LiDAR in advanced driver-assistance systems and autonomous-vehicle platforms, and for photonic components in augmented/virtual-reality devices, medical imaging and defense systems. Development work toward first commercial AI-data-center products that incorporate Enablence chips remains on track for initial production in calendar 2025.

**Datacom and AI interconnect.** Industry analysts continue to forecast compound annual growth in excess of twenty-five per cent for hyperscale data-center capacity over the next five years. Enablence has completed design verification of its next-generation 400 G/800 G multiplexers and demultiplexers and is preparing short-, medium- and long-reach product variants for customer sampling in the second half of calendar 2025. The Company is also advancing a PLC-based optical-compute-interconnect line expressly tailored to AI server clusters, where power efficiency and thermal headroom are critical.

**Optical sensing.** The Company is engaged with customers in North America, Europe and Asia on multiple LiDAR design programs covering both automotive and warehouse-automation use-cases. Several Tier-1 LiDAR integrators are now evaluating pre-production prototypes. Subject to successful qualification, Enablence expects these projects to begin transitioning to volume orders within the next twelve to twenty-four months. Parallel efforts continue in augmented- and virtual-reality optics, optical-coherence-tomography medical devices and specialized aerospace/defense sensors.

**Capacity expansion.** To meet anticipated demand the Fremont, California fabrication facility was scaled from an average throughput of approximately 100–150 wafers per month in fiscal 2022 to more than 600 wafers per month by the end of fiscal 2024. Management's long-range plan still targets potential capacity of roughly 4,000 wafers per month by fiscal 2026, contingent on the timely availability of capital to fund additional equipment, test capability and incremental process staff. The Ottawa design center is likewise slated for investment in advanced testing

equipment and specialized engineering personnel to shorten design-iteration cycles and to support expected growth in non-recurring-engineering (“NRE”) services.

**Tariff uncertainty.** Since the end of the second fiscal quarter, several jurisdictions have proposed or implemented new or higher tariffs on imports and exports. Management is assessing the potential impact on both cost of materials sourced from Asia and the competitiveness of finished products shipped to international customers. At this stage the magnitude and timing of any tariff-related effects remain uncertain, and the Company is investigating mitigation options, including alternative supply-chain routes and contractual price-adjustment mechanisms.

**Principal execution challenges.** The key risks identified last quarter remain in effect: (1) securing and funding sufficient capacity ahead of demand inflections; (2) obtaining additional capital on acceptable terms in a capital-intensive industry; (3) delivering designs that meet stringent AI-interconnect and LiDAR performance requirements on schedule; and (4) expanding global sales coverage, particularly for LiDAR. The added uncertainty surrounding potential tariff regimes introduces a further variable that could affect material costs, finished-goods pricing and gross-margin forecasts.

Management believes the Company is well positioned to capitalize on growth opportunities across its target markets but cautions that the successful execution of its strategy depends on the timely availability of capital, continued progress in product development and qualification, the easing of supply-chain constraints and a stable trade environment. All forward-looking statements in this Outlook are based on management’s current expectations and estimates and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied. The Company undertakes no obligation to update such statements except as required by applicable securities legislation.

## 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. Through its relationship with PCPL, the Company is able to generate funding through related party interests.

### Vortex Loan

On July 17, 2024, the Company signed a Second Amendment to the Second Amended and Restated Loan Agreement with Vortex ENA LP (“Vortex”). In this amendment, Vortex has revised language on the Liquidity Event and Pinnacle II Loan Agreement documentation, amending the First Amendment to the Second Amended and Restated Loan Agreement to include Pinnacle II Loan Agreement documentation. The agreement also stipulates that the Company pays the Lender an amendment fee of \$73, which is fully earned as of the date of this second amendment and payable on July 31, 2025. The difference between the carrying amount at the modification date and its fair value resulted in a modification loss of \$150, which was taken into finance/other income.

On July 17, 2024, the Intercreditor agreement was amended to account for the additional funding provided by Pinnacle II Island LP.

On April 4, 2025, the Company and Vortex amended the secured loan agreement by way of a Third Amendment to the Second Amended and Restated Loan Agreement. Under the terms of the Third Amendment to the Second Amended and Restated Loan Agreement, the loan maturity was extended to March 31, 2028 (from June 30, 2026). All interest accrued and unpaid up to April 4, 2025 was capitalized as principal on April 4, 2025. No cash interest is paid from April 4, 2025 through December 31, 2025. Interest that would have been paid from April 4, 2025 through March 31, 2026 (\$952) shall be payable as paid in kind interest and shall be added to the principal on

March 31, 2026. Interest commences accruing on April 1, 2026, at 7.5%, the original rate under the loan agreement, with the first interest payment due April 30, 2026. Thereafter interest is payable monthly.

\$451 of legal and advisory fees were allocated to the Third Amendment to the Second Amended and Restated Loan Agreement.

