



**ENABLENCE TECHNOLOGIES INC.
Consolidated Financial Statements**

For the three and six month ended December 31, 2025 and 2024
(in thousands of United States dollars and shares)

NOTICE TO READER

The accompanying unaudited consolidated financial statements of Enableness Technologies Inc. ("Enableness" or the "Company") for the three and six months ended December 31, 2025 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company (the "Board"). These statements have not been reviewed by the Company's external auditors.

Date: March 2, 2026

<u>"Todd Haugen"</u> Todd Haugen CEO	<u>"Brian Siegel"</u> Brian Siegel CFO
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Enablence Technologies Inc.

Consolidated statements of financial position

(in thousands of United States dollars)

		As at December 31, 2025	As at June 30, 2025
		\$	\$
Assets			
Note			
Current assets			
Cash and cash equivalents	4	1,372	5,004
Accounts and other receivables	5	2,079	1,930
Inventories	6	2,905	1,844
Prepaid expenses and deposits		500	744
		6,856	9,522
Property, plant and equipment	7	7,025	7,061
		13,881	16,583
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	9,263	7,999
Notes payable	11	12,776	579
Lease liabilities	8	304	588
Contract liabilities	10	170	390
		22,513	9,556
Lease Liabilities	8	98	98
Notes payable	11,22	16,907	21,543
Convertible Debentures	12	24,283	22,904
		63,801	54,101
Shareholders' deficiency			
Share capital	14	123,874	123,874
Contributed surplus	14	27,068	26,904
Warrants	14,22	679	679
Accumulated other comprehensive (loss) income	14	(29)	(104)
Deficit		(201,512)	(188,871)
		(49,920)	(37,518)
		13,881	16,583

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 six months ended December 31

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

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2025	2024	2025	2024
		\$	\$	\$	\$
Revenues	10,20	2,152	1,380	2,988	2,598
Cost of revenues	15	2,909	1,853	4,842	3,312
Gross margin		(757)	(473)	(1,854)	(714)
Operating expenses					
Research and development	15	1,376	699	2,794	1,727
Sales and marketing	15	254	267	476	516
General and administration	15	1,347	1,008	2,571	2,117
Stock-based compensation	15	30	166	54	252
		3,007	2,140	5,895	4,612
Loss before other income (expenses)		(3,764)	(2,613)	(7,749)	(5,326)
Other income (expense)					
Gain on modification of debt	11				
Gain on forgiveness of debt	12				
Finance/other income	11	5	13	7	18
Interest expense	11,12	(2,616)	(1,346)	(4,983)	(2,608)
Foreign exchange gain (loss)		84	(90)	84	(34)
Income (loss) before taxes		(6,291)	(4,036)	(12,641)	(7,950)
Income tax recovery (expense)	13			-	-
Net loss		(6,291)	(4,036)	(12,641)	(7,950)
Other comprehensive income (loss), net of tax					
Foreign currency translation gain (loss)		(940)	2,149	76	1,683
Comprehensive loss		(7,231)	(1,887)	(12,565)	(6,267)
Net income (loss) per share - basic and diluted	16	(\$0.33)	(\$0.21)	(\$0.66)	(\$0.42)
Weighted average number of outstanding shares - basic and diluted	11,14	19,177	18,828	19,177	18,828

Enablence Technologies Inc.

