



ENABLENCE TECHNOLOGIES INC.

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

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2025

DATED: March 2, 2026

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

The following is a discussion and analysis of the financial condition of Enableness Technologies Inc. (“Enableness” or the “Company”) as at December 31, 2025 compared to the year ended June 30, 2025, and the results of operations for the three and six months ended December 31, 2025 compared to the same periods in the prior year (collectively, the “MD&A”).

This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes for the years ended June 30, 2025 and 2024. References to “Enableness”, the “Company”, “we” and “our” mean Enableness and its subsidiaries collectively, unless the context indicates otherwise. All amounts are in thousands of U.S. dollars (“US\$”), except per share amounts or as otherwise indicated. Other continuous disclosure filings for the Company are available on www.sedar.com.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several conditions indicate the existence of material uncertainties that cast significant doubt on the Company’s ability to continue as a going concern. The Company’s continued existence is dependent upon its ability to secure additional financing and to attain profitable operations. Management is actively addressing these issues; however, there is no assurance that they will be successful. If the going concern assumption were not appropriate, adjustments might be necessary in the carrying values of assets and liabilities and the classification of the balance sheet. The current situation and management’s plans to resolve it are further described in the “Outlook” section of this MD&A.

The effective date of this MD&A is March 2, 2026.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect management’s current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company’s expectations, except as prescribed by applicable securities laws.

Key assumptions made in preparing the forward-looking statements contained in this MD&A include, but are not limited to, the following:

- The Company will be able to raise sufficient financing to meet its financial obligations as they come due and to allow it to execute fully on its business plan.
- Enableness will develop and deliver new products on time in order to satisfy the requirements of current and future customers and contribute to near-term profitability.

- The Company will continue to successfully reduce product costs to improve the Company's gross margin and/or avoid any margin erosion associated with competitive pricing pressure.
 - Enablene will be able to attract and retain key people.
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- Enablene will continue to maintain an ongoing tenancy for its fabrication facility in Fremont, California, which is now supported by a 3-year lease.
 - The Company will be able to raise additional new capital in the future to allow the Company to expand its manufacturing capacity as required.
 - The Company will be able to maintain production volumes that are sufficient to meet sales demand and expectations of customers.

SELECTED ANNUAL FINANCIAL INFORMATION

Statement of Operations Data

The following is selected financial data derived from the second quarter condensed interim consolidation financial statements of the Company as at December 31, 2025 and 2024, and for the three and six month period ended December 31, 2025 and 2024.

	Three Months Ended		Increase / (Decrease)		Six Months Ended		Increase / (Decrease)	
	December 31		\$	%	December 31		\$	%
	2025	2024			2025	2024		
	\$	\$			\$	\$	\$	%
Revenues	2,152	1,380	772	56%	2,988	2,598	390	15%
Cost of revenues	2,909	1,853	1,056	57%	4,842	3,312	1,530	46%
Gross margin	(757)	(473)	(284)	60%	(1,854)	(714)	(1,140)	160%
Gross margin as % of revenue	-35%	-34%	-1%	3%	-62%	-27%	-35%	126%
Operating expenses	3,007	2,140	867	41%	5,895	4,612	1,283	28%
Loss before other income (expenses)	(3,764)	(2,613)	(1,151)	44%	(7,749)	(5,326)	(2,423)	45%
Other income (expense)	(2,527)	(1,423)	(1,104)	78%	(4,892)	(2,624)	(2,268)	86%
Income (loss) before taxes	(6,291)	(4,036)	(2,255)	56%	(12,641)	(7,950)	(4,691)	59%
Net loss	\$ (6,291)	\$ (4,036)	\$ (2,255)	56%	\$ (12,641)	\$ (7,950)	\$ (4,691)	59%

Balance Sheet Data

	As at	As at
	31-Dec-25	31-Dec-24
	\$	\$
Assets	13,881	16,583
Current liabilities	22,513	9,556
Non-current liabilities	41,288	44,545

OVERVIEW

ENABLENCE'S BUSINESS

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

RESULTS OF OPERATIONS

Summary of Second Quarter Results

The Company reported revenues of \$2,152 and \$2,988 for the three- and six-month periods ended December 31, 2025, respectively, compared to \$1,380 and \$2,598 for the corresponding periods in 2024. This represents an increase of \$772, or 56%, for the three-month period and \$390, or 15%, for the six-month period year over year.