On April 4, 2025, the Company also issued 1,500 common share purchase warrants to Vortex as additional consideration as part of the Third Amendment to the Second Amended and Restated Loan Agreement, which were recorded against the balance of the Third Amendment to the Second Amended and Restated Loan Agreement as a transaction cost. The 575 common share purchase warrants that had previously been granted to Vortex in connection with entering into the Loan Agreement were cancelled concurrently and derecognized from warrants in contributed surplus. Each warrant is exercisable at CAD\$2.25 to acquire one common share of the Company for a period of three years from the date of issuance. The warrants were separately valued using the Black-Scholes model with a risk-free interest rate of 2.38% and volatility of 60.0%, determining a value of \$344 recorded in warrants.

On April 4, 2025, the Company also issued 1,330 common share purchase warrants to Pinnacle II as additional consideration as part of the Loan Agreement, which were recorded against the balance of the Loan Agreement as a transaction cost. Each warrant is exercisable at CAD\$2.25 to acquire one common share of the Company for a period of two years from the date of issuance. The warrants were separately valued using the Black-Scholes model with a risk-free interest rate of 2.32% and volatility of 60.0%, determining a value of \$205 recorded in warrants.

The Company is required to pay previously incurred and currently accrued amendment structuring fees in the amount of \$586, of which \$330 is payable on the maturity date and \$257 payable on the earlier of the repayment of the working capital facility and the maturity date, and previously accrued amendment fees in the amount of \$385 payable on the earlier of the repayment of the working capital facility and the maturity date.

The difference between the carrying amount at the modification date and its fair value resulted in a modification gain of \$595, which was taken into finance/other income. The transaction costs will be amortized over the remaining term of the Vortex term facility using the effective interest rate of 17.6%.

Vortex has revised language on the Liquidity Event, Pinnacle II Loan Agreement documentation, and Convertible Debenture documentation, amending the Second Amendment to the Second Amended and Restated Loan Agreement to include Convertible Debenture documentation and Pinnacle II Loan Agreement documentation.

### **Pinnacle Loans**

On April 4, 2025, the Intercreditor Agreement was amended by way of the Second Amended and Restated Intercreditor Agreement with Vortex, Pinnacle I, Pinnacle II, and PCPL. A key tenet within the agreement is that (a) the PCPL Obligations are fully subordinated to the prior irrevocable performance and repayment in full of all Vortex Obligations, Pinnacle Obligations, and Pinnacle II Obligations, (b) the Pinnacle Obligations and Pinnacle II Obligations are fully subordinated, on a pro rata basis, to the prior irrevocable performance and repayment in full of all Vortex Obligations, and (C) the Vortex Obligations and the Vortex Security have priority, to the full extent of the Vortex Obligations, over the Pinnacle Obligations, Pinnacle II Obligations, PCPL Obligations, the Pinnacle Security and the Pinnacle II Security in all respects and at all times. For greater certainty, the Security in connection with any Obligor's Assets ranks in descending order of priority, first, the Vortex Security to the full extent of the Vortex Obligations, and second, the Pinnacle Security and Pinnacle II Security to the full extent of the Pinnacle Obligations and Pinnacle II Obligations on a pro rata basis. The PCPL Obligations are unsecured.

None of Vortex's rights to enforce the subordinations and postponements provided in this agreement will be prejudiced or impaired in any way by (a) any act or failure to act by any Obligor, (b) any act or failure to act by Vortex (or any agent of or trustee for Vortex), or (c) any non-

compliance by any Obligor, Pinnacle, Pinnacle II, PCPL or any holder of the Pinnacle Obligations, Pinnacle II Obligations or PCPL Obligations with any of the agreements or instruments relating to such obligations, regardless of any knowledge of that non-compliance of which Vortex may have or otherwise be charged.

As of September 30, 2025, the discounted carrying value of the balance owed on the Vortex term facility is \$10,705 (June 30, 2025 - \$10,506). Total interest expense on the Vortex term facility, including cash interest, payment-in-kind interest and discount accretion recognized using the effective interest method, was \$231.

On December 13, 2023, the Company and Pinnacle signed a Demand Promissory Note in exchange for \$1,505, with a 10% interest rate per annum, accruing from the date of signature. The funds were issued in support of working capital requirements. From the face value of \$1,505, \$30 represented a structuring fee (2%), which was paid to the lender out of the proceeds. The Promissory Note is payable on demand to the Lender and bears an interest rate of 10% per annum calculated monthly in arrears, on the basis of the actual number of days elapsed and on the basis of a year of 365 days. The Promissory Note has been accruing interest from the date it was issued and will cease to accrue interest on the date of repayment. The Company may, at its option, make payment of, in the manner contemplated in the Promissory Note, all or any part of their indebtedness outstanding pursuant to the Promissory Note, without bonus or penalty. The Demand Promissory note structuring fee forms part of the principal amount, as it was paid by the Company to the Lender from the proceeds of the Promissory Note. The Promissory Note is not convertible into common shares of the Company and is presently unsecured. As a result, no fair value assessment was done to create an interest accretion charge.

