ENABLENCE TECHNOLOGIES INC.
Unaudited Interim Consolidated Financial Statements

For the three and nine months ended March 31, 2022 and 2021

(in thousands of United States dollars and shares)

Notice to Reader

The accompanying unaudited consolidated financial statements of Enablence Technologies Inc. (“Enablence” or the “Company”) for the three and nine months ended March 31, 2022 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: May 24, 2022

“Todd Haugen” Todd Haugen CEO	*“T. Paul Rowland”* T. Paul Rowland Interim CFO

Enablence Technologies Inc.

Consolidated statements of financial position

(in thousands of United States dollars)

		As at	As at
		March 31, 2022	June 30, 2021
		$	$
Assets	**Note**		
Current assets			
Cash and cash equivalents	4	**148**	194
Accounts and other receivables	5	**254**	427
Inventories	6	**306**	301
Prepaid expenses and deposits		**231**	171
		938	1,093
Property, plant and equipment	7,19	**276**	298
		1,214	1,391
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**4,789**	5,666
Notes payable	11, 21	**509**	26,355
Convertible debentures	12, 21	**-**	8,887
Contract liabilities	9	**217**	222
		5,515	41,130
Notes payable	12, 21	**5,219**	-
Other liabilities	13	**460**	-
		11,194	41,130
Shareholders' deficiency			
Share capital	13	**121,759**	106,105
Contributed surplus	13	**14,340**	12,558
Shares to be issued	13,21	**-**	2,655
Warrants	13,21	**81**	-
Accumulated other comprehensive income	13	**(288)**	(1,360)
Deficit		**(145,872)**	(159,697)
		(9,980)	(39,739)
		1,214	1,391

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

Approved by the Board:

"Louis De Jong"	*"Derek Burney"*
Director	Director

Enablence Technologies Inc.

Consolidated statements of comprehensive income (loss)
for the three and nine months ended March 31
(in thousands of United States dollars and shares, except per share data)

		Three Months Ended March 31		Nine Months Ended March 31	
		2022	2021	**2022**	2021
		$	$	**$**	$
	Note				
Revenues	9,19	**442**	698	**1,439**	1,922
Cost of revenues	15	**523**	714	**1,739**	2,171
Loss on inventory impairment	6	**(2)**	-	**29**	-
Gross margin		**(79)**	(16)	**(329)**	(249)
Operating expenses					
Research and development	15	**396**	397	**1,048**	1,110
Sales and marketing	15	**65**	69	**190**	196
General and administration	15	**509**	431	**1,634**	1,437
Stock-based compensation	13	**40**	1	**943**	2
		1,010	898	**3,815**	2,745
Loss from operations		**(1,089)**	(914)	**(4,144)**	(2,994)
Other income (expense)					
Gain on recapitalization	10	**-**	-	**17,332**	
Gain on modification of debt	11	**156**	611	**2,651**	632
Finance expense	11	**-**	(47)	**(95)**	(125)
Interest expense	11,12	**(194)**	(595)	**(1,650)**	(2,249)
Foreign exchange gain (loss)		**13**	174	**(268)**	789
Income (loss) before taxes		**(1,114)**	(771)	**13,826**	(3,947)
Income taxes	14	**-**	-	**-**	-
Net income (loss)		**(1,114)**	(771)	**13,826**	(3,947)
Other comprehensive income (loss), net of tax					
Foreign currency translation gain (loss)		**(122)**	(441)	**1,030**	(2,601)
Fair value adjustment of Other liabilities gain (loss)		**42**	-	**42**	-
Comprehensive income (loss)		**(1,194)**	(1,212)	**14,898**	(6,548)
Net income (loss) per share - basic	16	**($0.12)**	($0.14)	**$1.46**	($0.74)
Net income (loss) per share - diluted	16	**($0.11)**		**$1.41**	
Weighted average number of outstanding shares - basic	10,13	**9,492**	5,349	**9,492**	5,349
Weighted average number of outstanding shares - diluted	10,13	**9,828**		**9,828**	

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

Enablence Technologies Inc.