Consolidated statements of changes in shareholders' deficiency

For the six months ended December 31

(in thousands of United States dollars and shares)

		Number of shares	Share capital (Note 15) \$	Contributed surplus \$	Share Purchase Warrants \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Deficiency \$
	Note							
Balance at July 1, 2025		19,177	123,874	26,904	679	(105)	(188,871)	(37,519)
Stock-based compensation	11,12	-	-	54	-	-	-	54
Net loss		-	-	-	-	-	(12,641)	(12,641)
Equity element of advances of loan	11	-	-	110	-	-	-	110
Equity element of advances of Convertible Debentures	12	-	-	-	-	-	-	-
Shares issued for advisory services		-	-	-	-	-	-	-
Warrants issued with notes payable	11	-	-	-	-	-	-	-
Option/RSU/DSU Exercise	14	-	-	-	-	-	-	-
Deferred tax liability relating to equity element		-	-	-	-	-	-	-
Foreign currency translation gain (loss)		-	-	-	-	76	-	76
Balance at December 31, 2025		19,177	123,874	27,068	679	(29)	(201,512)	(49,920)

		Number of shares	Share capital (Note 15) \$	Contributed surplus \$	Share Purchase Warrants \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Deficiency \$
	Note							
Balance at July 1, 2024		18,914	122,087	20,576	1,286	593	(170,717)	(26,175)
Stock-based compensation	11,12	-	-	252	-	-	-	252
Net loss		-	-	-	-	-	(7,950)	(7,950)
Fair value of common stock issued in debt-equity swap	11	-	-	-	-	-	-	-
Equity element of repayment of related party loan	11	-	-	-	-	-	-	-
Equity element of advances of Convertible Debentures	12	-	-	-	-	-	-	-
Shares issued for advisory services		-	-	-	-	-	-	-
Warrants issued with notes payable	11	-	-	-	-	-	-	-
Option/RSU/DSU Exercise	14	263	1,074	(268)	(806)	-	-	-
Deferred tax liability relating to equity element		-	-	-	-	-	-	-
Foreign currency translation gain (loss)		-	-	-	-	1,684	-	1,684
Balance at December 31, 2024		19,177	123,161	20,560	480	2,277	(178,667)	(32,189)

Enablence Technologies Inc.

Consolidated statements of cash flows For the six months ended December 31

(in thousands of United States dollars)

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net loss	(6,291)	(4,036)	(12,641)	(7,950)
Adjusted for the following non-cash items:				
Depreciation	313	289	625	383
Stock-based compensation	30	166	54	252
Accretion interest expenses	1,448	1,346	2,791	2,608
Unrealized foreign exchange loss (gain)	84	34	84	34
(Gain) loss on modification of debt	-	-		
Loss on forgiveness of debt	-	-		
Loss on disposal of property, plant and equipment	-	-	9	
Financing expenses	-	-		
Income tax recovery	-	-		
	(4,416)	(2,201)	(9,078)	(4,673)
Changes in non-cash working capital	83	(736)	78	(2,196)
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	-	-		
Cash provided by (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	-	-		
Cash provided by financing activities	3,427	6,889	6,163	11,276
Effect of foreign currency translation on cash and cash equivalents	(225)	86	(193)	(49)
Increase (decrease) in cash and cash equivalents	(1,385)	2,713	(3,632)	2,773
Cash and cash equivalents, beginning of year	2,757	674	5,004	614
Cash and cash equivalents, end of year	1,372	3,387	1,372	3,387

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

1. Description of Business

Enablence Technologies Inc. (the “Company” or “Enablence”) is 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” – 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 data centres and advanced vision end markets in which Enablence 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.

As at December 31, 2025, the Company had cash and cash equivalents of \$1,372 (June 30, 2025: \$5,004) and a working capital deficit of \$16,657 (June 30, 2025: working capital deficit of \$34). During the six months ended December 31, 2025, the Company used \$9,000 of cash in operating activities (six months ended December 31, 2024: \$6,869).

The Company incurred comprehensive losses of \$7,231 and \$12,565 for the three and six months ended December 31, 2025, respectively, compared to \$1,887 and \$6,267 for the three and six months ended December 31, 2024, respectively. As at December 31, 2025, the Company had an accumulated deficit of \$201,512.

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 International Financial Reporting Standards (“IFRS”) as issued by the IASB and the interpretations of the IFRS Interpretations Committee.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

(iii) Basis of measurement

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

(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 February 27, 2026.

