



**ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements**

For the years ended June 30, 2025 and 2024
(in thousands of United States dollars and shares)

To the Shareholders of Enablence Technologies Inc. :

Opinion

We have audited the consolidated financial statements of Enablence Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2025 and June 30, 2024, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2025 and June 30, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(i) in the consolidated financial statements, which indicates that the Company incurred a net loss and negative cash flows from operations during the year ended June 30, 2025 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 2(i), these events and conditions, along with other matters as set forth in Note 2(i), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Modification of convertible debt and notes payable

Key Audit Matter Description

As described in Note 11 and Note 12 of the consolidated financial statements, the Company refinanced its convertible debt and notes payable during the year ended June 30, 2025. To determine whether the refinancing was a modification or extinguishment of existing debt, an assessment was completed to determine whether the modification was substantial, therefore treated as a loan extinguishment and recognition of a new loan at revised terms. In making this assessment, key assumptions, such as the fair market interest rate and the inclusion of any lender transaction fees, were incorporated into the loan modification calculation, and the resulting gains or losses that were recognized.

Evaluating the modification required significant auditor judgment and an increased audit effort, which involved the involvement of internal valuation specialists. Accordingly, we considered the modification of convertible debt and notes payable to be a key audit matter.

Audit Response

We responded to this matter by performing procedures over the modification of convertible debt and notes payable. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained management's accounting assessment including calculations performed on the loan modification and assessed it for reasonableness;
- Consulted with internal valuation specialists to review key inputs such as market interest rates used in management's assessment of the fair value of the debt and equity components recognized as a result of the loan modification;
- Obtained signed loan agreements and confirmation from the lenders including details of amendment terms; and
- Assessed the appropriateness of the disclosures related to the amendment of the convertible debt and notes payable in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

Burlington, Ontario

November 3, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Enablence Technologies Inc.
Consolidated statements of financial position
(in thousands of United States dollars)

		As at June 30, 2025	As at June 30, 2024
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	5,004	614
Accounts and other receivables	5	1,930	526
Inventories	6	1,844	648
Prepaid expenses and deposits		744	597
		9,522	2,385
Property, plant and equipment	7	7,061	1,746
		16,583	4,131
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	7,999	7,002
Notes payable	11	579	538
Lease liabilities	8	588	497
Contract liabilities	10	390	196
		9,556	8,233
Lease liabilities	8	98	644
Notes payable	11,22	21,543	16,764
Convertible debentures	12	22,904	4,666
		54,101	30,307
Shareholders' deficiency			
Share capital	15	125,322	122,087
Contributed surplus	15	25,456	20,576
Warrants	15,22	679	1,286
Accumulated other comprehensive (loss) income	15	(104)	593
Deficit		(188,871)	(170,718)
		(37,518)	(26,176)
		16,583	4,131

Basis of presentation - going concern (Note 2)
Contingencies and commitments (Note 18)

Approved by the Board:

"Louis De Jong"
Director

"Derek J. Burney"
Director

The accompanying notes are an integral part of these
consolidated financial statements

Enablence Technologies Inc.

Consolidated statements of net loss and comprehensive loss For the years ended June 30, 2025 and 2024

(in thousands of United States dollars and shares, except per share data)

		For The Years Ended June 30	
		2025	2024
		\$	\$
	Note		
Revenue	10,21	5,941	1,601
Cost of goods sold	16	8,343	3,930
Gross margin		(2,402)	(2,329)
Operating expenses			
Research and development	16	3,062	2,767
Sales and marketing	16	926	738
General and administration	16	4,781	3,923
Stock-based compensation	16	275	173
		9,044	7,601
Loss before other income (expenses)		(11,446)	(9,930)
Other income (expense)			
Loss on loan extinguishment	11	(841)	(284)
Interest expense	13	(6,817)	(3,866)
Foreign exchange gain (loss)		35	(28)
Loss before taxes		(19,069)	(14,108)
Income tax recovery	14	916	-
Net loss		(18,153)	(14,108)
Other comprehensive income (loss), net of tax			
Items that may be reclassified to profit and loss		-	-
Foreign currency translation gain (loss)		(697)	503
Comprehensive loss		(18,850)	(13,605)
		2025	2024
Net loss per share - basic and diluted		(\$0.95)	(\$0.75)
Weighted average number of outstanding shares - basic and diluted		19,111	18,914

The accompanying notes are an integral part of these consolidated financial statements

Enablence Technologies Inc.

Consolidated statements of changes in shareholders' deficiency

For the years ended June 30, 2025 and 2024

(in thousands of United States dollars and shares)

	Note	Number of shares	Share capital (Note 15) \$	Contributed surplus \$	Share Purchase Warrants \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Deficiency \$
Balance at July 1, 2023		18,590	121,759	20,562	1,286	90	(156,610)	(12,913)
Stock-based compensation	11,12	-	-	175	-	-	-	175
Net loss		-	-	-	-	-	(14,108)	(14,108)
Equity element of advances of notes payable	11	-	-	100	-	-	-	100
Option/RSU/DSU exercise	15	324	328	(261)	-	-	-	67
Foreign currency translation gain		-	-	-	-	503	-	503
Balance at June 30, 2024		18,914	122,087	20,576	1,286	593	(170,718)	(26,176)
Balance at July 1, 2024		18,914	122,087	20,576	1,286	593	(170,718)	(26,176)
Stock-based compensation	11,12	-	-	275	-	-	-	275
Net loss		-	-	-	-	-	(18,153)	(18,153)
Equity issued to settle debt	11	782	713	-	-	-	-	713
Equity element of Pinnacle II loan agreement and allocated fees	11	-	-	266	-	-	-	266
Equity element of advances of convertible debentures	12	-	-	5,175	-	-	-	5,175
Shares issued for advisory services	11	1,000	1,448	-	-	-	-	1,448
Warrants expired	11,15	-	-	-	(805)	-	-	(805)
Warrants cancelled	11,15	-	-	351	(351)	-	-	-
Warrants issued with notes payable	11,15	-	-	-	549	-	-	549
Option/RSU/DSU exercise	15	263	1,074	(268)	-	-	-	806
Deferred tax liability relating to equity element		-	-	(919)	-	-	-	(919)
Foreign currency translation gain (loss)		-	-	-	-	(697)	-	(697)
Balance at June 30, 2025		20,959	125,322	25,456	679	(104)	(188,871)	(37,518)

The accompanying notes are an integral part of these consolidated financial statements

Enablence Technologies Inc.
Consolidated statements of cash flows
For the years ended June 30, 2025 and 2024
(in thousands of United States dollars)