On January 30, 2024, the Company and Pinnacle Island entered into a Loan Agreement which would provide the Company with a subordinated secured non-revolving term loan (the "Loan Facility") in the maximum principal amount of \$3,200, with such amount being comprised of: (i) the Promissory Note Principal Amount; (ii) \$18 representing interest on the Promissory Note Principal Amount<sup>1</sup>; (iii) \$1,635, representing the additional cash that will be advanced to the Company; and (iv) \$33, representing a portion of the Loan Agreement Structuring Fee that will be payable in connection with the Loan Transaction as discussed below. Conditional in the Loan were directed funds of \$142 that were used to reduce outstanding payables. The principal amount outstanding under the Loan Facility shall bear interest at rate of 12% per annum and has a maturity date of July 31, 2025. Interest shall accrue both before and after maturity, demand, default and judgement. Interest shall be calculated monthly in arrears, on the basis of the actual number of days elapsed and on the basis of a year of 365 days and shall accrue from the date of the Loan Agreement until actual repayment. The Company used the proceeds from the Loan Facility to finance its working capital requirements.

As additional consideration for entering into the Loan Agreement, the Company agreed to pay a structuring fee to the Lender of \$160 of which (i) \$30 was previously paid to the Lender, being the Promissory Note Structuring Fee that was paid to the Lender when the Promissory Note Principal Amount was advanced to the Company, and (ii) \$33 will be paid to the Lender upon entering into the Loan Agreement. The remaining balance of the Loan Agreement Structuring Fee, being \$97, will be paid to the Lender on July 31, 2025, being the Maturity Date. The Loan Facility will be a secured obligation of the Company. In order to secure the Company's obligations under the Loan Facility, the Loan Agreement provides that, within 30 days of the date of the Loan Agreement: (i) the Company will execute and deliver a general security agreement granting the Lender a second priority security interest over all of the present and after-acquired assets of the Issuer and a second priority pledge of the shares of Enablence Canada Inc. ("Enablence Canada") and Enablence USA Inc. ("Enablence USA"); (ii) each of Enablence Canada, Enablence USA and Enablence USA Components Inc. ("Enablence Components", and together with Enablence Canada and Enablence USA, the "Guarantors") will execute and deliver a guarantee (a "Subsidiary Guarantee") and a general security agreement (a "Subsidiary GSA") granting the Lender a second priority security interest over all of its present and after-acquired assets.

The Demand Promissory Note issued on December 13 was extinguished as part of this consolidation of the loans under this new Loan Agreement. The carrying balance assumed the increased interest rate of 12% up from 10% in the original Promissory Note. An extinguishment charge of \$127 was taken to legal expenses

Legal costs of \$46 were accrued for completion of this new loan agreement. The funds for this loan were partially used to pay outstanding legal fees of \$139.

On April 3, 2024, the Company and Pinnacle Island entered into a Loan Agreement which would provide the Company with a subordinated secured non-revolving term loan (the "Loan Facility") in the maximum principal amount of \$6,828, with such amount being comprised of the existing Loan Agreement January 30 carrying amount of \$3,338 and face value amount of \$3,490. From the face value amount, the Company redirected funds of; (i) \$309 of interest payment toward the Convertible Debentures interest owing; (ii) \$18 of legal fees to the Lender, (iii) \$200 toward outstanding payables. The Company was also required to pay a restructuring fee of \$156, which will be deferred for repayment upon the Loan maturity date of July 31, 2025. A modification charge of \$16 was recognized.

As part of this Loan agreement, the Company entered into a First Amendment to the Second Amended and Restated Loan Agreement between Enablence and Vortex from June 27, 2023. The First Amendment to the Second Amended and Restated Loan agreement include revised language to Liquidity event and loan documentation and a reiteration of acknowledgements and confirmations to terms held within the original agreement. The First Amendment to the Original Loan agreement also updated language around Liquidity event and cited a revised Intercreditor agreement, which provides updates to the Original Intercreditor Agreement from January 30, 2024. In this funding event, an amendment was made to the Intercreditor Agreement from January 30, 2024, in which all elements of the first Intercreditor Agreement hold true with the addition of definitions around Pinnacle Loan Agreements and Vortex Loan Agreements.

On June 30, 2024, legal costs of \$64 were accrued toward the completion of this agreement. The funds for this loan were partially used to pay outstanding legal fees of \$203. The interest accrued at June 30, 2024 is \$197 and the accretion of the legal costs is \$8. The difference between the carrying amount at modification date and its fair value resulted in a modification loss of \$16, which was taken into legal expense.

### **Pinnacle I Term Loan**

On July 17, 2024, the Company signed a Second Amendment to Loan Agreement with Pinnacle Island LP ("Pinnacle I"). In this amendment, the principal balance of the Pinnacle I Term Loan was increased by \$301 as of July 1, 2024, the proceeds of which were used to make a payment of interest pursuant to the Pinnacle I Convertible Debentures on June 30, 2024. Additionally, Pinnacle I has revised language on the Liquidity Event and Pinnacle II Loan Agreement documentation, amending the First Amendment to the Loan Agreement to include Pinnacle II Loan Agreement documentation. The difference between the carrying amount at the modification date and its fair value resulted in a modification loss of \$120, which was taken into finance/other income.