(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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

Enableness Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

- 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.

3. Material Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of Enableness Technologies Inc. and its subsidiaries. The chart below summarizes the entities included in the consolidated financial statements as at December 31, 2025 and 2024:

Incorporation	Ownership	Currency	Place of	Percentage	Functional	Name of Entity
Enableness Technologies Inc.			Canada			CAD
Enableness FTTx USA Inc.			Delaware, USA	100		USD
Enableness USA Components Inc.			Delaware, USA	100		USD
Enableness Canada Inc.			Canada	100		CAD
Enableness Systems Inc.			Delaware, USA	100		USD
Enableness USA Inc.			Delaware, USA	100		USD

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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

December 31, 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

present value of the lease payments that are not paid at the commencement date, 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

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
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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 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.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 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.

(a) Accounting Standards Adopted During the Period

There were no new accounting standards adopted by the Company during the three and six months ended December 31, 2025.

(b) Accounting Standards Issued but Not Yet Effective

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

The following pronouncements have been issued by the International Accounting Standards Board (IASB) but are not yet effective. The Company is currently assessing the potential impact of these standards on its financial statements and related disclosures:

- Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures – *Classification and Measurement of Financial Instruments* (effective for annual periods beginning on or after January 1, 2026). These amendments clarify the assessment of contractual cash flow characteristics, derecognition requirements for financial liabilities settled electronically, and introduce additional disclosure requirements.
- Annual Improvements to IFRS Accounting Standards – Volume 11 (effective January 1, 2026), which contains narrow-scope amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7.
- IFRS 18, Presentation and Disclosure in Financial Statements (effective January 1, 2027), which replaces IAS 1 and introduces updated requirements for presentation of financial performance, enhanced aggregation and disaggregation of line items, and additional management-defined performance measure disclosures. Early adoption is permitted.
- IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information – issued in June 2023 and effective for annual periods beginning on or after January 1, 2024. Adoption in Canada is subject to endorsement by the Canadian Securities Administrators (CSA). The Company is monitoring developments and assessing the potential impact on its sustainability-related disclosures. IFRS S1 does not affect recognition or measurement in the condensed interim financial statements.

The Company does not expect the adoption of these standards, other than IFRS S1, to have a material effect on its consolidated financial position, results of operations, or cash flows, but anticipates additional disclosure and presentation requirements once adopted.

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.

	December 31,	
	2025	June 30, 2025
Cash	\$ 1,368	\$ 5,000
Restricted Cash	4	4
	<u>1,372</u>	<u>5,004</u>

5. Accounts and Other Receivables

Trade and other receivables consist of the following:

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	December 31,	
	2025	June 30, 2025
	\$	\$
Trade	1,939	1,747
Allowance for expected credit loss	(325)	(206)
	1,614	1,541
Other	465	389
	2,079	1,930

At December 31, 2025, other receivables consisted of \$225 related to investment tax credits receivables (June 30, 2025 - \$282) and \$16 of amounts due from government agencies (June 30, 2025 - \$79).

	December 31,	
	2025	June 30, 2025
	\$	\$
Current or under 60 days	1,373	1,560
Past due 61 to 90 days	238	107
Past due more than 90 days	328	80
	1,939	1,747

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

	December 31,	
	2025	June 30, 2025
	\$	\$
Raw materials	1,531	958
Work-in-progress	233	195
Finished goods	1,141	691
	2,905	1,844

The amount of inventory recognized as cost of revenues for the three and six months ended December 31, 2025 was \$1,890 and \$2,655, respectively, compared to \$697 and \$1.527 for the three and six months ended December 31, 2024, respectively.