		For The Years Ended June 30	
		2025	2024
		\$	\$
Cash provided by (used in):			
Operating activities			
	Note		
Net loss		(18,153)	(14,108)
Adjusted for the following non-cash items:			
Depreciation	7,8,16	906	695
Stock-based compensation	15,16	275	173
Accretion and accrued interest	11,12,13	6,817	3,867
Unrealized foreign exchange loss (gain)		(35)	28
(Gain) loss on modification of debt	11,12,13	(37)	16
Loss on settlement of debt	11,12,13	1,163	
Loss on disposal of property, plant and equipment	11,12,13	-	9
Financing expenses	11,12,13	-	311
Income tax recovery	14	(916)	-
		(9,980)	(9,009)
Changes in non-cash working capital	16	(1,556)	288
Cash used in operating activities		(11,536)	(8,721)
Investing activities			
Purchase of property, plant and equipment	7	(6,176)	(340)
Cash provided by (used in) investing activities		(6,176)	(340)
Financing activities			
Advances from short-term notes payable	11,12	-	50
Advances from long-term notes payable	11,12	22,856	6,561
Principal payments under capital lease obligations	8	(506)	(392)
Repayments of long-term notes payable	11,12	(322)	(314)
Net proceeds from issuance of shares	11,12	-	68
Cash provided by financing activities		22,028	5,973
Effect of foreign currency translation on cash and cash equivalents		74	(521)
Increase (decrease) in cash and cash equivalents		4,390	(3,609)
Cash and cash equivalents, beginning of year		614	4,223
Cash and cash equivalents, end of year		5,004	614

Enableness Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

1. Description of Business

Enableness Technologies Inc. (the “Company” or “Enableness”) is incorporated under the Canada Business Corporations Act. The head office of Enableness is located at 390 March Road, Suite 119, Ottawa, Ontario, K2K 0G7, Canada. Enableness is a publicly traded company listed on the TSX Venture Exchange (“TSXV” – ENA). The Company designs, manufactures and sells optical components, primarily in the form of planar lightwave circuits (“PLC”) on silicon-based chips. Enableness products serve a global customer base, primarily focused on data centres and advanced vision end markets in which Enableness works with customers that have emerging market uses for its technology, including medical devices, automotive LiDAR and virtual and augmented reality headsets. In select strategic circumstances, the Company also uses its proprietary, non-captive fabrication plant in Fremont, California to manufacture chips designed by third party customers.

2. Basis of Presentation

(i) *Going concern*

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and on a going concern basis. This assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

At June 30, 2025, the Company had cash and cash equivalents of \$5,004 (2024: \$614), negative working capital of \$34 (2024: \$5,848) and had used cash of \$11,536 (2024: \$8,721) in its operating activities for the year ended June 30, 2025. The Company achieved a comprehensive loss of \$18,850 for the year ended June 30, 2025 (2024: comprehensive loss of \$13,605) and as of that date had an accumulated deficit of \$188,871 (2024: \$170,718).

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the ability to generate positive cash flows and the ability to execute its business plan, including funding operating losses, continuing financial support from related parties, and securing future sources of financing. If the going concern assumption was not appropriate for these consolidated financial statements, significant adjustments to the carrying values of assets and liabilities, reported expenses and statement of financial position classifications would result. These adjustments could be material.

(ii) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations Committee.

(iii) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

(iv) *Classification of expenses*

The expenses within the consolidated statements of comprehensive loss are presented by function. Refer to Note 15 for details of expenses by nature.

(v) *Approval of consolidated financial statements*

The consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 2025.

(vi) *Presentation currency*

The presentation currency of the Company's consolidated financial statements is the United States dollar ("US\$").

While each of the Company's subsidiaries has its own functional currency, the functional currency of the parent company, Enablence Technologies Inc., is the Canadian dollar ("C\$") as this is the currency of the primary economic environment in which the Company operates. However, most of the revenues, cost of revenues and operating expenses from significant subsidiaries are denominated in US\$. Presenting these consolidated financial statements in US\$ allows investors to compare the Company's results more easily with most of its direct competitors. Refer to Note 3 for further details on foreign currency treatment.

(vii) *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 judgements, 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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Useful lives of depreciable assets

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

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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

3. Material Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of Enablence Technologies Inc. and its subsidiaries. The chart below summarizes the entities included in the consolidated financial statements as at June 30, 2025 and 2024:

Name of Entity	Place of Incorporation	Percentage Ownership	Functional Currency
Enablence Technologies Inc.	Canada		CAD
Enablence FTTx USA Inc.	Delaware, USA	100	USD
Enablence USA Components Inc.	Delaware, USA	100	USD
Enablence Canada Inc.	Canada	100	CAD
Enablence Systems Inc.	Delaware, USA	100	USD
Enablence USA Inc.	Delaware, USA	100	USD
Enablence (HK) Ltd.	Hong Kong	100	HKD
Suzhou Enablence Photonic Technologies Co., Ltd.*	China	100	CNY

* Enablence (HK) Ltd is the parent company to Suzhou Enablence Photonic Technologies Co., Ltd.

(i) *Wholly owned subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and can use its power to affect its returns. The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Wholly owned subsidiaries are entities controlled by the Company and where the parent owns 100% of the shares. The financial statements of wholly owned subsidiaries are included in the Company's consolidated financial statements as all Company's subsidiaries have the same fiscal year end as the Company.

(ii) *Transactions eliminated upon consolidation*

All intercompany balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

Revenue Recognition

The Company generates revenue from three sources, Products, Non-Recurring Engineering ("NRE") and Fab Services.

Products revenue represents revenue generated from the production and sale of Enablence-designed chips and the production of third-party chips using the Company's in-house fabrication plant. NRE revenue is comprised of non-recurring engineering orders where the Company delivers new chip designs and sample products to customers that are in the research and development stage of their product life cycle. Fab services revenue are generated from services provided by the entity, e.g. wafer deposition, dicing, chip polishing and testing.

Revenue for all sources is recognized in a manner that depicts the transfer of promised goods and services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services, applying the following five steps:

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

The Company's Products, NRE and Fab Services revenue has only one performance obligation which is the transfer of the goods or services to the customer. In the case of Products, the goods are finished wafers and/or chips and in the case of NRE revenue the goods include design drawings, photo masks and/or sample chips. A Fab Services contract is fulfilled by providing services indicated in the agreement with the customer. The revenue is not recorded for that performance obligation until that obligation within the contract has been met. Revenue is recognized at the point in time that the goods are shipped to the customer as per the Company's standard contract terms, except for sales to China-based customers where revenue is recognized when the customer has tested the goods and notified the Company that it has accepted the transfer of goods to their inventory. If funds have been received by the Company in advance of completing the performance obligation, the Company recognizes these funds as contract liabilities.

Revenue is measured based on the terms of the contract with the customer, which identify specific prices for the goods. The Company does not make any provisions for variable consideration in its revenue as the Company offers only basic assurance warranties on its products and its contracts do not allow for general returns or refunds on goods purchased. Warranty expenses and refund or returns, if any, are recorded by the Company in the period in which they are incurred.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash equivalents generally have original maturities of three months or less from the date of acquisition.

Cash and cash equivalents are classified and measured at amortized cost under IFRS 9 – Financial Instruments and are presented within current assets on the consolidated statement of financial position.

Interest income earned on cash and cash equivalents is recognized on an accrual basis and presented as part of finance income in the consolidated statement of loss and comprehensive loss.