Consolidated statements of changes in shareholders' deficiency
for the three and nine months ended March 31
(in thousands of United States dollars and shares)

	Note	Number of shares	Share capital (Note 13)	Contributed surplus	Shares to be issued	Share Purchase Warrants	Accumulated other comprehensive income (loss)	Deficit	Deficiency
			$	$	$	$	$	$	$
Balance at July 1, 2020		5,349	106,105	12,556	2,375	-	1,761	(154,656)	(31,859)
									-
Stock-based compensation	13	-	-	2	-	-	-	-	2
Commissions and advisory fees	13, 21	-	-	-	320	-	-	-	320
Net loss		-	-	-	-	-	-	(3,947)	(3,947)
Foreign currency translation gain		-	-	-	-	-	(2,601)	-	(2,601)
Balance at March 31, 2021		**5,349**	**106,105**	**12,557**	**2,695**	**-**	**(840)**	**(158,603)**	**(38,086)**
Balance at July 1, 2021		5,349	106,105	12,558	2,655	-	(1,360)	(159,697)	(39,739)
									-
Stock-based compensation	13		-	446	-	-	-	-	446
Issuance of common shares									-
December 6, 2021 recapitalization	10, 13	11,376	13,342	-	-	81	-	-	13,423
December 21, 2021 private placement	13	694	992	-	-	-	-	-	992
Commissions and advisory fees	13, 21	1,170	1,320	1,335	(2,655)	-	-	-	-
Net income (loss)		-	-	-	-	-	-	13,826	13,826
Foreign currency translation gain (loss)		-	-	-	-	-	1,030	-	1,030
Fair value adjustment of Other liabilities gain (loss)		-	-	-	-	-	42	-	42
Balance at March 31, 2022		**18,590**	**121,759**	**14,340**	**-**	**81**	**(288)**	**(145,871)**	**(9,980)**

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

Enablence Technologies Inc.

Consolidated statements of cash flows
for the three and nine months ended March 31
(in thousands of United States dollars)

		Three Months Ended March 31		Nine Months Ended March 31	
		2022	2021	**2022**	2021
		$	$	**$**	$
Cash provided by (used in):	**Note**				
Operating activities					
Net income (loss)		**(1,114)**	(771)	**13,826**	(3,947)
Adjusted for the following non-cash items:		**-**	-	**-**	-
Depreciation	7	**35**	38	**104**	115
Stock-based compensation	13	**40**	1	**943**	2
Commissions and advisory fees	13, 21	**-**	39	**-**	320
Accrued interest on short term notes payable	11	**195**	391	**1,262**	1,435
Accretion (net of financing costs) and interest accrual on convertible debenture	12	**(1)**	209	**388**	810
Unrealized foreign exchange loss (gain)	3	**(13)**	-	**268**	-
Gain on debt modification and forgiveness	11, 21	**(164)**	-	**(2,345)**	-
Gain on recapitalization	10	**-**	-	**(17,332)**	-
		(1,022)	(93)	**(2,886)**	(1,265)
Changes in non-cash working capital	20	**150**	(326)	**(774)**	427
Cash used in operating activities		**(872)**	(419)	**(3,660)**	(838)
Investing activities					
Purchase of property, plant and equipment	7	**(18)**	-	**(83)**	(63)
Proceeds on disposal of property, plant and equipment		**-**	-	**-**	
Cash provided by (used in) investing activities		**(18)**	-	**(83)**	(63)
Financing activities					
Advances from short-term notes payable	11, 21	**-**	677	**1,904**	1,983
Repayments of short-term notes payable	11	**-**	-	**-**	-
Advances from long-term notes payable	11, 21	**425**	-	**786**	-
Net proceeds from issuance of shares	13	**-**	-	**992**	-
Cash provided by financing activities		**425**	677	**3,682**	1,983
Effect of foreign currency translation on cash and cash equivalents		**(109)**	(167)	**15**	(902)
Increase in cash and cash equivalents		**(574)**	91	**(46)**	180
Cash and cash equivalents, beginning of period		**722**	224	**194**	135
Cash and cash equivalents, end of period		**148**	315	**148**	315
Supplemental cash flow information					
Interest paid - included in operating activities		**-**	-	**-**	-

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

1. Description of Business

Enablence Technologies Inc. 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 today on data centre and telecommunications infrastructure (namely 5G) end markets. Enablence also 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 preparation