The Company reported net losses of \$6,350 and \$12,614 for the three- and six-month periods ended December 31, 2025, respectively, compared to net losses of \$4,036 and \$7,950 for the corresponding periods in 2024. This reflects increases in net loss of \$2,255, or 56%, and \$4,691, or 59%, respectively.

The \$2,255 and \$4,691 increases in net loss for the three and six month ended December 31, 2025, respectively, were primarily attributable to higher interest expense of \$1,270 and \$2,375, respectively, and increased in general and administrative and research and development costs. .

During the three months ended December 31, 2025, the Company strengthened its liquidity position by obtaining \$3,650 in financing through an amended promissory note. Research and development expenses increased by \$253, or 36%, reflecting continued investment in LiDAR and AI technologies. While these investments are currently outpacing revenue growth, management believes they are critical to advancing the Company's technology roadmap and expects these initiatives to contribute to improved operating performance in fiscal year 2026.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ended December 31, 2023 and subsequent quarters has been taken from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended June 30, 2025. All normal recurring adjustments necessary for a fair presentation of information presented, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the above-noted consolidated financial statements.

	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
	2023	2024	2024	2024	2024	2025	2025	2025	2025
Revenue	\$ 340	\$ 412	\$ 624	\$ 1,218	\$ 1,380	\$ 1,248	\$ 2,095	\$ 836	\$ 2,152
Gross Margin	(534)	(610)	(515)	(557)	(473)	(782)	(590)	(1,097)	(757)
GM %	(157.1%)	(148.1%)	(82.6%)	(45.7%)	(34.3%)	(62.7%)	(28.2%)	(131.2%)	(35.2%)
Expenses									
Research & development	602	571	940	712	699	825	826	1,418	1,376
Sales & marketing	179	173	217	249	267	215	195	222	254
General & administration	780	706	1,496	1,109	1,008	1,122	1,542	1,224	1,347
Stock-based compensation	129	9	(12)	86	166	79	(56)	24	30
Expenses	1,690	1,459	2,641	2,156	2,140	2,241	2,507	2,888	3,007
Operating loss	(2,224)	(2,069)	(3,156)	(2,713)	(2,613)	(3,023)	(3,097)	(3,985)	(3,764)
Gain on modification of debt				-			37		
Gain on forgiveness of debt				-			(1,163)		
Interest expense	(1,570)	(867)	(1,418)	(1,262)	(1,346)	(1,357)	(2,852)	(2,367)	(2,616)
Finance/other income	(18)		(292)	5	13	(6)	273	2	5
Foreign exchange (loss) gain	8	(18)	(18)	56	(90)	2	67		84
Income taxes				-			916		
Net income (loss)	(3,804)	(2,954)	(4,884)	(3,914)	(4,036)	(4,384)	(5,819)	(6,350)	(6,291)

(1) Adjusted EBITDA does not have a standardized meaning according to IFRS and is defined and reconciled to net income (loss) below.

NON-GAAP FINANCIAL MEASURES

Management reports and analyzes its financial results and performance using a range of financial measures. Some of these measures, such as revenues, net income and cash flow from operating activities, are defined by IFRS. Other measures are not defined by IFRS.

One key non-IFRS measure used by management is "Adjusted EBITDA". The Company discloses Adjusted EBITDA as a supplemental non-GAAP financial performance measure because the Company believes it is a useful metric by which to compare the performance of our business from period to period. The Company understands that measures similar to Adjusted EBITDA are broadly used by analysts, rating agencies and investors in assessing our performance. Accordingly, we believe presentation of Adjusted EBITDA provides useful information to investors.