On April 4, 2025, the Pinnacle I Term Loan was extinguished by the issuance of the Pinnacle I 2025 Convertible Debentures. An extinguishment loss of \$517 was taken to finance/other income.

### **Pinnacle II Loan Agreement**

On July 17, 2024, the Company and Pinnacle Island II LP ("Pinnacle II") entered into a Loan Agreement which provided the Company with a subordinated secured non-revolving term loan (the "Pinnacle II Loan Agreement") in the maximum principal amount of \$4,380. The principal amount outstanding under the Pinnacle II Loan Agreement bore interest at rate of 12% per annum and had a maturity date of July 31, 2025. No payments of principal were due prior to the maturity date. Interest was calculated monthly in arrears, on the basis of the actual number of days elapsed and on the basis of a year of 365 days and accrued from the date of the Pinnacle II Loan Agreement until actual repayment. The Company used the proceeds from the Pinnacle II Loan

Agreement to finance its working capital requirements. As additional consideration for entering into the Pinnacle II Loan Agreement, the Company agreed to pay a structuring fee to the Lender of \$220 payable on the maturity date.

On April 4, 2025, the Pinnacle II Loan Agreement was extinguished by the issuance of the Pinnacle II 2025 Convertible Debentures. An extinguishment loss of \$247 was taken to finance/other income.

### **PCPL Demand Note**

On April 4, 2025, the Company received a Demand Promissory Note (the "PCPL Demand Note") in exchange for CAD \$10,482, which bore interest at 12% per annum. Proceeds under the PCPL Demand Note were advanced to the Company between October 2024 and March 2025. \$2,896 of the PCPL Demand Note was paid down with proceeds from the Pinnacle II 2025 Loan Agreement on April 4, 2025. The remaining balance of the PCPL Demand Note was extinguished by the issuance of the PCPL Convertible Debentures. An extinguishment loss of \$421 was taken to finance/other income. Pinnacle II 2025 Loan Agreement

On April 4, 2025, the Company and Pinnacle II entered into a Loan Agreement which would provide the Company with a subordinated secured non-revolving term loan (the "Pinnacle II 2025 Loan Agreement") in the maximum principal amount of \$11,728 which may be increased by \$2,932 commencing July 1, 2025 and prior to March 31, 2026 upon the satisfaction of certain conditions. The principal amount outstanding under the Pinnacle II Loan Agreement shall bear interest at rate of 14% per annum and has a maturity date of March 31, 2027. Interest shall accrue both before and after maturity, demand, default and judgement. Interest shall be calculated monthly in arrears, on the basis of the actual number of days elapsed and on the basis of a year of 365 days and shall accrue from the date of the Pinnacle II Loan Agreement until actual repayment. Payment of principal is due in equal installments quarterly commencing September 30, 2026. Interest accruing from April 4, 2025 through March 31, 2026 is due on the maturity date. Interest accruing from April 1, 2026 is payable quarterly commencing June 30, 2026. The Company used the proceeds from the Pinnacle II 2025 Loan Agreement as follows: (i) \$2,896 to pay down a portion of the PCPL Demand Note; (ii) \$186 for fees related to the 2025 refinancings; (iii) \$180 for outstanding payable related to previous financings; and (iii) the remainder to finance its working capital requirements.

The Pinnacle II 2025 Loan Agreement is a secured obligation of the Company. In order to secure the Company's obligations under the Loan Facility, the Pinnacle II 2025 Loan Agreement provides that, within 30 days of the date of the Pinnacle II 2025 Loan Agreement: (i) the Company will execute and deliver a general security agreement granting Pinnacle II a second priority security interest over all of the present and after-acquired assets of the Issuer and a second priority pledge of the shares of Enableness Canada Inc. ("Enableness Canada") and Enableness USA Inc. ("Enableness USA"); (ii) each of Enableness Canada, Enableness USA and Enable USA Components Inc. ("Enableness Components", and together with Enableness Canada and Enableness USA, the "Guarantors") will execute and deliver a guarantee (a "Subsidiary Guarantee") and a general security agreement (a "Subsidiary GSA") granting Pinnacle II a second priority security interest over all of its present and after-acquired assets.

The Company also issued 1,330 common share purchase warrants ("Warrants") to Pinnacle II as additional consideration, which were recorded against the balance of the Loan Agreement as a transaction cost. Each Warrant is exercisable at CAD\$2.25 to acquire one common share of the Company for a period of two years from the date of issuance. The Warrants were separately valued using the Black-Scholes model with a risk-free interest rate of 2.32% and volatility of 60.0%, determining a value of \$205 recorded in warrants.