(i) Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis. This assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2022, the Company had cash of $148, negative working capital of $4,577 and had used cash of $3,660 in its operating activities for the nine months ended March 31, 2022. The Company achieved a comprehensive income of $14,898 for the nine months ended March 31, 2022 and as of that date had an accumulated deficit of $145,872. The majority of the income for the nine months ended March 31, 2022 was driven by one-time non-cash gains relating to the modification of the Company's secured debt following a substantial debt modification (Note 11(c)) and as a result of the Company's Recapitalization plan under which the Company issued common shares in settlement of certain debt obligations (Note 10). The Company obtained equity funding, and additional debt financing, from related parties, during the nine months ended March 31, 2022. To date, related parties have provided the Company with debt financing as required and the Company has been able to reply on these related parties for financial support.

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 flow and the ability to execute its business plan, including funding operating losses, continuing financial support from related parties, securing future sources of financing, and completing the Recapitalization. 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 balance sheet classifications would result. These adjustments could be material.

(ii) *Statement of compliance*

The unaudited consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting of the International Financial Reporting Standards* as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods of application as the Company's June 30, 2021, annual audited financial statements. These consolidated interim financial statements do not contain all the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual statements.

(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 May 24, 2022.

(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$"). However, most of the revenues, cost of revenues and operating expenses from significant subsidiaries are denominated in US$. 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 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.

<u>Estimates</u>

Expected Credit Loss ("ECL")

The Company calculates ECLs for trade receivables based on the historical default rates over the expected life of the trade receivable and adjusts for forward-looking estimates, which is determined through the exercise of judgment. The Company's ECL model relies 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.

Useful lives of depreciable assets

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

Inventories

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

Stock-based compensation

The estimation of stock-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the forfeiture rate, the probable life of share options, restricted and performance 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 forfeiture rate, 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.

Judgments

Recognition of deferred income tax assets

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

Accounting for Loan from related parties

Management assesses the likelihood that the terms received on loans from related parties could be replicated in open market, arms-length transactions. If it believes the terms, including the interest rate, offered by the related party are below market, it adjusts the stated fair market value of the loan by discounting the expected cash flows of the loan at what it believes represents a fair market rate. Any difference between the face value of the amount owed and the fair market value are booked into Other Income.

Treatment of Government Loans

Since the start of the COVID-19 pandemic, the Company has received two loans from the U.S. Small Business Administration ("SBA") under the Paycheck Protection Program ("PPP"). The loans are forgivable if the Company meets certain criteria established by the SBA. Once the criteria have been met, the Company records the balance of the government loans into Other Income as it expects the debts to be forgiven by the SBA. To evaluate the likelihood of loan forgiveness, the Company evaluates multiple criteria, including (i) the completion of the PPP forgiveness checklist contained in the loan forgiveness application, and (ii) the ability of the Company to qualify for loan forgiveness from the SBA in the past based on similar circumstances. Once the Company is confident that it has satisfied the criteria, it records the loan amount as Other Income.

Going concern risk assessment

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

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

Impairment

Impairment of assets; The Company uses judgement to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of assets that may not be recoverable.

Functional currency

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

(viii) Impact of COVID-19

The spread of the COVID-19 virus since March 2020 has caused an economic downturn on a global scale, as well as significant volatility in the financial markets. The extent of the pandemic's continued effect on our operational and financial performance will depend in large part on future developments, which cannot be predicted with confidence at this time. While the adverse conditions associated with the pandemic are starting to ease, the ultimate extent of the impact remains unknown and could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the interim financial statements.

3. Significant Accounting Policies

<u>Basis of consolidation</u>

The consolidated financial statements include the accounts of Enablence Technologies Inc. and its subsidiaries. The chart below summarizes the entities included in the consolidated financial statements as at March 31, 2022 and 2021:

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

** Enablence (HK) Limited is the parent company to Suzhou Enablence Optoelectronic 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 from the date that control commences until the date that control ceases.

(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.

<u>*Revenue Recognition*</u>

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

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.

Revenue for both sources is recognized in a manner that depicts the transfer of promised goods to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods, 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 Product and NRE revenue has only one performance obligation which is the transfer of the goods 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. 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 a select group of China-based customers where revenue is recognized when the customer has tested the goods and notified the Company that is 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.