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

	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
	2023	2024	2024	2024	2024	2025	2025	2025	2025
Net income (loss) for the period	(3,804)	(2,954)	(4,884)	(3,914)	(4,036)	(4,384)	(5,819)	(6,350)	(6,291)
Add (deduct):									
Net interest and other expense	1,570	867	1,418	1,262	1,346	1,357	2,852	2,367	2,616
Foreign exchange (gain) loss	(8)	18	18	(56)	90	(2)	(67)	-	(84)
Stock-based compensation expense	129	9	(12)	86	166	79	(56)	24	30
Amortization calculation	54	51	537	190	193	224	299	313	312
Income tax (recovery) expense	-	-	-	-	-	-	(916)	-	-
"Adjusted EBITDA"	(2,029)	(2,009)	(2,646)	(2,437)	(2,254)	(2,735)	(2,581)	(3,646)	(3,417)
YoY increase rate (revenue)	-19%	-16%	26%	441%	306%	203%	236%	-31%	56%
QoQ increase rate (revenue)	51%	21%	51%	95%	13%	-10%	68%	-60%	157%

SUMMARY OF RESULTS FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2025 COMPARED TO THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2025

The following table sets forth a summary of key earnings information from our consolidated financial statements for the three and six months ended December 31, 2025 and 2024.

	Three Months Ended		Increase / (Decrease)		Six Months Ended		Increase / (Decrease)	
	December 31		\$	%	December 31		\$	%
	2025	2024			2025	2024		
	\$	\$			\$	\$	\$	%
Revenues	2,152	1,380	772	56%	2,988	2,598	390	15%
Cost of revenues	2,909	1,853	1,056	57%	4,842	3,312	1,530	46%
Gross margin	(757)	(473)	(284)	60%	(1,854)	(714)	(1,140)	160%
Gross margin as % of revenue	-35%	-34%	-1%	3%	-62%	-27%	-35%	126%
Operating expenses								
Research and development	1,376	699	677	97%	2,794	1,727	1,067	62%
Sales and marketing	254	267	(13)	-5%	476	516	(40)	-8%
General and administration	1,347	1,008	339	34%	2,571	2,117	454	21%
Stock-based compensation	30	166	(136)	-82%	54	252	(198)	-79%
	3,007	2,140	867	41%	5,895	4,612	1,283	28%
Loss before other income (expenses)	(3,764)	(2,613)	(1,151)	44%	(7,749)	(5,326)	(2,423)	45%
Other income (expense)								
Finance/other income	5	13	(8)	-62%	7	18	(11)	-61%
Interest expense	(2,616)	(1,346)	(1,270)	94%	(4,983)	(2,608)	(2,375)	91%
Foreign exchange gain (loss)	84	(90)	174	-193%	84	(34)	118	-347%
Income (loss) before taxes	(6,291)	(4,036)	(2,255)	56%	(12,641)	(7,950)	(4,691)	59%
Net loss	\$ (6,291)	\$ (4,036)	\$ (2,255)	56%	\$ (12,641)	\$ (7,950)	\$ (4,691)	59%
Other comprehensive income (loss), net of tax								
Foreign currency translation gain (loss)	(940)	2,149	(3,089)	-144%	76	1,683	(1,607)	-95%
Comprehensive loss	(7,231)	(1,887)	(5,344)	283%	(12,565)	(6,267)	(6,298)	100%

Enableness converts foreign currency-denominated transactions related to the statement of comprehensive loss at the average exchange rates for the periods. As such, changes in the exchange rate between the United States dollar and the Canadian dollar can have an impact on the reported results for each fiscal period as well as changes in the exchange rate between the Chinese renminbi (RMB). The average exchange rate for the three months ended December 31, 2025 in terms of the Canadian dollar equivalent of US\$1 was CAD \$1.3863 (2024 – CAD \$1.3916) and in terms of the Chinese RMB equivalent of US\$1 was RMB \$7.124 (2024 – RMB\$7.117)

REVENUE

The Company reported revenues of \$2,152 and \$2,988 for the three and six months ended December 31, 2025, respectively, compared to \$1,380 and \$2,598 for the corresponding periods in 2024. This represents an increase of \$772, or 56%, for the three-month period and \$390, or 15%, for the six-month period year over year. For the six months ended December 31, 2025, product revenue was \$2,243.