Restricted Cash

Restricted cash represents amounts that are not available for immediate use by the Company and are legally or contractually restricted for specific purposes. Such restrictions may include security deposits, collateral for letters of credit, escrow balances, or cash held to meet contractual obligations.

Restricted cash is presented separately from cash and cash equivalents on the consolidated statement of financial position. When restrictions are expected to lapse within twelve months after the reporting date, the amounts are classified as current; otherwise, they are presented as non-current assets. Changes in restricted cash are included in the statement of cash flows as part of the total change in cash, cash equivalents, and restricted cash.

Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average method. Net realizable value is the estimated selling price that the Company believes it can achieve for the inventory in the ordinary course of business, less any applicable selling expenses. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production, and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except for items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings; and differences relating to investments in subsidiaries and jointly controlled entities to the

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Management assesses the recoverability of deferred tax assets based upon an estimation of the Company's projected taxable income using existing tax laws, and its ability to utilize future tax deductions before they expire. To date, no deferred tax assets have been recognized. Actual results could differ from expectations.

Investment Tax Credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

Property, Plant and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the related asset. All assets are depreciated using the straight-line method. Depreciation is calculated based on the cost of an asset less its residual value and is recognized over the anticipated useful life of the asset as shown below:

<u>Asset Class</u>	<u>Depreciation Term</u>
Machinery and equipment	3 – 10 years
Lab equipment and tooling	3 – 5 years
Photomasks	3 years
Office furniture and equipment	3 – 5 years
Leasehold improvements	Lessor the lease term and life of the asset
Construction in Progress (CIP)	No depreciation

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Expenditures for repairs and maintenance are expensed as incurred.

Construction in progress ("CIP") represents property, plant and equipment that are under construction or development and not yet available for use in the manner intended by management.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

CIP assets are recorded at cost, which includes all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended. Such costs include materials, direct labour, professional fees, and, where applicable, borrowing costs capitalized in accordance with IAS 23 – Borrowing Costs.

Construction in progress is not depreciated until the asset is completed and available for use. Upon completion, the accumulated costs are reclassified to the appropriate category of property, plant and equipment (e.g., buildings, machinery, or equipment), and depreciation commences when the asset is available for its intended use.

Management reviews CIP balances at each reporting date to determine whether any indicators of impairment exist in accordance with IAS 36 – Impairment of Assets.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price. However, for leases of real estate for which the Company is a lessee, it has elected separate lease and non-lease components, given the operating costs alongside the lease are variable according to utility demands and volume. As such, only the contractually defined lease payment is represented.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the lease period. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Lease terms for right-of-use assets vary between one to five years. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date,

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. Subsequently, the Company measures the lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Impairment of Long-lived Assets

The carrying values of all property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit ("CGU")).

An impairment loss is recorded when the recoverable amount of an asset or its CGU is less than its carrying amount. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

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.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the respective instrument.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVOCI")

The Company's classification of financial assets is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

The Company has assessed the classification and measurement of its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable including related party loans	Amortized cost
Convertible debentures	Amortized cost

Measurement

Initial recognition - A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Amortized cost - The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. Accounts payable and accrued liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

These financial liabilities represent obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers and contractors. The carrying value of payables and accrued liabilities approximates their fair value due to their short-term nature.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires. Fair value through profit or loss - Changes in fair value after initial recognition, whether realized or not, are recognized through net loss. Income arising in the form of

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

interest, dividends, or similar, is recognized through net loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income - Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the comprehensive income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably. The Company has no financial instruments that are measured at fair value through other comprehensive income.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime expected credit losses for its accounts receivable. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for the respective items.

Convertible debentures

The convertible debentures are separated into their debt and equity components, where the conversion feature meets the fixed-for-fixed criterion under IAS 32. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity net of the tax implications, and the attributed amount remains over the term of the related convertible debentures. Convertible debenture issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issue.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Stock-based compensation

The Company's equity compensation plan allows for the issuance of stock options, RSUs and DSUs. The Company accounts for stock-based compensation arrangements using the fair value method of accounting. When employees are rewarded using stock-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

date. The stock-based compensation cost is recorded as an expense in net loss and credited to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting. An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants. When share options are exercised, any consideration paid by employees is credited to share capital in addition to the amount previously recorded in contributed surplus. When RSUs or DSUs are settled through issuance of common shares, the amount previously recorded in contributed surplus is credited to share capital. The Company's equity compensation plan does not feature cash settlement for stock options exercised, although the Company, at its discretion, may settle RSUs and DSUs in either cash or common shares of the Company.

Warrants

The Company accounts for share purchase warrants using the fair value method of accounting. When share purchase warrants are issued, the fair value of those warrants is determined indirectly by reference to the fair value of the equity instruments to which those warrants relate. This fair value is measured at the issue date. The value attributed to share purchase warrants is separately credited to equity. When share purchase warrants are exercised, any consideration paid by warrant holders is credited to share capital in addition to the amount previously recorded in equity as share purchase warrants.

Research and development costs

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

Foreign currency transactions

Items included in the consolidated financial statements of the Company and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net income/(loss) for the year.

Foreign currency translation

Assets and liabilities of entities with functional currencies other than United States dollars are translated at the period end rates of exchange, and the results of their operations are translated at the average exchange rates for the period. The resulting translation

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

adjustments are included in accumulated other comprehensive income/(loss) in deficiency.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similarly to basic earnings per share, except that the weighted average number of shares outstanding is increased to include additional shares for the effects of all dilutive potential common shares, which comprise convertible notes, warrants, RSUs, DSUs and shares options granted to employees and directors in accordance with the treasury stock method. The effects of anti-dilutive potential common shares are ignored in calculating diluted EPS.

Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it has only one operating segment, which is the fabrication of planar lightwave circuit optical chips.

Recent Accounting Pronouncements and Future Changes in Accounting Policies

At the date of authorization of these consolidated financial statements, certain new standards, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company. The Company does not intend to early adopt these standards and is currently evaluating the impact of these new standards on the consolidated financial statements.

Management anticipates that all the relevant pronouncements will be adopted in the Company’s accounting policies for the first reporting period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s consolidated financial statements.

IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (and Non-current Liabilities with Covenants)

Effective July 1, 2024, the Company adopted the amendments to IAS 1, Presentation of Financial Statements, issued in January 2020 and October 2022, which clarify the criteria for classifying liabilities as current or non-current and introduce new disclosure requirements relating to covenants associated with such liabilities.

Under the amended standard:

- A liability is classified as non-current only if the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- Covenants that must be complied with after the reporting date do not affect classification at that date but require disclosure of their nature and timing.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

- Covenants that must be complied with on or before the reporting date affect classification if not met.

The Company has reviewed all debt and financing arrangements and applied the revised classification criteria. The adoption of this amendment did not result in any reclassification of the Company's existing borrowings or convertible instruments as at June 30, 2025.

IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The Company has adopted the amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, effective for annual periods beginning on or after January 1, 2023.