Inventories

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

Income taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

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

Investment tax credits

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

Property, plant and equipment

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

Asset Class	Depreciation Term
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	Lease term

Assets under development are not depreciated until available for use.

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.

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")).

The impairment analysis requires management to estimate the future cash flows expected to arise from operations and to make assumptions regarding economic factors, discount rates, tax rates, and annual growth rates. Actual operating results and the related cash flows could differ from the estimates used for the impairment analysis.

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.

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 judgment is made in establishing these assumptions.

Financial instruments

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

Classification

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

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

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

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.

Equity investments held for trading are classified as FVPTL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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:

Financial Instrument	Classification
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Other receivables (excl. due from government agencies)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable (short-term) and Convertible debentures	Amortized cost
Notes payable (long-term)	FVTPL
Other liabilities	FVOCI

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. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

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.

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. 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.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire noncurrent assets are treated as a reduction of the plant and equipment costs. Other government grants are recognized as other income over the periods necessary to correspond with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in net loss in the period in which they become receivable.

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

Foreign currency translation

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

On November 17, 2021, the Company consolidated its issued and outstanding common shares on a 120:1 basis (Note 13). Comparative information relating to Basic and Diluted EPS has been restated to reflect the share consolidation on a pro-forma basis.

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

New Accounting Policies

During the six-month period ended December 31, 2021, no new standards or policies came into effect that would have had a material effect on the Company's financial position or results of operations.

Future Accounting Policies

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to *IAS 1 – Presentation of Financial Statements*. The amendments clarify the classification of liabilities as current or non-current, and are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has not yet determined the impact of the amendments on its financial position or results of operations.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use

On May 14, 2020, the IASB issued amendments to *IAS 16 – Property, Plant and Equipment*. The amendments prohibit the deduction, from the cost of an item of property, plant or equipment, of any proceeds received from selling items produced while bringing the asset to the location and condition necessary for it to operate. Such proceeds, and the costs associated with producing the items, are recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The Company has not yet determined the impact of the amendments on its financial position or results of operations.

Annual improvements to IFRS Standards 2018 – 2020

In May 2020, the IASB issued narrow-scope amendments to IFRS standards as part of its annual improvement process. The Accounting Standards Board completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

IFRS 9 Financial Instruments

The amendments clarify which fees an entity includes when performing to 10 percent test use to determine whether to derecognize a financial liability. An entity shall include only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or lender on the other's behalf.

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

4. Cash and cash equivalents

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

	March 31, 2022	June 30, 2021
	$	$
Cash	**144**	190
Restricted Cash	**4**	4
	148	194

5. Accounts and other receivables

Trade and other receivables consist of the following:

	March 31, 2022	June 30, 2021
	$	$
Trade	**223**	378
Allowance for expected credit loss	**(88)**	(103)
	135	275
Other	**119**	152
	254	427

Included in other receivables is an amount of $16 (June 30, 2021 - $56) related to investment tax credits receivable and $88 (June 30, 2021 - $81) of amounts due from government agencies.

The age of trade accounts receivable is summarized as follows:

	March 31, 2022	June 30, 2021
	$	$
Current or under 60 days	**150**	305
Past due 61 to 90 days	**-**	-
Past due more than 90 days	**73**	73
	223	378

Note 17 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.

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

6. Inventories

	March 31, 2022	June 30, 2021
	$	$
Raw materials	**57**	134
Work-in-progress	**249**	239
Finished goods	**-**	-
Allowance for obsolescence	**-**	(72)
	306	301

During the nine months ended March 31, 2022, management performed a review of inventory for obsolescence. As a result of management's review of inventory for obsolescence, $29 (June 30, 2021 - $5) of obsolete and impaired inventory was provided for through cost of sales. A continuity of the provision is presented below:

	March 31, 2022	June 30, 2021
	$	$
Opening balance	**72**	67
Write-off of unrealizable inventory	**(72)**	-
Additional impairment provision recorded	**-**	5
Closing balance	**-**	72

The amount of inventory recognized as cost of revenues for the nine months ended March 31, 2022 was $558 (nine months ended March 31, 2021 - $670).