During the three and six months ended December 31, 2025, two customers accounted for 84% of the Company's total revenue (2024 – eight customers, 79%). While Enableness continues to focus on diversifying customers, geographies, and applications, one customer secured a significant commitment for chip production for the short term.

In the six months ended December 31, 2025, the Company processed sales to 20 separate customers across its business, a decrease in total customers in the same period in the prior year (2024 – 25 customers).

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

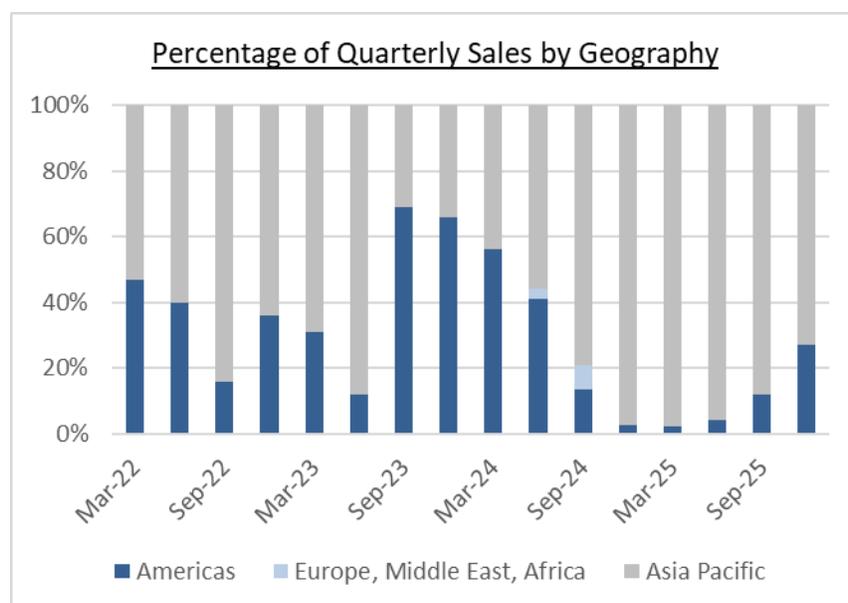
	For the six months ended	
	December 31, 2025	December 31, 2024
	\$	\$
Americas	690	204
Europe, Middle East, Africa	4	92
Asia Pacific	2,294	2,302
	2,988	2,598

For the six months ended December 31, 2025, revenue from the Company's Americas operations increased by 238% compared to the corresponding period in the prior year. The increase reflects higher customer demand and expanded commercial activity within the region.

The Company operates an optical chip fabrication facility in North America that is non-captive (i.e., not owned by, or contractually dedicated to, a single customer). Management believes this distinguishes the Company from certain other North American fabrication facilities that are customer-owned or otherwise dedicated, and provides the Company with flexibility to serve multiple customers across the region. The Company's North American manufacturing presence may also enable shorter delivery times for regional customers relative to certain competitors whose manufacturing operations are primarily located in Asia.

During the period, production at the fabrication facility was at or near full capacity. The Company has initiated targeted capital investments in equipment intended to expand manufacturing capacity in response to increased demand. The timing and extent of such capacity expansion will depend on market conditions, customer requirements, supply chain availability, and the Company's financial resources.

The Company intends to continue prioritizing growth in its Americas operations in the near term; however, future performance will depend on general economic conditions, industry demand, competitive factors, and the Company's ability to successfully scale production.



For the six months ended December 31, 2025, 75% of the Company's revenue is comprised of product revenue (2024: 88%) which includes amounts relating to recurring third-party fabrication

services revenue from work performed at the Company's Fremont facility, and 25% is comprised of non-recurring engineering revenue (2024: 12%). Product revenue generally results from the sale of wafers/chips to end customers while NRE revenue is comprised of new research and development projects for customers. Often, NRE projects result in long-term recurring product revenue for the Company once it has solved a design challenge for the customer. In this sense, stability or growth in the percentage of NRE revenues can be seen as a positive leading indicator for future revenues of the Company as it indicates increasing demand for new engineering services from customers.