7. Property, Plant and Equipment and ROU Assets

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	Machinery and equipment	Lab equipment and tooling	Photomasks	Office furniture and equipment	Leaseholds	ROU Assets	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
As at June 30, 2025	15,373	2,480	1,145	457	1,028	1,582	2,811	24,876
Additions	14	144	-	1	-	-	440	599
Transfers								-
Dispositions	(21)							(21)
As at December 31, 2025	15,366	2,624	1,145	458	1,028	1,582	3,251	25,454
Accumulated depreciation								
As at June 30, 2025	12,154	2,282	1,145	449	795	990	-	17,815
Additions	296	35	-	4	36	254	-	625
Transfers								-
Dispositions	(11)							(11)
As at December 31, 2025	12,439	2,317	1,145	453	831	1,244	-	18,429
Carrying value								
As at December 31, 2025	2,927	307	-	5	197	338	3,251	7,025

Depreciation expense for the three months and six months ended December 31, 2025 was \$312 and \$625, respectively, compared to \$194 and \$384 for the three and six months ended December 31, 2024, respectively. For the three and six months ended December 31, 2025, depreciation expense was allocated to functional categories as follows: \$266 and \$533 to cost of goods sold, \$30 and \$59 to research and development, \$3 to sales and marketing, and \$14 and \$30 to general and administrative expenses. For the same periods in 2024, depreciation expense was allocated as follows: \$63 and \$124 to cost of goods sold, \$2 and \$3 to research and development and \$129 and \$257 to general and administrative expenses.

8. Lease Liabilities

The Company recognizes lease liabilities at the present value of lease payments not yet paid, discounted using the interest rate implicit in the lease, if readily determinable, or the Company's incremental borrowing rate ("IBR") if not.

As at December 31, 2025, all lease liabilities were discounted using an IBR of 10%. This rate is disclosed to provide transparency on the measurement of existing lease liabilities, even though no new leases were entered into during fiscal 2026.

The Company has three long-term building leases: the Fremont building under a 3-year lease commencing August 2023, and two buildings in Suzhou, China under 4-year leases commencing April 2024 and December 2024.

Leases may include extension or termination options. At lease commencement, the Company assesses whether it is reasonably certain to exercise extensions or not exercise termination options, and this assessment is reassessed if a significant event or change in circumstances occurs.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	2025/12/31
	Building
	\$
Balance - Beginning of year	686
Additions	-
Interest expense on lease liabilities	28
Payments	313
Balance - End of Year	402
Current portion of lease liabilities	304
Non-current portion of lease liabilities	98

9. Accounts Payable and Accrued Liabilities

At December 31, 2025, the Company has \$279 of royalties payable of \$275 (June 30, 2025 - \$281) relating to royalty-bearing government funding received for approved research and development projects which is included in accounts payable and accrued liabilities on the accompanying consolidated statements of financial position. There were no payments made during the six months ended December 31, 2025. 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.

	December 31,	
	2025	June 30, 2025
	\$	\$
Balance, beginning of year	390	196
New contract additions in year	254	358
Revenue recognized in year - from opening balance	(242)	(31)
Revenue recognized in year - from current year additions	(232)	(133)
Balance, end of year	170	390

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

11. Loans and Other Debt

The Company's loans and other debt are described in Note 11 to the annual financial statements for the year ended June 30, 2025. The following table summarizes the changes in the carrying amounts of the Company's loans and other debt for the six months ended December 31, 2025:

	Vortex Term Loan	Pinnacle II 2025 Term Loan	Pinnacle II 2025 Term Loan - Accordin	RBC Loans	Irixo Loan	Burney Loan	Notes Payable Total
Balance, July 1, 2025	\$ 10,506	\$ 11,038	\$ -	\$ 100	\$ 429	\$ 50	\$ 22,123
Proceeds from new term loan	-	3,650	2,918	-	-	-	6,568
Discount allocated to capital surplus	-	(41)	(110)	-	-	-	(151)
Transaction costs included in discount	-	-	(76)	-	-	-	(76)
Interest and accretion	965	261	56	2	11	11	1,306
Foreign currency	(48)	(45)	(8)	-	13	-	(88)
Balance, December 31, 2025	11,423	14,863	2,781	102	453	61	29,682
Less: Current portion	-	10,214	1,946	102	453	61	12,776
Non-current balance, December 31, 2025	\$ 11,423	\$ 4,649	\$ 835	\$ -	\$ -	\$ -	\$ 16,906