The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating as intended by management. Instead, such proceeds and related costs are recognized in profit or loss.

The Company applied these amendments prospectively from July 1, 2024. During the year, the Company completed commissioning of certain new fabrication and testing equipment. Any proceeds and costs associated with items produced prior to the assets being ready for their intended use have been recognized in profit or loss rather than netted against the cost of the related assets. The adoption of this amendment did not have a material effect on the Company's consolidated financial statements.

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures

In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS S1 and IFRS S2, establishing a global baseline for sustainability-related financial disclosures. Adoption of these standards is subject to endorsement by the Canadian Securities Administrators and is not yet mandatory for the Company.

Management will monitor developments and assess adoption timing in future periods.

IFRS 18 – Presentation and Disclosure in Financial Statements

Issued in April 2024, IFRS 18 replaces IAS 1 and introduces new presentation and disclosure requirements, including categories for income and expenses, management-defined performance measures, and enhanced disaggregation. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

The Company does not expect to early adopt IFRS 18 but will evaluate its impact closer to the effective date.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

4. Cash and Cash Equivalents

The cash and cash equivalents balance includes restricted cash. Restricted cash represents cash that has been provided as security against guarantees or is otherwise not currently available for use.

	June 30, 2025	June 30, 2024
	\$	\$
Cash	5,000	610
Restricted Cash	4	4
	5,004	614

5. Accounts and Other Receivables

Trade and other receivables consist of the following:

	June 30, 2025	June 30, 2024
	\$	\$
Trade	1,747	343
Allowance for expected credit loss	(206)	(43)
	1,541	300
Other	389	226
	1,930	526

Included in other receivables is an amount of \$282 (June 30, 2024 - \$179) related to investment tax credits receivable and \$79 (June 30, 2024 - \$28) of amounts due from government agencies.

	June 30, 2025	June 30, 2024
	\$	\$
Current or under 60 days	1,560	278
Past due 61 to 90 days	107	42
Past due more than 90 days	80	23
	1,747	343

Note 19 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and prior year impairment provisions apply the IFRS 9 expected loss model.

6. Inventories

	June 30, 2025	June 30, 2024
	\$	\$
Raw materials	958	206
Work-in-progress	195	135
Finished goods	691	307
	1,844	648

The amount of inventory recognized as cost of revenues for the year ended June 30, 2025 was \$3,448 (2024 - \$1,113).

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

7. Property, Plant and Equipment and ROU Assets

	Machinery and equipment	Lab equipment and tooling	Photomasks	Office furniture and equipment	Leaseholds	ROU Assets	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
As at Jun 30, 2024	12,448	2,272	1,145	451	807	1,533	-	18,656
Additions	2,925	208	-	5	224	49	2,811	6,222
As at June 30, 2025	15,373	2,480	1,145	455	1,031	1,582	2,811	24,877
Accumulated depreciation								
As at Jun 30, 2024	11,807	2,264	1,145	442	765	487	-	16,910
Additions	348	19	-	8	30	502	-	906
As at June 30, 2025	12,155	2,283	1,145	449	795	989	-	17,816
Carrying value								
As at June 30, 2025	3,218	197	-	6	236	593	2,811	7,061

	Machinery and equipment	Lab equipment and tooling	Photomasks	Office furniture and equipment	Leaseholds	ROU Assets	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
As at June 30, 2023	12,175	2,272	1,145	441	765	-	-	16,797
Additions	287	-	-	10	43	1,533	-	1,873
As at Jun 30, 2024	12,448	2,272	1,145	451	807	1,533	-	18,656
Accumulated depreciation								
As at June 30, 2023	11,615	2,258	1,145	434	765	-	-	16,217
Depreciation	197	6	-	7	-	487	-	698
Dispositions	(4)	-	-	-	-	-	-	(4)
As at Jun 30, 2024	11,808	2,264	1,145	442	765	487	-	16,910
Carrying value								
As at Jun 30, 2024	640	8	-	9	43	1,046	-	1,746

Depreciation expense for the year ended June 30, 2025 of \$906 (June 30, 2024 - \$695) was allocated in the consolidated statements of comprehensive loss as follows: \$648 (June 30, 2024 - \$200) in COGS; \$233 (June 30, 2024 - \$492) in general and administration; and \$25 (June 30, 2024 - \$4) in research and development.

During the year ended June 30, 2025, the Company disposed of manufacturing equipment which resulted in a loss of \$Nil (June 30, 2024 - \$10).

8. Lease Liabilities

At the commencement of a lease, the Company recognizes a lease liability measured at the present value of lease payments that are not paid at that date. Lease payments are discounted using the Company's incremental borrowing rate, as the interest rate implicit in the lease is generally not readily determinable.

As at June 30, 2025, lease liabilities were discounted using the Company's incremental borrowing rate of 10% (2024 - 9%). The rate reflects the Company's estimated market borrowing rate at the commencement of the respective lease terms. The Company has three longer term building leases. The building in Fremont operates under a 3-year lease agreement beginning in August 2023. The buildings in Suzhou, China operate under 4-year lease agreements, one beginning in April 2024 and the second in December 2024. To provide operational flexibility, the Company seeks to include extension or termination options in its leases. At the commencement of a lease, the Company assesses whether it is reasonably certain it will exercise the lease extension option (or not exercise a termination option).

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

The Company reassesses this when a significant event or significant change in circumstances within the Company's control has occurred.

	June 30, 2025	June 30, 2024
	Building	Building
	\$	\$
Balance - Beginning of year	1,141	1,534
Additions	49	
Interest expense on lease liabilities	95	122
Payments	599	514
Balance - End of Year	686	1,141
Current portion of lease liabilities	588	497
Non-current portion of lease liabilities	98	644

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is a royalty amount payable of \$281 (June 30, 2024 - \$280) relating to royalty-bearing government funding received for approved research and development projects, of which \$Nil (2024 - \$Nil) was paid during the year. The repayment of this amount is calculated at 2.5% of the Company's actual qualifying revenues, up to a maximum value equivalent to the total related government funding received by the Company.

10. Contract Liabilities

The following table provides information about contract liabilities from contracts with customers. Contract liabilities primarily relate to the advance consideration received from customers for non-recurring engineering services, for which revenue is recognized upon delivery of set items within the service contracts.