The Company utilized an estimated fair market interest rate of 14.9% per annum in computing the fair value at the amendment date of the outstanding debt. Of the \$11,728 face value, \$11,244 was allocated as notes payable, \$205 to warrants based on the fair value determined above and the residual of \$279 was allocated to contributed surplus. The adjusted carrying amount will be amortized over the remaining term of the secured loan using the effective interest rate of 18.5%

per annum. \$292 of legal and advisory fees were allocated to the Pinnacle II 2025 Loan Agreement and CAD \$13 was allocated to capital surplus.

During the year ended June 30, 2025, the Company recognized \$384 in interest expense and \$91 in interest accretion. As of June 30, 2025, the total liability is \$11,038 and accrued and unpaid interest of \$391.

#### Advisory Fee

In connection with the refinancing transactions which occurred on April 4, 2025, an advisory fee of \$1,448 was payable to Paradigm Capital Inc. and was assigned to PCHI. The Company settled the advisory fee payable to PCHI by issuing 1,000 common shares to PCHI at a deemed price of CAD \$2.00 per share.

#### **Pinnacle I Convertible Debentures**

During the year ended June 30, 2024, the Company recognized \$639 (2023 - \$5) in interest expense and \$662 (2023 - \$5) in interest accretion. The Loan Agreement (April 3, 2024) provided funds to meet this interest payment. As at June 30, 2024 the total convertible debenture liability is \$4,666 (June 30, 2023 - \$4,166), including accrued and unpaid interest.

The underlying agreement dated June 27, 2023 was amended twice as part of the January 30, 2024 and April 3, 2024 loans with Pinnacle Island LP. The amendments updated language and protections for Vortex ENA through and amendments to the original convertible debentures agreement and an intercreditor agreement between the Company, Vortex ENA and Pinnacle Island LP.

On April 4, 2025, the Company amended the Debentures by way of the First Amendment to the Convertible Debenture. The amendment waived any missed interest payments or defaults up to April 4, 2025. All interest accrued on the Debentures up to December 31, 2024, as well as all interest accrued during calendar year 2025, was exchanged for new Pinnacle I 2025 Convertible Debentures issued on April 4, 2025. Interest will resume accruing on the Debentures on January 1, 2026 at the original rate of 7.5% per annum and the first interest payment payable in cash is due June 30, 2026. Interest will continue to be payable semi-annually every June 30 and December 31 through the maturity date.

The difference between the carrying amount at the modification date and its fair value resulted in a modification loss of \$287, which was taken into finance/other income. \$210 of legal and advisory fees were allocated to the Debentures. The carrying amount will be amortized over the remaining term of the Debentures using the effective interest rate of 23.0%. During the year ended June 30, 2025, the Company recognized \$450 (2024 - \$639) in interest expense and \$876 (2024 - \$662) in interest accretion. As of June 30, 2025, the total convertible debenture liability is \$5,661 (June 30, 2024 - \$4,666), including accrued and unpaid interest.

#### **Debt Settlement**

On April 4, 2025, the Company issued 782 common shares to Paradigm Capital Holdings, Inc. ("PCHI") with a fair value of \$713 in repayment and satisfaction of \$758 owed by the Company to PCHI. A gain on extinguishment of \$25 was taken to finance/other income.

#### **2025 Convertible Debentures**

On April 4, 2025, the Company issued a total of \$21,886 of convertible debentures (the "2025 Convertible Debentures"), all of which were issued through a private placement. Of the total \$21,886, (i) \$8,966 was issued to Pinnacle I ("Pinnacle I 2025 Convertible Debentures") in exchange of the Pinnacle I Term Loan (\$6,916), interest and fees on the Pinnacle I Term Loan (\$1,141), accrued interest on the Debentures (\$909); (ii) \$4,977 was issued to Pinnacle II ("Pinnacle II 2025 Convertible Debentures") in exchange of the Pinnacle II Term Loan (\$4,380)

and interest and fees on the Pinnacle II Term Loan (\$597); (iii) and \$7,943 was issued to PCPL (“PCPL 2025 Convertible Debentures”) in exchange of the PCPL Demand Note. The 2025 Convertible Debentures bear interest at a rate of 9.5% per annum, with interest accrued through March 31, 2026, payable on the maturity date. Interest is payable commencing on June 30, 2026, and thereafter, payable quarterly. The Pinnacle I 2025 Convertible Debentures and Pinnacle II 2025 Convertible Debentures are secured obligations while the PCPL 2025 Convertible Debentures are unsecured obligations.

The 2025 Convertible Debentures are convertible, at the option of their holder, into common shares of the Company at a price of C\$2.25 per common share. The 2025 Convertible Debentures have an initial maturity date of April 4, 2029. If there is a Change of Control at any time during the term of the 2025 Convertible Debenture, the Holder will have the right to require the Company to redeem the 2025 Convertible Debenture at a price equal to 105% of the principal amount of the 2025 Convertible Debenture then outstanding, plus all accrued and unpaid interest. The fair value of the debt was determined to be \$22,565 based on market interest rates of 15.0% and 15.5% and the residual representing the conversion feature of \$5,175 was allocated to contributed surplus.