Vortex Term Facility

As at December 31, 2025, the carrying amount of the Vortex Term Facility was \$11,423 (June 30, 2025 – \$10,506). During the six months ended December 31, 2025, the Company recognized \$231 of interest expense related to the facility. No principal repayments were made during the period and there were no modifications to the contractual terms. The facility continues to be measured at amortized cost using the effective interest method.

Pinnacle II 2025 Loan Agreement

As at December 31, 2025, the carrying amount of the Pinnacle II 2025 Loan Agreement was \$17,744 (including \$2,781 from Accordin), which includes accrued interest of \$1,147. During October 2025, the Company executed a First Amendment to the agreement increasing the base facility by \$3,650. The amendment did not result in a modification of other significant contractual terms. The loan remains a secured obligation of the Company. No principal repayments were made during the six-month period.

CEBA Loan

As at December 31, 2025, the CEBA loan balance was \$102 (June 30, 2025 – \$100). Interest continues to accrue in accordance with the original loan terms. No repayments were made during the period.

Related Party Transactions

Pinnacle I, Pinnacle II, PCPL, and Vortex, which hold portions of the Company's loan instruments, are related parties. During the six months ended December 31, 2025, the Company recognized \$1,630 of interest expense payable to these related parties. The amounts are payable in accordance with the underlying loan agreements. No other material related party transactions occurred during the period.

Intercreditor and Security Arrangements

There were no material changes to the intercreditor arrangements or security structure associated with the Company's borrowings during the six months ended December 31, 2025.

12. Convertible Debentures

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

The Company's 2025 Convertible Debentures, including the Pinnacle I 2025, Pinnacle II 2025, and PCPL 2025 Convertible Debentures (collectively, the "2025 Convertible Debentures"), are described in detail in the Company's annual financial statements for the year ended June 30, 2025. The following table summarizes the changes in the carrying amount of the 2025 Convertible Debentures for the six months ended December 31, 2025:

				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, 2025	\$	5,661	\$	6,932	\$	4,016	\$	6,295	\$	22,904
		Interest and accretion		686		203		113		181		1,183
		Foreign currency		52		58		34		52		196
		Balance, December 31, 2025		6,399		7,193		4,163		6,528		24,283
		Less: Current portion		-		-		-		-		-
		Non-current balance, December 31, 2025	\$	6,399	\$	7,193	\$	4,163	\$	6,528	\$	24,283

During the six months ended December 31, 2025, the Company recognized \$1,043 of interest expense and \$497 of interest accretion related to the 2025 Convertible Debentures. No principal repayments, cash interest payments, conversions, or amendments occurred during the period.

In accordance with the amended terms disclosed in the annual financial statements, interest will resume accruing on January 1, 2026, with the first cash interest payment due June 30, 2026.

Pinnacle I, Pinnacle II, and PCPL, which hold all of the 2025 Convertible Debentures, are related parties of the Company. Interest accrued to these parties during the six months ended December 31, 2025 totaled \$1,043 and is payable at maturity.

Full terms of the 2025 Convertible Debentures, including conversion features, security provisions, change of control provisions, and the accounting for the April 4, 2025 debt recapitalization and fair value allocation between liability and equity components, are disclosed in the Company's annual financial statements for the year ended June 30, 2025.

13. Income Taxes and Investment Tax Credits

Income tax expense is recognized based on the annual income tax rate for the fiscal year multiplied by the pre-tax income. 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.

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The realization

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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.

14. 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

Equity incentive plan

The Company has an 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.