	June 30, 2025	June 30, 2024
	\$	\$
Balance, beginning of year	196	265
New contract additions in year	358	294
Revenue recognized in year - from opening balance	(31)	(94)
Revenue recognized in year - from current year additions	(133)	(269)
Balance, end of year	390	196

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

11. Notes Payable Including Related Party Loans

	June 30, 2025	June 30, 2024
	\$	\$
RBC loans (a)	100	89
Loan from Vortex (b) (Related Party)	10,506	9,695
Loan from Irix (c)	429	399
Loan from Burney (d) (Related Party)	50	50
Loans from Pinnacle (e)	11,038	7,069
	22,122	17,302
Less current portion	579	538
Long-term portion	21,543	16,764

	Vortex Term Loan	Pinnacle I Term Loan	Pinnacle II Term Loan	PCPL Demand Note	Pinnacle II 2025 Term Loan	RBC Loans	Irix Loan	Burney Loan	Notes Payable Total
Balance, July 1, 2024	\$ 9,695	\$ 7,069	\$ -	\$ -	\$ -	\$ 89	\$ 399	\$ 50	\$ 17,302
Interest paid in cash	(82)	-	-	-	-	-	-	-	(82)
Proceeds from new term loan - July 17, 2024	-	-	4,166	-	-	-	-	-	4,166
Accrued interest settled with increase in principal - July 17, 2024	-	301	-	-	-	-	-	-	301
Modification (gain) loss - July 17, 2024	150	120	-	-	-	-	-	-	270
Transaction costs included in discount - July 17, 2024	(73)	-	-	-	-	-	-	-	(73)
Advances on demand note	-	-	-	10,482	-	-	-	-	10,482
Interest and accretion	1,724	584	909	386	-	10	22	-	3,635
Principal repaid in cash - April 4, 2025	-	-	-	(2,896)	-	-	-	-	(2,896)
Extinguishment (gain) loss - April, 2025	-	517	247	421	-	-	-	-	1,185
Modification (gain) loss - April 4, 2025	(595)	-	-	-	-	-	-	-	(595)
Extinguishment - April 4, 2025	-	(8,591)	(5,322)	(8,393)	-	-	-	-	(22,306)
Proceeds from new term loan - April 4, 2025	-	-	-	-	11,728	-	-	-	11,728
Issuance of equity classified warrants - April 4, 2025	(344)	-	-	-	(205)	-	-	-	(549)
Discount allocated to capital surplus - April 4, 2025	-	-	-	-	(279)	-	-	-	(279)
Transaction costs included in discount - April 4, 2025	(451)	-	-	-	(292)	-	-	-	(743)
Interest and accretion	421	-	-	-	91	-	-	-	512
Foreign exchange impact	61	-	-	-	(5)	-	8	-	64
Balance, June 30, 2025	10,506	-	-	-	11,038	99	429	50	22,122
Less: Current portion	-	-	-	-	-	100	429	50	579
Non-current balance, June 30, 2025	\$ 10,506	\$ -	\$ -	\$ -	\$ 11,038	\$ (1)	\$ -	\$ -	\$ 21,543

Loss on Loan Extinguishment

	Note	
Modification gain (loss) on notes payable	11	\$ 325
Extinguishment gain (loss) on notes payable	11	(1,185)
Modification gain (loss) on convertible debentures	12	(287)
Extinguishment gain (loss) on PCHI debt settlement	12	25
Total loss on loan extinguishment and modification		(1,122)
Other income		281
Total finance/other income		<u>\$ (841)</u>

- a) As at June 30, 2025, the CEBA loan balance is \$100 (June 30, 2024 - \$89). The loans bore no interest prior to December 31, 2023 and no principal payments were due prior to December 31, 2023. The RBC loan had been transferred to CEBA for repayment as of December 2024. Principal repayments can be voluntarily made at any time without fee or penalties. Balances not paid by December 31, 2024 were converted to a 3-year term loan at 5% annual interest rate, with interest paid monthly beginning

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

January 1, 2025. The current balance of the loan must be paid in full no later than December 31, 2026.

b) 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

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 June 30, 2025, the discounted carrying value of the balance owed on the Vortex term facility is \$10,506 (2024 - \$9,695), inclusive of accretion of \$3,206 (2024 - \$2,114). The face value of the senior secured loan payable to Vortex was \$13,712 as of June 30, 2025 inclusive of interest and fees.

- c) On May 31, 2019, Enablence and Irix Holdings Ltd. ("Irix") signed an Asset Transfer Agreement ("ATA") which resulted Enablence selling certain assets and liabilities to Irix including \$180 of fixed assets, \$173 of leasehold improvements, \$47 of inventory

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

as well as the transfer of certain employee contracts, less costs of \$60 owed by Irix to Enablence. Under the ATA, Enablence and Irix agreed that the consideration due to Enablence from Irix would be offset against certain debts owing to Irix by Enablence of \$720. During the year ended June 30, 2025, a total of \$22 (2024 - \$16) of interest has been accrued and the amount owing on the note payable is \$429 (2024 - \$399). The interest rate is 7.5% per annum.

- d) On November 16, 2023, the Company received a Demand Promissory Note in exchange for \$50, with a \$5 issuance fee within the first year and a subsequent 10% interest per annum for outstanding interest beyond the first year. The Demand Promissory note was issued by the board Chairman and related party, Derek J. Burney.
- e) 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 Amount¹; (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

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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 Enable 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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 Enablence Canada Inc. ("Enablence Canada") and Enablence USA Inc. ("Enablence USA"); (ii) each of Enablence Canada, Enablence USA and Enable 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 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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

12. Convertible Debentures

	Original Pinnacle I Convertible Debentures	Pinnacle I 2025 Convertible Debentures	Pinnacle II 2025 Convertible Debentures	PCPL 2025 Convertible Debentures	Convertible Debt Total
Balance, July 1, 2024	\$ 4,666	\$ -	\$ -	\$ -	\$ 4,666
Interest and accretion	1,033	-	-	-	1,033
Modification (gain) loss - April 4, 2025	287	-	-	-	287
Convertible debentures issued - April 4, 2025	-	9,286	5,154	8,125	22,565
Accrued interest settled with 2025 Convertible Debenture - April 4, 2025	(460)	-	-	-	(460)
Equity classified conversion feature - April 4, 2025	-	(2,114)	(1,174)	(1,887)	(5,175)
Capitalized interest - April 4, 2025	-	(449)	-	-	(449)
Transaction costs included in discount - April 4, 2025	(210)	-	-	-	(210)
Interest and accretion	293	231	49	79	652
Foreign exchange impact	52	(22)	(13)	(22)	(5)
Balance, June 30, 2025	5,661	6,932	4,016	6,295	22,904
Less: Current portion	-	-	-	-	-
Non-current balance, June 30, 2025	\$ 5,661	\$ 6,932	\$ 4,016	\$ 6,295	\$ 22,904

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

payable at maturity and \$359 in interest accretion. As of June 30, 2025, the total convertible debenture liability is \$17,243 and accrued and unpaid interest of \$496.

13. Interest Expense

Interest expense recognized during the years ended June 30, 2025 and 2024, is comprised as follows:

	Note	Years Ended June 30	
		2025	2024
Notes payable – interest and accretion	11	4,498	2,429
Convertible debentures – interest and accretion	12	2,171	1,271
Lease liabilities – interest expense	8	95	122
CEBA interest	11	10	1
Other interests		43	43
Total interest expense		6,817	3,866

During the year ended June 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 June 30, 2025, total interest accrued but unpaid on interest-bearing liabilities amounted to \$6,817 (2024 – \$3,866).