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

	For the six months ended	
	December 31, 2025	December 31, 2024
	\$	\$
Product	2,243	2,274
NRE	714	243
Fab Service	31	81
	2,988	2,598

GROSS MARGIN

The Company's cost of goods sold is comprised of several elements, some of which vary directly with the level of revenues, such as material costs and the cost of products manufactured by third parties, and some of which do not vary significantly with the level of revenues, including many overhead costs such as compensation of operations staff, amortization and facilities costs. In general, the Company's costs are heavily skewed towards fixed costs because of the operation of its fabrication plant in Fremont, California and the significant number of staff needed at that operation, particularly in the areas of testing and processing once wafers and chips have been completed.

Gross margin for the six months ended December 31, 2025 was (\$1,854) as compared to (\$714) for the prior year, a decline of \$1,140, or 160%.

OPERATING EXPENSES

Research & development ("R&D") expense for the six months ended December 31, 2025 and 2024 was \$2,794 and \$1,727, respectively, an increase of \$1,067, or 62%.

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

Sales & marketing expense for the six months ended December 31, 2025 and 2024 was \$476 and \$516, respectively, an decrease of \$40, or 8%.

General & administration expense for the six months ended December 31, 2025 and 2024 was \$2,571 and \$2,117, respectively, an increase of \$454, or 21%.

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

Stock-based compensation

The Company's equity incentive plan permits the grant of stock options, RSUs, PSUs and DSUs to directors, officers, employees and consultants, subject to the plan limits described in the audited financial statements.

Expense

Stock-based compensation expense totaled \$30 for the three months ended December 31, 2025, compared to \$166 for the three months ended December 31, 2024. For the six months ended December 31, 2025, stock-based compensation expense was \$54, compared to \$252 for the corresponding prior-year period, representing a decrease of \$198 or 79%.

The decrease compared to the prior year reflects the vesting profile of previously granted awards and lower amortization of outstanding RSU grants, as no RSUs or DSUs were granted during the current fiscal year to date.

All stock-based compensation expense recognized during the six-month period relates to stock options.

Option Grants

On November 4, 2025, the Company granted 100,000 stock options with an exercise price of \$1.61 per share. The fair value of the options was estimated using the Black-Scholes option pricing model, consistent with the methodology described in the financial statement note. The weighted average fair value per option granted during the period was \$1.24.

Options generally vest in three equal annual tranches commencing one year from the date of grant and expire ten years from the date of grant.

Outstanding Awards

As at December 31, 2025, 1,718 stock options were outstanding (June 30, 2025 – 1,763), along with 709 RSUs (June 30, 2025 – 709) and 409 DSUs (June 30, 2025 – 409). The weighted average remaining contractual life of options outstanding at December 31, 2025 was 7.2 years. At December 31, 2025, 888,429 common share equivalents remained available for issuance under the equity incentive plan.

Warrants

As at December 31, 2025, the Company had 19,177 common shares issued and outstanding and 2,830 common share purchase warrants outstanding, exercisable at CAD\$2.25 per share and expiring on April 4, 2027 and April 4, 2028. There were no changes to the Company's warrant position during the three and six months ended December 31, 2025.

FINANCE/OTHER INCOME

During the six months ended December 31, 2025, the Company leveraged an accordion loan that was linked to the recapitalization that took place in 2025FY. Additionally, during October 2025, the Company obtained an extension on their base facility with a lender for \$5,000.

INTEREST EXPENSE

During the six months ended December 31, 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 December 31, 2025, total interest accrued but unpaid on interest-bearing liabilities amounted to \$2,190 (2024 – \$1,262).

FOREIGN EXCHANGE GAIN (LOSS)

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

During the three months ended September 30, 2025, the Company recorded a foreign exchange gain of \$Nil compared to a foreign exchange gain of \$56 for the prior year.

INCOME TAXES

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

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

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

During the three and six months ended December 31, 2025, the Company recorded a foreign exchange translation gain of \$1,604, as compared to \$76 for the prior year. This is the result of conversion of the Company’s operations that are being transacted in non-US\$ currencies (Canadian dollar and Chinese Renminbi), being converted to the Company’s reporting currency, which is the U.S. dollar.