7. Property, plant and equipment

Depreciation expense for the nine months ended March 31, 2022 of $104 (nine months ended March 31, 2021 - $117) was allocated in the consolidated statements of net income (loss) as follows: $97 (nine months ended March 31, 2021 - $103) in cost of revenues; $3 (nine months ended March 31, 2021 - $3) in general and administration; and $4 (nine months ended March 31, 2021 - $11) in research and development.

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is a royalty amount payable of $307 (June 30, 2021 - $309) relating to royalty-bearing government funding received for approved research and development projects, of which $Nil was paid during the nine months ended March 31, 2022. 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. The Company has discontinued the production of all products relating to this funding and has requested forgiveness on the remaining amount from the funding organization.

On December 6, 2021, the Company completed its Recapitalization plan under which certain creditors of the Company received common shares and share purchase warrants of the Company in full satisfaction of amounts owing to them by Company (Note 10). Under the Recapitalization plan, the Company issued, in aggregate, 449 shares and 10 share purchase warrants for total consideration of $527. The difference between the carrying value of the accounts payable and accrued liabilities at the closing date of $1,088 and the value of shares and warrants being issued at that time of $561 was recognized as a gain to the Company and was included in Gain on recapitalization for the current quarter

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

9. 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.

	Nine Months ended March 31, 2022	Twelve months ended June 30, 2021
	$	$
Balance, beginning of year	**222**	234
New contract additions in year	**36**	238
Revenue recognized in year - from opening balance	**(41)**	(63)
Revenue recognized in year - from current year additions	**-**	(187)
Balance, end of year	**217**	222

10. Recapitalization

On December 6, 2021, the Company completed its previously disclosed Recapitalization under which certain of the Company's debts were fully satisfied in exchange for common shares and share purchase warrants of the Company. All common share figures and share prices below are disclosed on a post-consolidation basis of 120:1.

(a) Notes payable, convertible debentures, and trade liabilities

Holders of the Company's notes payable, convertible debentures, and certain trade liabilities agreed to settle their debts in exchange for common shares of the Company on the basis of either (i) an exchange of 100% of the debt owed for common shares of the Company at a deemed price of C$3.00 per share, being the closing price of the common shares on the TSXV as of August 20, 2021, or (ii) an exchange of 100% of the debt owed, at a discount of 20% to such amount owed, in exchange for units of the Company at a deemed price of C$3.00 per unit, with each unit containing one common share and 1/5 of a share purchase warrant (the "Debt Settlement Offer"). Each full share purchase warrant will allow the holder of such warrant to purchase one common share of the Company for up to three years following closing of the Recapitalization at a price of C$3.60 per share.

(b) Shares to be issued

Under the Recapitalization plan, the Company issued common shares in exchange for satisfaction of the amount owing by the Company related to finance and advisory fees, under terms as described in (a), above. See Note 1 for additional information regarding Shares to be issued.

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

(c) Common share consolidation

As part of the Recapitalization, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for every 120 pre-consolidation common shares. See note 13 for additional information on the share consolidation.

(d) Transaction costs

The Company incurred transaction costs totaling $1,515 in connection with the Recapitalization plan. Of that amount, $782 related to advisory fees paid to a related party (Note 21)

Under the terms of the Recapitalization plan, the total number of shares and share purchase warrants issued to debt holders were as follows:

	Face value of liability settled for shares	Number of common shares issued	Number of warrants issued
	$		
Notes payable (Note 11)	21,948	7,918	997
Convertible debentures (Note 12)	9,003	3,009	571
Accounts payable and accrued liabilities (Note 8)	1,088	449	10
	32,038	11,376	1,578
Shares to be issued (Note 13)	2,655	1,170	-
	34,693	12,546	1,578

The composition of the gain on settlement of debt as reported in the statements of comprehensive income (loss) (as Gain on Recapitalization) and changes in shareholders' deficiency for the nine months ending March 31, 2022 is as follows:

	Value of shares issued	Value of share purchase warrants issued	Gain on exchange - included in comprehensive income	Gain on exchange - included in contributed surplus
	$	$	$	
Notes payable (Note 11)	9,287	51	12,610	
Convertible debentures (Note 12)	3,528	30	5,445	
Accounts payable and accrued liabilities (Note 8)	527	-	561	
Transaction and associated costs (Note 21)			(1,283)	
	13,342	81	17,332	
Shares to be issued (Note 13)	1,320	-	-	1,335
	14,662	81	17,332	1,335