These amounts reconcile to the outstanding balances disclosed in Note 11 – Notes Payable and Note 12 – Convertible Debentures.

14. Income Taxes and Investment Tax Credits

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:

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

	2025	2024
	\$	\$
Expected tax rate	26.50%	26.50%
Expected tax benefit from loss	(5,053)	(3,656)
Increase (decrease) in taxes from		
Permanent differences	1,299	757
Benefit of loss carryforwards and other temporary differences not recognized	(7,276)	(4,351)
Expired losses	10,321	7,539
Rate change related to opening temporary differences	-	-
Rate differential on tax jurisdictions	(207)	(115)
Other	-	(174)
	(916)	-

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.

At June 30, 2025, deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2025	2024
	\$	\$
Tax losses (i)	206,182	234,433
Tax losses (ii)	35,693	34,736
Unused credits (iii)	4,706	3,539
Deductible temporary differences	18,905	19,559

(i) Related to tax losses that are non-capital in nature. Canadian entity losses commence to expire in 2028 whereas the US subsidiary losses commence to expire in 2026.

(ii) Related to tax losses that are capital in nature. These losses originate in Canada and may only be used against cap. There is no expiry on these losses.

(iii) Unused investment tax credits that can be used to offset future income taxes payable begin to expire in 2025.

Of the \$206,182 tax losses available for carry-forward at June 30, 2025, \$189,530 are U.S. net operating losses. These losses may be subject to annual limitations under § 382 of the Internal Revenue Code of the United States.

15. Share Capital

Authorized capital stock consists of:

Unlimited number of preferred shares; NIL preferred shares outstanding

Unlimited number of common shares with no par value; 20,959 (2024 – 19,177 common shares issued and outstanding)

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Equity incentive plan

Effective as of October 26, 2021, the shareholders of the Company approved a new omnibus equity incentive plan that authorizes the Board to make awards of up to 3,717 common share equivalents, subject to a maximum limit of 20% of the common shares of the Company outstanding at that time. The Board may award (i) stock options; (ii) restricted and performance share units (RSUs and PSUs); and (iii) deferred share units (DSUs) to directors, officers, employees, and consultants.

At June 30, 2025, the available common share equivalents pool was 20,959 (June 30, 2024 – 19,177). An increase of 2,045 shares resulted from the following transactions: debt-for-equity swap in which the Company issued 782 common shares to Paradigm Capital Holdings, Inc. (“PCHI”) at a deemed price of CAD \$2.00 per share in repayment and satisfaction of \$1,146 owed by the Company to PCHI; a board approved issuance of 1,000 shares to Paradigm Capital Holdings, Inc.; and 263 shares converted from DSUs issued to a director upon retirement from the Company’s board. In addition, at June 30, 2025 outstanding options totaled 1,763 (June 30, 2024 – 1,230), outstanding RSUs totaled 709 (June 30, 2024 – 709), and outstanding DSUs totaled 672 (June 30, 2024 – 672).

Stock options:

Options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options generally vest in three equal annual portions starting one year after the date of grant. Options granted to directors vest over a two-year period. Options expire on either the third or tenth anniversary of the grant. After termination of employment, unvested options are forfeited immediately and vested options expire 90 days after termination, unless otherwise agreed to by the Board of Directors. The Board administers the stock option plan.

A summary of the Company’s stock options and changes during the periods is presented below:

Options	2025		2024	
	Number of Options	Weighted Avg. Exercise Price (C\$)	Number of Options	Weighted Avg. Exercise Price (C\$)
Outstanding, beginning of year	1,230	\$ 1.82	1,738	\$ 3.27
Granted	633	\$ 1.00	28	\$ 1.80
Forfeited	(100)	\$ 1.00	(402)	-
Exercised	-	-	(100)	-
Expired	-	-	(34)	\$ -
Outstanding, end of year	1,763	\$1.72	1,230	\$1.82
Exercisable, end of year	1,753	\$1.51	1,007	\$1.83

Enablence Technologies Inc.

Notes to the consolidated financial statements
June 30, 2025 and 2024
(in thousands of U.S. dollars and shares)

The following table summarizes the options outstanding and exercisable:

Year ended June 30, 2025				Year ended June 30, 2024			
Exercise Price (C\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price (C\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable
\$ 1.00	909	8.2	909	\$ 0.92	-	0.0	-
\$ 1.05	5	9.3	5	\$ 1.00	536	8.2	536
\$ 1.35	20	9.3	20	\$ 1.50	-	0.0	-
\$ 1.50	10	9.6	10	\$ 1.80	669	7.4	446
\$ 1.80	669	6.4	669	\$ 7.80	3	2.4	3
\$ 1.85	50	9.6	50	\$ 10.80	22	1.6	22
\$ 1.91	55	9.6	55	\$ 18.00	-	0.0	-
\$ 2.00	10	9.6	10	\$ 1.83	1,230	7.9	1,007
\$ 10.80	22	0.6	22				
\$ 7.80	3	1.4	3				
\$ 1.72	1,753	7.9	1,753				

The fair value of options granted is determined using the Black-Scholes option pricing model using the following assumptions:

	2025	2024
Weighted average exercise price	C\$1.22	C\$1.00
Risk-free interest rate	2.62% to 3.46%	3.70% to 4.77%
Expected dividend yield	0%	0%
Expected stock price volatility	101% to 122%	101% to 106%
Weighted average expected forfeiture rate	0%	0%
Weighted average expected life	5	5
Share price on the various grant dates	C\$1.00 - \$2.00	C\$0.80 - \$1.80

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the options.

Stock-based compensation related to options grants is recorded as an increase to contributed surplus and is transferred to share capital when the underlying options are exercised.

Restricted share units (RSUs) and Deferred share units (DSUs):

During the year ending June 30, 2025, the Company did not issue RSUs and DSUs to certain employees and directors under the terms of its Equity Incentive Plan.

Subject to certain vesting and other conditions and provisions, each RSU awarded entitles the recipient to receive, on settlement, a cash payout equal to the market value of a common share, or, at the discretion of the Board, one common share of the Company or any combination of cash and shares as the Board in its sole discretion

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

may determine. The Board reserves the right to change such form of payment at any time until payment is actually made. For the portion of RSUs settled in shares, the Company may elect to settle all or a portion of that settlement either in shares issued from treasury or in shares purchased in the open market.

RSUs are valued at the date of grant and vest, at the discretion of the Board, over periods ranging from immediate vesting up to three years. The amount of expense relating to RSUs is credited to contributed surplus in the period in which it is incurred. Vested RSUs shall be redeemed on a date, as determined by the Company in its sole discretion, provided that is not later than either (i) the date of termination of the RSU holder's employment by the Company; or, the expiry date of the RSUs granted.

Each DSU awarded entitles the recipient to receive, on settlement, a cash payout equal to the market value of a common share, or, at the discretion of the Board, one common share of the Company or any combination of cash and shares as the Board in its sole discretion may determine. The Board reserves the right to change such form of payment at any time until payment is actually made. For the portion of DSUs settled in shares, the Company may elect to settle all or a portion of that settlement either in shares issued from treasury or in shares purchased in the open market. DSUs vest at the discretion of the Board.