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 expire on the 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	31-Dec-26		30-Jun-25	
	Number of Options	Weighted Avg. Exercise Price (C\$)	Number of Options	Weighted Avg. Exercise Price (C\$)
Outstanding, beginning of year	1,763	\$ 1.72	1,230	\$ 1.82
Granted	100	\$ 1.00	633	\$ 1.00
Forfeited	(14)	\$ 1.00	(100)	\$ 1.00
Exercised	(105)	-	-	-
Expired	-	-	-	\$ -
Outstanding, end of year	1,744	\$1.77	1,763	\$1.72
Exercisable, end of year	1,249	\$1.62	1,753	\$1.51

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

The weighted average remaining contractual life of options outstanding at December 31, 2025 was 7.2 years.

Options outstanding at December 31, 2025 were as follows:

December 31, 2025				
Exercise Price (C\$)	Number Outstanding	Weighted Average Contractual Life (years)	Number Exercisable	
\$ 1.00	789	8.2	545	
\$ 1.05	5	9.3	2	
\$ 1.35	20	9.3	7	
\$ 1.50	10	9.6	2	
\$ 1.61	100	9.8	-	
\$ 1.80	669	6.4	669	
\$ 1.85	50	9.6	-	
\$ 1.91	40	9.6	-	
\$ 2.00	10	9.6	-	
\$ 10.80	22	0.6	22	
\$ 7.80	3	1.4	3	
\$ 1.77	1,718	7.9	1,249	

Valuation of Stock Options Granted During the Period

On November 4, 2025, the Company granted 100,000 stock options with a exercise price of \$1.61. The fair value of options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption:	Grant Date:
Strike Price	\$1.61
Premium	0%
Risk Free Rate	2.73%
Maturity	5
Volatility	104.28%
Dividend	0.00%
Term of options (years)	10

The weighted average fair value per option granted during the period was \$1.24.

Expected volatility was based on historical volatility of the Company's common shares over a period consistent with the expected life of the options.

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

Stock-based compensation expense totaled \$30 and \$54 for the three and six months ended December 31, 2025, respectively, compared with \$166 and \$252 for the corresponding prior-year periods.

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

During the three and six months ended December 31, 2025, the Company did not issue RSUs or DSUs.

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 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 pay out 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:

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	31-Dec-25		30-Jun-25	
	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Outstanding, beginning of year	709	409	709	672
Granted	-	-	-	-
Exercised	-	-	-	263
Expired	-	-	-	-
Outstanding, end of period	709	409	709	409

Warrants

There were no changes to the Company's warrants during the six months ended December 31, 2025.

As at December 31, 2025, the Company had 2,830 warrants outstanding, exercisable at CAD\$2.25 per common share, with expiration dates ranging from April 4, 2027 to April 4, 2028.

The warrants were issued in connection with amendments to the Company's loan agreement and were classified as equity instruments upon issuance. No warrants were exercised or expired during the period.

15. 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:

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	Three months ended December 31		Six months ended December 31	
	2025	2024	2025	2024
<u>Cost of revenues</u>				
Materials/components	1,466	697	1,675	1,211
Labour	940	853	2,053	1,454
Inventory write downs/provision	-	-	-	-
Equipment and Freight	-	-	-	-
Allocation of overhead	237	240	582	524
Depreciation - COGS	266	63	532	124
Total	2,909	1,853	4,842	3,312
<u>Research & Development</u>				
Staff compensation	818	627	1,605	1,264
Travel	7	-	9	-
Contractors	19	32	13	58
Materials/supplies	501	30	1,106	384
Depreciation	30	2	59	3
Rent/Utilities	1	8	2	18
Total	1,376	700	2,794	1,727
<u>Sales & Marketing</u>				
Staff compensation	225	215	420	389
Travel	-	7	3	11
Trade shows	-	-	-	29
Materials/supplies/other	26	43	47	84
Rent/Utilities	-	2	-	3
Depreciation	3	-	6	-
Total	254	267	476	516
<u>General & Administrative</u>				
Staff compensation	855	520	1,685	1,175
Rent/Utilities	242	192	567	442
Taxes (Property tax/Use tax)	23	18	67	32
Insurance	75	32	124	77
HR management fee	43	20	54	26
Phone & Internet	13	9	22	21
Travel	22	34	31	57
Professional fees	200	195	303	344
Bad Debt expense	35	47	142	97
Other	69	62	144	132
Depreciation	14	129	30	257
G&A Allocation (Rent/utilities)	(244)	(250)	(597)	(545)
Total	1,347	1,008	2,572	2,116
Total depreciation&amortization	313	194	627	384