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

11. Notes payable

	March 31, 2022	June 30, 2021
	$	$
Short-term loans (a)	**-**	20,248
Short-term RBC loans (b)	**96**	97
Loan from EDC/Vortex (c)	**5,219**	5,625
Loan from Irixi (d)	**413**	385
	5,728	26,355
Less current portion	**509**	26,355
Long-term portion	**5,219**	-

a) During the nine months ended March 31, 2022, the Company obtained 10% interest bearing unsecured short-term loans in the amounts of $1,904 (year ended June 30, 2021 - $2,615) of which $1,904 (year ended June 30, 2021 - $Nil) was from related parties (Note 21). These short-term loans were repayable on demand. Of these unsecured short-term loans, $465 were included as part of the amended and restated secured loan agreement with Vortex ENA LP ("Vortex LP") which was completed on December 31, 2021 (Note 11(c)). The remaining short-term loans were exchanged for common shares of the Company as part of the Recapitalization (Note 10).

As at March 31, 2022, a total amount of $Nil (June 30, 2021 - $20,248) remains owing on these loans which includes $Nil (June 30, 2021 - $2,808) of accrued interest and $Nil (June 30, 2021 - $125) of accrued fees. During the three and nine months ended March 31, 2022, $Nil and $840, respectively, of interest was accrued (three and nine months ended March 31, 2021 - $328 and $946, respectively).

During the three and nine months ended March 31, 2022, the Company accrued net commissions included in finance expense of $Nil and $6, respectively (three and nine months ended March 31, 2021 - $43 and $116, respectively) on these loans (Note 13).

On August 20, 2021, the Company announced the Recapitalization to improve the financial liquidity of the Company and raise cash needed to support future business operations. The Recapitalization was completed on December 6, 2021 (Note 10). As part of the Recapitalization, all the holders of short-term loans under this section (a), except for the $465 advanced by Vortex LP as noted above, agreed as at December 6, 2021 to settle their debts under the terms of the Recapitalization plan. The holders of the short-term loan, in aggregate, received 7,918 common shares and warrants to purchase 997 common shares of the Company for aggregate consideration of $9,338 based on the Company's closing share price on December 6, 2021. The difference between the carrying value of the loans as at the closing date of $21,948 and the value of shares being issued at that time of $12,610 was recognized as a gain to the Company and was included in Gain on recapitalization for the current period.

b) In April 2020, the Company received $29 from the Royal Bank of Canada ("RBC") as an interest-free loan to cover operating costs. In August 2020, the Company received another RBC loan in the amount of $31, and in January 2021 the Company received an aggregate of $32 in additional RBC loans. As at March 31, 2022, the RBC loan balance is $96 (June 30, 2021 - $97). The loans bear no interest prior to December 31, 2022 and no principal payments are due prior to December 31, 2022. Principal repayments can be voluntarily made at any time without fee or penalties. Up to $32 loan forgiveness is available, provided the remainder is repaid in full prior to December 31, 2022. Balances not paid by December 31, 2022 will be converted to a 3-year term loan at 5% annual interest rate, with interest paid monthly beginning January 1, 2023. The balance of the loan, must be paid in full no later than December 31, 2025. The Company plans to repay the loan balance on or before December 31, 2022.

c) In March 2016, the Company closed a secured term loan facility with Export Development Canada ("EDC") of C$3 million which was subsequently increased to C$5 million in August 2016. The loan facility was designed to finance up to 85% of the value of purchase orders from a major telecommunications equipment provider, ZTE (HK) Limited, a strategic investor and common shareholder in the Company. The loan facility was available in the form of a term loan for a period of 18 months from the date of the initial draw down which was in March 2016. Repayment of principal was to commence 18 months after the first draw on the loan and be repaid in 17 equal monthly instalments. Interest was payable monthly at an annual rate of prime plus 10% resulting in a rate of 12.45% per annum as at March 31, 2021 (June 30, 2021 - 12.45%). The loan was secured against all the assets of the Company and was guaranteed by the Company's subsidiaries.