Vested DSUs shall be redeemed and settled as soon as reasonably practicable following the recipient's termination date, but in any event not later than December 15th following the first (1st) calendar year commencing immediately after the recipient's date of termination.

A summary of the Company's RSUs and DSUs and changes during the periods is presented below:

RSUs and DSUs	2025		2024	
	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Outstanding, beginning of year	709	672	709	896
Granted	-	-	-	-
Forefeited	-	-	-	-
Expired	-	-	-	224
Exercised	-	263	-	-
Outstanding, end of year	709	409	709	672
Exercisable, end of year	709	409	477	-

No RSUs were granted for the period ending June 30, 2025 (June 2024 – Nil).

Total stock-based compensation expense during the year ended June 30, 2025 relating to current and prior year grants was \$275 (2024 - \$175) of which \$244 relates to stock options (2024– \$275), \$32 relates to RSU grants (2024 – \$85), and \$Nil (2024

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

– \$9), relates to grants of DSUs. For the year ended June 30, 2025, of the total stock-based compensation expense \$275 (2024 – \$69) was attributable to general and administrative personnel and \$Nil (2024 – \$Nil) relates to members of the Company's Board.

As at June 30, 2025, \$275 of stock-based compensation expense related to stock options, RSUs, and DSUs is included in contributed surplus (2024 – \$175).

Warrants

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. The 575 common share purchase warrants that had previously been granted to Vortex in connection with entering into the Loan Agreement were cancelled concurrently. 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. 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.

	2025		2024	
	Number of Warrants	Value \$	Number of Warrants	Value \$
Balance July 1	2,153	\$ 1,286	2,153	\$ 1,286
Warrants issued during the year	2,830	549	-	-
Warrants exercised during the year	-	-	-	-
Warrants cancelled during the year	(575)	(351)	-	-
Warrants expired during the year	(1,577)	(805)	-	-
Balance June 30	2,831	\$ 679	2,153	\$ 1,286

Enablence Technologies Inc.

Notes to the consolidated financial statements
June 30, 2025 and 2024
(in thousands of U.S. dollars and shares)

16. Expenses by Nature

Operating expenses are presented on the face of the consolidated statements of comprehensive income (loss) using a classification based on function. Operating expenses distributed by nature are as follows:

	Twelve months ended June 30	
	2025	2024
<u>Cost of revenues</u>		
Materials/components	3,448	1,113
Labour	3,454	1,660
Inventory write downs/provision	-	-
Equipment and Freight	-	-
Allocation of overhead	793	958
Depreciation - COGS	648	199
Total	<u>8,343</u>	<u>3,930</u>
<u>Research & Development</u>		
Staff compensation	2,827	2,162
Travel	24	-
Contractors	59	112
Materials/supplies	85	431
Depreciation	25	4
Rent/Utilities	42	57
Total	<u>3,062</u>	<u>2,767</u>
<u>Sales & Marketing</u>		
Staff compensation	701	498
Travel	11	34
Trade shows	39	16
Materials/supplies/other	164	184
Rent/Utilities	11	5
Depreciation	-	-
Total	<u>926</u>	<u>738</u>
<u>General & Administrative</u>		
Staff compensation	2,532	1,692
Rent/Utilities	846	806
Taxes (Property tax/Use tax)	92	85
Insurance	188	155
HR management fee	140	27
Phone & Internet	41	42
Travel	117	90
Professional fees	876	1,344
Bad Debt expense	166	(10)
Other	378	218
Depreciation	233	492
G&A Allocation (Rent/utilities)	(828)	(1,018)
Total	<u>4,781</u>	<u>3,923</u>

Enablence Technologies Inc.

Notes to the consolidated financial statements
June 30, 2025 and 2024
(in thousands of U.S. dollars and shares)

17. Supplemental Disclosures of Cash Flow Information

Net change in non-cash operating working capital items:

	June 30, 2025	June 30, 2024
	\$	\$
Net inflow (outflow) of cash:		
Accounts receivable and other receivables	(1,404)	(41)
Inventories	(1,196)	(297)
Prepaid expenses and deposits	(147)	(267)
Accounts payable and accrued liabilities	997	962
Contract liabilities	194	(69)
	<u>(1,556)</u>	<u>288</u>

18. Commitments

The Company's office and research and development facilities in Ottawa, Ontario, Canada are subject to a lease that was to expire September 30, 2024. On April 24, 2024, the lease was amended and the expiration date was extended to September 30, 2025. The 9th amendment to the lease agreement took effect October 1, 2024.

The Company's office and manufacturing facilities in Fremont, California, U.S.A. are now operating under a 3-year lease (Note 7) after the prior lease arrangement moved from a month to month basis. The new lease is in effect from August 2023 and expires July 31, 2026. The testing facility in Suzhou, China includes two buildings and both are under a 4-year leases (Note 7). Building 1 is in effect from April 2024 to April 2028 and building 2 is December 2024 to April 2028.

The amounts owed under leases and rental expenses are detailed below:

LEASES

	\$
Less than one year	588
Between one and five years	98
More than five years	
	<u>686</u>

In addition, the Company has a commitment to pay an amount relating to a royalty-bearing government grant received for approved research and development projects, of which \$Nil was paid during the year (2024 - \$Nil). The balance of \$26 (2024 - \$25) is included in the Company's accounts payable. The Company has an obligation to make additional royalty payments based on sales of the products related to these grants (Note 9); however, all products related to the grants have been discontinued or abandoned.

The Company is subject to a claim from a former employee relating to matters arising from prior employment. The claim has been disputed by the Company and, as at June 30, 2025, no provision has been recorded as the existence and amount of any obligation have not been confirmed and the outcome cannot be reliably measured. The Company will continue to monitor the matter and record a provision if it becomes probable that a payment will be required and the amount can be reasonably estimated.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

19. Financial Instruments

Carrying values and fair values

Financial instruments are classified into one of the following categories: amortized costs, fair value through profit or loss and fair value through other comprehensive income. The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

	June 30, 2025	June 30, 2024
	\$	\$
Assets - based on amortized cost	6,573	933
Liabilities - based on amortized cost	52,218	28,970
Leases - based on amortized cost	686	1,141

Notes:

Assets includes cash and cash equivalents and accounts and other receivables, excluding amounts due from government agencies and investment tax credits.

Liabilities – based on amortized cost includes accounts payable and accrued liabilities, long-term leases, notes payable, and convertible debentures

The carrying values of cash and cash equivalents, accounts and other receivables and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of current financial instruments approximates their carrying values due to their short-term nature, except for lease liabilities and long-term debt. The fair value of the long-term debt and lease liabilities are based upon discounted future cash flows using discount rates, adjusted for the Company's own credit risk that reflect current market conditions. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions.