During the year ended June 30, 2025, the Company recognized \$485 in interest expense payable at maturity and \$359 in interest accretion. As of Se 30, 2025, the total convertible debenture liability is \$17,243 and accrued and unpaid interest of \$496.

The Company has sustained significant losses since its inception and expects to continue to incur losses over the short term as it is now ramping up its manufacturing capacity to address the increase in demand. 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 Enableness will gain adequate market acceptance for its new products or be able to generate sufficient gross margins to reach profitability; however, as noted above under “Outlook”, management of the Company is focused on addressing these issues.

Enableness 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 June 30, 2025 and 2024:

	<b>September 30, 2025</b>	<b>June 30, 2025</b>
	<b>\$</b>	<b>\$</b>
Cash	<b>2,753</b>	5,000
Restricted Cash	<b>4</b>	4
	<b>2,757</b>	5,004

The working capital deficiency from operations at September 30, 2025 was \$2,144 as compared to a working capital deficiency of \$34 at June 30, 2025. The increase in the working capital deficiency during the three months ended September 30, 2024 is due to increased operating expenses as compared to revenues.

As at September 30, 2025, the Company had cash available of \$2,753 (not including \$4 of restricted cash). The Company consumed \$4,666 in operating activities for the three months ended September 30, 2025 as compared to \$3,932 in the prior year. The increase in cash used in operations in the three months ended September 30, 2025 as compared to the prior year is primarily the result of investments in manufacturing capacity, increased headcount across sales, product and development, and for interest payments. This increase in cash used in operating activities extended the Company’s reliance on external financing as highlighted in the Liquidity notes.

The chart below highlights the Company's cash flows for the years ended June 30, 2025 and 2024:

	<b>For The Months Ended</b>	
	<b>September 30</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash used in Operating activities</b>	<b>(4,666)</b>	<b>(3,932)</b>
<b>Investing activities</b>		
Purchase of property, plant, and equipment	(348)	(260)
Proceeds on disposal of property, plant and equipment		
<b>Total cash used in investing activities</b>	<b>(348)</b>	<b>(260)</b>
<b>Financing activities</b>		
Advances from short-term notes payable		
Advances from long-term notes payable	2,892	4,469
Principal payments under capital lease obligations	(156)	
Repayments of long-term notes payable		(82)
Net proceeds from issuance of shares		
<b>Total cash from financing activities</b>	<b>2,736</b>	<b>4,387</b>
<b>Effect of foreign currency translation</b>	<b>31</b>	<b>(135)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,247)</b>	<b>60</b>

## **BOARD AND MANAGEMENT**

Derek J. Burney, Louis De Jong, Oded Tal and Dan Huff are the Directors of the Company. Derek J. Burney acts as the Chair of the Board. Mr. De Jong acts as Chair of the Audit Committee and Mr. Dan Huff acts as Chair of the Compensation Committee.

## **CAPITAL RESOURCES**

Enableness 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 and debt 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* for more information.

See the *Liquidity*, *Interest Expense* and *Subsequent Events* sections above for details on financings completed during the year ended June 30, 2024 and for loans obtained subsequent to year end. As stated in the *Liquidity* section above, the Company has been able to raise additional long-term and short-term loan financing to support its operating deficits and growth needs. It is expected that the Company will have the ability to access a number of different financing sources, including traditional debt and equity options, to finance future operations and growth needs.

Enableness is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are 18,914 common shares issued and outstanding as of June 30, 2024 and no preferred shares issued and outstanding. The common shares of Enableness 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 operations:

As at September 30, 2025	Current		Non-Current		Total
	within 6 months	6 to 12 months	1 to 5 years	5+ years	
	\$	\$	\$		\$
Accounts payable and accrued liabilities	8,380	-	-	-	8,380
Notes payable	587	-	24,395	-	24,982
Convertible debentures	-	-	23,160	-	23,160
Lease Liabilities	448	-	98	-	546
<b>Total</b>	<b>9,415</b>	<b>-</b>	<b>47,653</b>	<b>-</b>	<b>57,068</b>

As at June 30, 2025	Current		Non-Current		Total
	within 6 months	6 to 12 months	1 to 5 years	5+ years	
	\$	\$	\$		\$
Accounts payable and accrued liabilities	7,999	-	-	-	7,999
Notes payable	579	-	21,543	-	22,122
Convertible debentures	-	-	22,904	-	22,904
Lease Liabilities	588	-	98	-	686
<b>Total</b>	<b>9,166</b>	<b>-</b>	<b>44,545</b>	<b>-</b>	<b>53,711</b>

The Company is exposed to currency risk as certain transactions are denominated in Canadian dollars and Chinese renminbi. Management continually evaluates foreign exchange risk management strategies; however, at this time, the Company has not entered any forward, swap or option contracts to manage its exposures to fluctuations in foreign exchange rates.

Enablence has not entered 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

Related parties include entities and individuals that, directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with the Company; have significant influence over the Company; or are members of key management personnel as defined in IAS 24 Related Party Disclosures.