16. Supplemental Disclosures of Cash Flow Information

Net change in non-cash operating working capital items:

Enblence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	December 31, 2025	June 30, 2025
	\$	\$
Net inflow (outflow) of cash:		
Accounts receivable and other receivables	(149)	(1,404)
Inventories	(1,061)	(1,196)
Prepaid expenses and deposits	244	(147)
Accounts payable and accrued liabilities	1,264	997
Contract Liabilities	(220)	194
	78	(1,556)

17. 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.

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.

18. 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:

Enblence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	December 31,	
	2025	June 30, 2025
	\$	\$
Assets - based on amortized cost	3,110	6,573
Liabilities - based on amortized cost	63,229	53,025
Leases - based on amortized cost	402	686

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 \$3,110 (June 30, 2025 - \$6,573). 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.

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 December 31, 2025, two customers accounted for more than 10% of the trade receivable, totaling \$1,840, (June 30, 2025 – one customer, \$1,443), which is approximately 74% (June 30, 2025 – 90%) of the trade receivable total. The Company has taken an expected credit loss of \$325 (June 30, 2025 - \$144) against these over 10% customers.

In aggregate, as of December 31, 2025, it was determined that an expected credit loss of \$325 (June 30, 2025 - \$207) was required:

As at December 31, 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	1,122	250	238	328	1,939
Lifetime Expected Credit Loss	112	25	24	164	325
Total Expected Credit Loss	112	25	24	164	325

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

The closing balance of trade receivables loss allowance as at December 31, 2025 reconciles with the trade receivables loss allowance as at June 30, 2025 as follows:

	\$
Loss Allowance June 30, 2025	206
Plus: Increased (decreased) allowance on trade receivables	119
Less: Write-offs of trade receivables	-
<u>Loss Allowance December 31, 2025</u>	<u>325</u>

Interest rate risk

The Company manages interest rate risk by negotiating fixed rate interest rates on loans when possible. As at December 31, 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 six months ended December 31, 2025, (2025- \$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

<u>December 31, 2025</u>		<u>December 31, 2024</u>	
Net income (loss)	OCI	Net income (loss)	OCI
(591)	20	(388)	81

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

<u>December 31, 2025</u>		<u>December 31, 2024</u>	
Net income (loss)	OCI	Net income (loss)	OCI
(104)	(1)	100	(1)

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

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 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 December 31, 2025 and June 30, 2025, the Company has financial liabilities and lease liabilities which are due as follows:

	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	588		98		686
Total	9,166	-	44,545	-	53,711

19. 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.

20. Segmented Information

The Company operates in one segment, Optical Components.

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

Enablence Technologies Inc.

Notes to the consolidated financial statements

December 31, 2025 and 2024

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

	December 31, 2025	June 30, 2025
	\$	\$
United States	5,850	5,860
China	1,167	1,198
Canada	8	3
	7,025	7,061

Revenue is analyzed geographically as follows:

	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

During the six months ended December 31, 2025, two customers accounted for 84% of the Company's total revenue (2024 – two; 89%).

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.

	December 31, 2025	December 31, 2024
	\$	\$
Product	2,243	2,274
NRE	714	243
Fab Service	31	81
	2,988	2,598

21. 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.

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.