Financial Risk Management

The Company has exposure to counterparty credit risk, foreign currency, liquidity risk and market risk associated with its financial assets and liabilities.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and trade receivables. The Company's maximum credit risk is \$6,573 (June 30, 2024 - \$933). The Company maintains its cash balances in operating accounts with large, high quality financial institutions.

Accounts receivable

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due over and above the 30-day standard credit terms. The expected loss rates are based on the payment profiles of sale over a period of 36 months before June 30, 2025. The historical loss rates are adjusted to reflect current and forward-looking information based on factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Trade accounts receivables consists primarily of trade receivables (Note 5) from billings of product delivered and services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade receivables to mitigate any possible credit losses. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The carrying amount of trade accounts receivables are reduced using an expected credit loss and the amount of the loss is recognized in the consolidated statement of net loss in general and administrative expenses. Trade receivables are written off (i.e., de-recognized) when there is no reasonable expectation of recovery. Failing to engage with the Company on payment or alternative payment arrangements, among other things, are considered indicators of no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the consolidated statements of comprehensive income (loss).

The Company defines concentration risk as customers whose outstanding receivable is 10% or greater than the total receivable balance, after expected credit loss (Note 5).

As at June 30, 2025, one customer accounted for more than 10% of the trade receivable, totaling \$1,443, (June 30, 2024 – three customers, \$230), which is approximately 90% (June 30, 2023 – 76%) of the trade receivable total. The Company has taken an expected credit loss of \$144 (June 30, 2024 - \$26) against these over 10% customers.

In aggregate, as of June 30, 2025, it was determined that an expected credit loss of \$206 (June 30, 2024 - \$43) was required:

As at June 30, 2025	Current	More than 30 days	More than 60 days	More than 90 days	Total
	\$	\$	\$	\$	\$
Expected Credit Loss Rate	10.0%	10.0%	10.0%	50.0%	
Gross Carrying Amount	1,116	444	107	80	1,747
Lifetime Expected Credit Loss	111	44	11	40	206
Total Expected Credit Loss	111	44	11	40	206
As at June 30, 2024	Current	More than 30 days	More than 60 days	More than 90 days	Total
	\$	\$	\$	\$	\$
Expected Credit Loss Rate	10.0%	10.0%	10.0%	50.0%	
Gross Carrying Amount	250	29	42	23	344
Lifetime Expected Credit Loss	25	3	4	12	43
Total Expected Credit Loss	25	3	4	12	43

The closing balance of trade receivables loss allowance as at June 30, 2025 reconciles with the trade receivables loss allowance as at June 30, 2024 as follows:

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

	\$
Loss Allowance June 30, 2024	43
Plus: Increased (decreased) allowance on trade receivables	163
Less: Write-offs of trade receivables	-
Loss Allowance June 30, 2025	206

Interest rate risk

The Company manages interest rate risk by negotiating fixed rate interest rates on loans when possible. As at June 30, 2025 the Company is not exposed to cashflow interest rate risk but does have fair value interest rate risk. All debt obligations have fixed interest rates. An increase in the interest rate of 1% would have resulted in no increase in interest expense during the year ended June 30, 2025, (2024- \$Nil). The Company does not use derivative instruments to reduce its exposure to interest rate risk as the risk is considered manageable.

Foreign currency risk

The Company operates internationally with subsidiaries in the United States, China, and Canada and is, therefore, subject to foreign currency risk. The Company reports its financial results in U.S. dollars. Most of the Company's revenues are transacted in U.S. dollars and Chinese Renminbi, and the Company incurs expenses in Canadian dollars, Chinese Renminbi and U.S. dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

A 10% strengthening of the C\$ against the US\$ and a 10% strengthening of the Chinese Renminbi ("RMB") against the US\$ would have affected net income (losses) from operations and the other comprehensive gain ("OCI") by the total amounts shown below. A weakening of the Canadian dollar and the Chinese Renminbi against the US\$ would have the opposite effect.

10% strengthening of the Canadian dollar against the U.S. dollar

June 30, 2025		June 30, 2024	
Net income (loss)	OCI	Net income (loss)	OCI
(958)	237	(662)	74

10% strengthening of the Chinese Renminbi against the U.S. dollar

June 30, 2025		June 30, 2024	
Net income (loss)	OCI	Net income (loss)	OCI
176	(2)	(35)	-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The ability to do so relies on the Company collecting its accounts and

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

other receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. The Company's ability to settle its financial obligations are also dependent on the Company's ability to secure additional financing.

At June 30, 2025 and June 30, 2024, the Company has financial liabilities and lease liabilities which are due as follows:

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
Total	9,166	-	44,545	-	53,711

As at June 30, 2024	Current		Non-Current		Total
	within 6 months	6 to 12 months	1 to 5 years	5+ years	
	\$	\$	\$		\$
Accounts payable and accrued liabilities	7,002	-	-	-	7,002
Notes payable	538	-	16,764	-	17,302
Convertible debentures	-	-	4,666	-	4,666
Lease Liabilities	497		644		1,141
Total	8,037	-	22,074	-	30,111

20. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain customer, supplier, investor, creditor, and market confidence and to sustain future development of the business through organic growth and selective acquisitions.

Management defines capital as the Company's total deficiency and debt. In order to maintain or strengthen its capital structure, the Company's management believes it could issue new shares or raise new debt. To date, no dividends have been paid to the Company's shareholders. There are no changes to the Company's approach to management of its capital for the current year as compared to the prior year.

21. Segmented Information

The Company operates in one segment, Optical Components.

Property, plant and equipment assets are analyzed geographically as follows:

	June 30, 2025	June 30, 2024
	\$	\$
United States	5,860	1,408
China	1,198	327
Canada	3	11
	7,061	1,746

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

Revenue is analyzed geographically as follows:

	June 30, 2025	June 30, 2024
	\$	\$
Americas	320	655
Europe, Middle East, Africa	92	50
Asia Pacific	5,529	896
	5,941	1,601

During the year ended June 30, 2025, two customers accounted for 89% of the Company's total revenue (2024 – eight; 79%).

The Company generates revenue principally from the sale of its components and subsystems products ("Product") to leading communications systems suppliers. The Company also generates revenue from Non-Recurring Engineering services for clients, as well as Fab Services.

	June 30, 2025	June 30, 2024
	\$	\$
Product	5,482	848
NRE	378	578
Fab Service	81	175
	5,941	1,601

22. Key Management Personnel and Director Compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and are defined as the Chief Executive, Chief Financial, and Chief Technology Officers of the Company and members ("Directors") of the Company's Board of Directors (the "Board"). The Company's compensation program is administered by the Board and specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay considering business achievement, fulfillment of individual objectives and overall job performance. Directors, executive officers and employees are entitled to participate in the Company's stock option plans.

The following summarizes key management personnel and Directors' compensation for the years ended June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
	\$	\$
Salaries and other compensation	1,069	862
Stock-based compensation	16	486
	1,085	1,347

23. Related Party Transactions

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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

June 30, 2025 and 2024

(in thousands of U.S. dollars and shares)

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.

See Notes 11 and 12 for details on these transactions.

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