INCOME (LOSS) PER COMMON SHARE

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

	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Net loss per share (basic & diluted)	\$(0.33)	\$(0.21)	\$(0.65)	\$(0.42)
Weighted Average Number of Common Shares (basic & diluted)	19,177	18,828	19,177	18,828

Basic and diluted loss per share for the three and six months ended December 31, 2025 were the same, as the Company was in a loss position and the inclusion of potentially dilutive securities would be antidilutive.

As at December 31, 2025, approximately 2,829 potentially dilutive securities, comprising stock options and warrants, were excluded from the calculation of diluted loss per share (2024 – 4,424).

OUTLOOK

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

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

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

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

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

Principal execution challenges. The key risks identified last quarter remain in effect: (1) securing and funding sufficient capacity ahead of demand inflections; (2) obtaining additional

capital on acceptable terms in a capital-intensive industry; (3) delivering designs that meet stringent AI-interconnect and LiDAR performance requirements on schedule; and (4) expanding global sales coverage, particularly for LiDAR. The added uncertainty surrounding potential tariff regimes introduces a further variable that could affect material costs, finished-goods pricing and gross-margin forecasts.

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

Capital Resources and Financing

The Company finances its operations primarily through the issuance of common shares and debt. Additional cash proceeds may be received from the exercise of options and warrants. To strengthen its financial position and support operations and growth, the Company may raise funds through public or private placements of equity or debt as needed.

As of December 31, 2025, the Company is authorized to issue an unlimited number of common and preferred shares. There were 20,959 common shares issued and outstanding and no preferred shares issued. The Company's common shares trade on the TSX Venture Exchange under the symbols "ENA" and "ENA.V."

During the period, the Company amended the Pinnacle II Term Loan, increasing the base facility by \$3,650. No other material terms of the loan were changed. This amendment supports the Company's working capital and strategic initiatives, including capacity expansion, AI-data-center development, and LiDAR programs, as described in the "Outlook" section.

The Company's planned investments in product development and capacity expansion, together with its near-term debt obligations, are expected to influence future financing requirements. Management will continue to evaluate financing alternatives to ensure sufficient liquidity to support operations and strategic growth initiatives.

Refer to the "Debt and Liquidity" section for details on total borrowings, scheduled principal and interest payments, working capital, and cash flow considerations.

Debt and Liquidity

As of December 31, 2025, the Company had a working capital deficit of \$15,657 and total borrowings of \$53,966, comprising:

- Promissory notes: \$29,269
- 2025 Convertible Debentures: \$24,697

A significant portion of the Company's debt is held by related parties, including Pinnacle I, Pinnacle II, PCPL, and Vortex.

On October 7, 2025, the Company amended the Pinnacle II Term Loan, increasing the base facility by \$3,650. No other material terms of the loan were changed. This amendment increased the portion of borrowings under the Pinnacle II facility but did not materially alter the overall repayment schedule or interest obligations.

While most debt matures beyond 12 months, scheduled principal repayments on promissory notes totaling approximately \$12,776 are due within the next 12 months, with the first payment scheduled for September 30, 2026. No principal repayments were made during the six months ended December 31, 2025.

Interest expense recognized during the six months ended December 31, 2025, totaled:

- 2025 Convertible Debentures: \$1,043
- Vortex Term Facility: \$231
- Other Term Facilities: \$1,630

Interest on the 2025 Convertible Debentures will resume on January 1, 2026, with the first cash interest payment due June 30, 2026.

The commencement of principal and interest payments in fiscal 2026 is expected to materially increase short-term liquidity requirements. Management anticipates funding these obligations through operating cash flows, refinancing of existing facilities, amendments to repayment terms, and/or additional debt or equity financing.

The Company's assessment of its ability to continue as a going concern, as discussed in the opening section of this MD&A and in the Outlook, takes into account these liquidity requirements, near-term debt obligations, and strategic initiatives such as capacity expansion and AI interconnect projects.