The Company maintains a governance framework designed to ensure that related-party transactions comply with applicable securities legislation, IAS 24 Related Party Disclosures, and the Company's internal conflict-of-interest policy.

Certain directors and officers of the Company also serve as directors, officers, or shareholders of related entities including Vortex ENA LP, Pinnacle Island LP, Pinnacle Island II LP, and Paradigm Capital Partners Ltd. Accordingly, they may be deemed to have an indirect interest in transactions between the Company and such entities.

The Company will continue to monitor and disclose any changes in control or related-party relationships in future reporting periods.

### 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. As a result, an investment in Enableness is speculative.

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

## **CRITICAL ACCOUNTING ESTIMATES**

### *Use of estimates and judgements*

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 judgement. The Company's ECL model relies on 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 consolidated 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. In select circumstances, if the Company believes a specific customer has a potential outcome that is outside of the probability weighted outcomes, it may take a specific provision for that customer and exclude it from the overall provision matrix.

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.

#### *Right-of-use assets and lease liabilities*

To determine the value of the initial recognition and subsequent re-measurement of right-of-use assets and lease liabilities, management is required to exercise judgement in several areas, such as determining the appropriate discount rate, whether it is reasonably certain that an extension or termination option will be exercised, whether variable payments are in substance fixed, and whether a right-of-use asset is impaired. The Company enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Company uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over similar terms which requires estimations when no observable rates are available. Changes in these estimates and assumptions could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in

the statements of net and comprehensive losses and statements of financial position in a given period.

#### *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, restricted share units (“RSUs”) and deferred share units (“DSUs”) granted, and the time of exercise of those share options and settlement of RSUs and DSUs. The model used by the Company is the Black-Scholes valuation model.

#### *Warrants*

The estimation of share purchase warrants 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 probable life of share purchase warrants, and the time of exercise of those warrants. 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.

#### *Impairment*

The Company uses estimates to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of assets, including non-current assets, that may not be recoverable.

Where an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the CGU in prior years.

The reversal of impairment requires management to re-assess several indicators that led to the impairment. It requires the valuation of the recoverable amount by estimating the future cash flows expected to arise from the CGU and the determination of a suitable discount rate to calculate its present value. Significant judgement is made in establishing these assumptions.

#### Judgements

##### *Financial Liabilities Modification and Extinguishment*

The Company accounts for financial liabilities in accordance with IFRS 9 — Financial Instruments. Financial liabilities are initially recognized at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, unless designated at fair value through profit or loss.

When the terms of an existing financial liability are modified or exchanged with the same lender, the Company assesses whether the modification is substantial based on quantitative and qualitative factors. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including fees paid or received, differs by 10% or more from the discounted present value of the remaining cash flows of the original liability.

- If the modification is substantial, the original liability is derecognized, and a new financial liability is recognized at fair value. The difference between the carrying amount of the extinguished liability and the fair value of the new liability is recognized in profit or loss.
- If the modification is not substantial, the carrying amount of the liability is adjusted for any fees or costs incurred, and the modified effective interest rate is recalculated to reflect the revised cash flows. Any gain or loss arising from the modification that does not result in derecognition is recognized in profit or loss over the remaining term of the liability through the revised effective interest rate.

Transaction costs directly attributable to the modification or extinguishment are recognized as part of the gain or loss on extinguishment or are adjusted against the carrying amount of the liability, as appropriate.

Where a financial liability is settled or exchanged with a different counterparty, the transaction is accounted for as an extinguishment of the original liability and recognition of a new liability.

Management reviews all loan and debt restructuring transactions to determine whether modification or extinguishment accounting is required in accordance with IFRS 9.

#### *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 judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

## **FINANCIAL AND OTHER INSTRUMENTS**

Enableness'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 Enableness's management that Enableness 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](http://www.sedar.com).

## **APPENDIX A**

### **RISKS AND UNCERTAINTIES**

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

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

#### **Significant future capital requirements; need for significant additional financing**

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

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

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

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

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

The intensely competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company's competitors offer deep discounts on certain

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

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

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

### **Inventory Management**

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

### **Accounts Receivable Management**

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

## **Dependence on Third Party Suppliers**

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

## **International Operations**

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

- differing regulatory requirements, including tax laws, trade laws, labour regulations, tariffs, export quotas, custom duties or other trade restrictions and changes thereto;
- greater difficulty supporting and localizing the Company's products;
- different or unique competitive pressures as a result of, among other things, the presence of local equipment suppliers;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- limited or unfavourable intellectual property protection;
- changes in a specific country's or region's political or economic conditions;
- restrictions on the repatriation of earnings; and
- travel restrictions and/or ongoing temporary plant closures or demand fluctuations specifically related to its international operations stemming from the continuation of the COVID-19 pandemic.