Comparative Cash Flow Summary

The chart below highlights the Company's cash flows for the three and six months ended December 31, 2025 and 2024:

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2025	2024	2025	2024
Cash used in Operating activities	(4,333)	(2,937)	(9,000)	(6,869)
Investing activities				
Purchase of property, plant, and equipment	(254)	(1,325)	(602)	(1,585)
Proceeds on disposal of property, plant and equipment				
Total cash used in investing activities	(254)	(1,325)	(602)	(1,585)
Financing activities				
Advances from short-term notes payable		6,987		6,987
Advances from long-term notes payable	3,579		6,471	4,469
Principal payments under capital lease obligations	(152)	(98)	(308)	(98)
Repayments of long-term notes payable				(82)
Net proceeds from issuance of shares				
Total cash from financing activities	3,427	6,889	6,163	11,276
Effect of foreign currency translation	(225)	86	(193)	(49)
Net change in cash and cash equivalents	(1,385)	2,713	(3,632)	2,773

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

This table highlights the Company's net cash used in operations and overall reliance on financing to fund operations and strategic initiatives as discussed in the "Outlook" section. As at December 31, 2025, the Company has \$1,368 cash available (excludes \$4 of restricted cash).

Going Concern Considerations

The Company has incurred recurring losses and had a working capital deficit as of December 31, 2025. These conditions, combined with significant near-term debt obligations, represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, as disclosed in the financial statements.

As shown in the Comparative Cash Flow Summary, the Company consumed \$9,000 in operating activities during the six months ended December 31, 2025, exceeding cash on hand of \$1,368 (excluding \$4 of restricted cash). The assessment of the Company's ability to continue as a going concern incorporates assumptions regarding future operating cash flows, the timely availability of financing, and the successful execution of strategic plans outlined in the Outlook section.

Management continues to monitor liquidity closely and intends to take appropriate actions, including pursuing equity or debt financing, renegotiating repayment terms, and optimizing operational expenditures.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

	Current		Non-Current		Total
	within 6 months	6 to 12 months	1 to 5 years	5+ years	
As at December 31, 2025					
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	9,263	-	-	-	9,263
Notes Payable	12,776	-	16,907	-	29,683
Convertible debentures	-	-	24,283	-	24,283
Lease Liabilities	304		98		402
Total	22,343	-	41,288	-	63,631

	Current		Non-Current		Total
	within 6 months	6 to 12 months	1 to 5 years	5+ years	
As at June 30, 2025					
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	7,999	-	-	-	7,999
Notes Payable	579	-	21,543	-	22,122
Convertible debentures	-	-	22,904	-	22,904
Lease Liabilities	285	303	98	-	686
Total	8,863	303	44,545	-	53,711

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

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

TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

RISKS AND UNCERTAINTIES

The Company's financial position remains challenged in a dynamic, rapidly changing environment that involves risks and uncertainties. As a result, management expectations may not be realized.

The Company continues to be dependent on additional financing until revenues and gross margins increase to the point that operations are profitable. As a result, an investment in Enablence is speculative.

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

CRITICAL ACCOUNTING ESTIMATES

Use of estimates and judgements

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

Estimates

Expected Credit Loss ("ECL")

The Company calculates ECLs for trade receivables based on the historical default rates over the expected life of the trade receivable and adjusts for forward-looking estimates, which is determined through the exercise of judgement. The Company's ECL model relies on forward looking information and economic inputs, such as default rates, industry growth rate, customers etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement. The allowance the Company records, if any, is the sum of these probability weighted outcomes. In select circumstances, if the Company believes a specific customer has a potential outcome that is outside of the probability weighted outcomes, it may take a specific provision for that customer and exclude it from the overall provision matrix.

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

Right-of-use assets and lease liabilities

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

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

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

Stock-based compensation

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

Warrants

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

Fair value measurement

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

Impairment

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

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

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

Judgements

Financial Liabilities Modification and Extinguishment

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

When the terms of an existing financial liability are modified or exchanged with the same lender, the Company assesses whether the modification is substantial based on quantitative and

qualitative factors. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including fees paid or received, differs by 10% or more from the discounted present value of the remaining cash flows of the original liability.

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

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

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

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

Going concern risk assessment

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

FINANCIAL AND OTHER INSTRUMENTS

Enablence's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, convertible debentures and notes payable. Unless otherwise noted, it is the opinion of Enablence's management that Enablence is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of these financial instruments approximates their carrying value due to their shortterm maturity or capacity of prompt liquidation.

ADDITIONAL INFORMATION

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

APPENDIX A

RISKS AND UNCERTAINTIES

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

and uncertainties that are detailed below and available as part of the Company's continuous disclosure record available at www.sedar.ca.

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

Significant future capital requirements; need for significant additional financing

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

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

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

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

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

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

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

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

Inventory Management

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

Accounts Receivable Management

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

Dependence on Third Party Suppliers

The Company relies heavily on its suppliers and contract manufacturers. If third party suppliers or manufacturers lack sufficient quality control or if there are significant changes in the financial or business conditions of such third parties, it may have a material adverse effect on the Company's business. The Company's profit margins and time to market may be affected by factors beyond its immediate control. The Company's products also use other customized components that are procured from third parties. The performance and ability of these suppliers and the performance of their components are critical to its success. The hybridization of these active components onto

the Company's PLC platform requires specialized equipment, the capacity of which cannot be assured through its outsourcing suppliers. Certain packaging of the Company's components is performed through contract manufacturers, and it relies on their ability to achieve the Company's pricing and capacity requirements.

International Operations

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

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

Managing Growth

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

products or technologies will be integrated successfully or generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

Uncertain Global Economic Conditions

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

Political, Economic and Other Risks of Operations in China

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

Difficulty in enforcement of judgements

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

The Company previously had a joint venture incorporated in China and the joint venture operations were conducted in China. The Company also has a number of subsidiaries incorporated in the United States. Certain directors reside in the United States, and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted outside of Canada. Courts in such jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the

claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Market Opportunities

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

Sales Cycles are Long and Unpredictable

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

Dependence on Key Customers

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

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

Customer Spending Patterns

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

- competitive pressures, including pricing pressures;
- consumer demand for new services;
- an emphasis on generating sales from services delivered over existing networks instead of new network construction or upgrades;

- the timing of annual budget approvals;
- evolving industry standards and network architectures; • free cash flow and access to external sources of capital; and
- completion of major network upgrades.

Competitive Pressures

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

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

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

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

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

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

Product Defects and Warranty Obligations

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

Product Development and Technological Change

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

Product Obsolescence

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

Development Stage Products and Customer Expectations

The Company may not be able to successfully demonstrate high yields on large volume production of its components and meet all of the specification requirements of all products in accordance with industry requirements for all of its product lines. There may be potential quality issues on the manufacture of these products resulting from the way the products are designed or manufactured

or in the processes used for the design and manufacture of the product(s), or from the software or materials used in the product(s). These factors may cause delays in availability and shipping of products to potential customers, or even the cancellation of orders by customers. Quality issues in the products may have legal and financial implications for the Company, including delays in revenue recognition, loss of revenue or future orders, customer-imposed penalties for failure to meet contractual shipment deadlines, increased costs associated with repairing or replacing products, and a negative impact on goodwill and brand name reputation and higher manufacturing costs.

Intellectual Property

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

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

Intellectual Property Litigation

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

Currency Fluctuations may Adversely Affect the Company

A substantial portion of the Company's operating costs are recognized in currencies other than US\$, specifically the Canadian dollar, and the Chinese Renminbi. The Company carries certain

monetary assets and liabilities in these and other currencies, which differ from the Company's U.S. dollar base reporting currency. Fluctuations in the exchange rate between these currencies and the U.S. dollar may have a material adverse impact on the Company's business, financial condition and operating results.

Earnings History

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

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

Key Personnel

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

Changes in Accounting and Tax Rules

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

Changes in Government Policy

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

Cybersecurity Threats

The reliability and security of the Company's information technology ("IT") systems is important to the Company's business and operations. Although the Company has established and continues to enhance security controls intended to protect the Company's IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyberattacks. A significant breach of the Company's IT systems could, among other things, cause disruptions in the Company's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information or intellectual property, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company's, its customers' or suppliers' intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company.

Share Price Volatility

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

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

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