## **Managing Growth**

The Company pursues a growth strategy that focuses on organic growth. The Company has undertaken several acquisitions in prior years to allow the Company to expand its product offerings and customer base and may do so in the future. While the Company has no active plans to acquire other companies, the success with which the Company can integrate companies acquired in the future will be critical in achieving the benefits from them. Failure to properly integrate and save costs and achieve market leadership based on these acquisitions may hinder the Company's ability to be successful in its growth plans. On-going plans for further acquisitions will also be dependent on the Company's ability to fund an acquisition, identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired operations and technology of such companies successfully with its own and maintain the goodwill of the acquired business. The Company is unable to predict whether it will be able to identify further suitable additional acquisition candidates or the likelihood that these potential additional acquisitions will be completed. In addition, efforts to integrate acquisitions entail significant risks including, but not limited to, the possibility that the operations of the acquired business will not be profitable,

diversion of the attention of the Company's management from day-to-day operation of the Company's business and the assumption of significant and/or unknown liabilities of the acquired business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Acquisitions could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that the acquisitions made to date will be successfully integrated and future acquisitions will be successfully completed or that, if more acquisitions are completed, the acquired businesses, products or technologies will be integrated successfully or generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

### **Uncertain Global Economic Conditions**

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

### **Political, Economic and Other Risks of Operations in China**

The Company has operations in China, as such the Company is subject to political, economic and social risks relating to operating in a foreign jurisdiction, these risks including: (i) nationalization, expropriation of assets or property with or without compensation, forced modification or cancellation of existing contracts, (ii) currency fluctuations and devaluations, unfavourable tax enforcement, changing political conditions, political unrest and civil strife, (iii) changes in governmental regulations or policies with respect to currency, production, price controls, profit repatriation, export controls, labour, taxation, trade, environmental and health and safety matters, (iv) continued implementation of lockdowns in metropolitan areas in which the Company's customers and suppliers operate as a result of China's "zero covid" policy. Any of these risks could have a material adverse effect on business, results of operations and financial performance of the Company.

### **Difficulty in enforcement of judgements**

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

The Company previously had a joint venture incorporated in China and the joint venture operations were conducted in China. The Company also has a number of subsidiaries incorporated in the United States. Certain directors reside in the United States, and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors not resident in Canada. Additionally, it may be difficult for

an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted outside of Canada. Courts in such jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

### **Market Opportunities**

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

### **Sales Cycles are Long and Unpredictable**

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

### **Dependence on Key Customers**

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

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

### **Customer Spending Patterns**

Demand for the Company's products depends on the magnitude and timing of capital spending by telecom network and service providers as they construct, expand and upgrade their networks. The Company sells its components to customers that sell to the telecom service providers. Other factors affecting the capital spending patterns of telecom service providers include the following:

- competitive pressures, including pricing pressures;

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

### **Competitive Pressures**

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

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

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

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

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

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

## **Product Defects and Warranty Obligations**

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

## **Product Development and Technological Change**

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

## **Product Obsolescence**

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

## **Development Stage Products and Customer Expectations**

The Company may not be able to successfully demonstrate high yields on large volume production of its components and meet all of the specification requirements of all products in accordance with industry requirements for all of its product lines. There may be potential quality issues on the manufacture of these products resulting from the way the products are designed or manufactured or in the processes used for the design and manufacture of the product(s), or from the software or materials used in the product(s). These factors may cause delays in availability

and shipping of products to potential customers, or even the cancellation of orders by customers. Quality issues in the products may have legal and financial implications for the Company, including delays in revenue recognition, loss of revenue or future orders, customer-imposed penalties for failure to meet contractual shipment deadlines, increased costs associated with repairing or replacing products, and a negative impact on goodwill and brand name reputation and higher manufacturing costs.

### **Intellectual Property**

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

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

### **Intellectual Property Litigation**

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

### **Currency Fluctuations may Adversely Affect the Company**

A substantial portion of the Company's operating costs are recognized in currencies other than US\$, specifically the Canadian dollar, and the Chinese Renminbi. The Company carries certain monetary assets and liabilities in these and other currencies, which differ from the Company's U.S. dollar base reporting currency. Fluctuations in the exchange rate between these currencies and the U.S. dollar may have a material adverse impact on the Company's business, financial condition and operating results.

## **Earnings History**

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

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

## **Key Personnel**

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

## **Changes in Accounting and Tax Rules**

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

## **Changes in Government Policy**

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

## **Cybersecurity Threats**

The reliability and security of the Company's information technology ("IT") systems is important to the Company's business and operations. Although the Company has established and continues to enhance security controls intended to protect the Company's IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyberattacks. A significant breach of the Company's IT systems could, among other things, cause disruptions in the Company's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for

customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information or intellectual property, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company's, its customers' or suppliers' intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company.

### **Share Price Volatility**

The Common Shares trade on the TSXV; however, the Company cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in its common shares and it is possible that an active and liquid trading market will not develop or be sustained. This risk is elevated given the existence of the Cease Trader Order over the Company's common shares that was in place from June 2020 to July 2021. Some companies that have volatile market prices for their securities or that have operated under a Cease Trade Order have had securities class action lawsuits filed against them. If a lawsuit were to be filed against the Company, regardless of its outcome, it could result in substantial costs and a diversion of management's attention and resources.

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

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