On August 20, 2021, the Company received notification from EDC that the loan was sold to Vortex ENA LP (a related party). The Company entered into a fifth amendment to the loan agreement with Vortex LP on September 3, 2021, which resulted in the following changes: interest rate was lowered to a fixed rate of 7.5% per annum on a go-forward basis; interest can be accrued for the first 24 monthly payment periods after the amendment date, with interest payable in cash thereafter; no required payments of principal during the life of the loan and; an extended maturity date of September 3, 2025, with the Company having one option to extend the maturity date for an additional six months (collectively, the "Secured Loan Amendments"). In addition, all prior events of default were temporarily waived by Vortex LP, provided that the Company was able to complete the Recapitalization by December 31, 2021. If the Company failed to complete the Recapitalization by that date, then all amounts would have been immediately due.

As these Secured Loan Amendments meet the criteria for a significant modification of the loan under the terms of IAS 9 – Financial Instruments, the Company recognized a gain in the nine months ended March 31, 2022 relating to the restatement of the fair market value of the loan in its financial statements. The Company utilized an estimated fair market interest rate of 20% per annum in computing the fair value of the loan as of the September 3, 2021 amendment date, as management believes that this more closely approximates the interest rate that would be charged by an arms-length third party lender for similar secured debt in an open market situation. As a result of the restatement, the Company recognized a gain to Gain on modification of debt of $2,181 for the three and nine months ended March 31, 2022. Following the amendment date, interest will be accreted to the loan balance based on the 20% per annum fair market interest rate.

During the three and nine months ended March 31, 2022, the Company made principal payments on the loan in the amount of $Nil (nine months ended March 31, 2021 - $Nil), accrued interest of $194 and $427, respectively (three and nine months ended March 31, 2021 - $55 and $485, respectively), recorded accretion to interest expense of $88 and $217, respectively (three and nine months ended March 31, 2021 - $Nil), and incurred fees relating to the loan of $Nil and $89, respectively (nine months ended March 31, 2021 - $Nil) which are included in Finance expense.

On December 31, 2021, the Company and Vortex LP amended the secured loan agreement by way of a full amended and restated secured loan agreement. Under the terms of the amended and restated agreement, the $636 previously advanced by Vortex LP during the period ending December 31, 2021 outside of the short-term promissory notes and the $465 advanced under the terms of the short-term promissory notes, were included in the secured loan. In addition, the loan maturity was extended to December 31, 2025 (from September 3, 2025) and the interest free period was extended to December 31, 2023 (from September 3, 2023). The Company has determined under IFRS 9 *Financial Instruments*, that this amendment and restatement of the secured loan with Vortex did not meet the tests for substantial modification and as a result, the net present value of the changes to the future contractual cash flows of $135 was recognized in Other income for the three- and nine-month periods ended March 31, 2022, and the adjusted carrying amount will be amortized over the remaining term of the secured loan using the original effective interest rate of 20% per annum, as described above.

During the three and nine months ended March 31, 2022, Vortex advanced to the Company $317 and $680, respectively (three and nine months ended March 31, 2021 - $Nil) under the terms of the amended and restated loan agreement. As at March 31, 2022, the balance owing on the Vortex LP term facility is $5,219 (June 30, 2021 - $5,625), inclusive of interest and fees.

d) On May 31, 2019, Enablence and Irixi Holdings Ltd. ("Irixi") signed an Asset Transfer Agreement which resulted in Suzhou Enablence Optoelectronic Technologies Co. Ltd. ("Enablence Suzhou") selling the majority of its assets and liabilities to Irixi including $94 of fixed assets, $173 of leasehold improvements, $47 of inventory as well as the transfer of all of the employee contracts, less Enablence Suzhou costs of $60 owed by Irixi to Enablence. As part of this agreement, Enablence USA Components Inc. ("Enablence USA") also sold certain fixed assets to Irixi amounting to $86. Under the Asset Transfer Agreement, Enablence and Irixi agreed that the consideration due to Enablence from Irixi from this transaction would be offset against certain debts owing to Irixi by Enablence of $720. The net remaining amount due to Irixi of $260 is treated as a note payable with annual interest accruing at 7.5%, with the interest and principal amount due on May 31, 2022. During the three and nine months ended March 31, 2022, a total of $7 and $28, respectively (three and nine months ended March 31, 2021 - $6 and $17 respectively) of interest has been accrued and the amount owing on the note payable is $413 (June 30, 2021 - $385).

12. Convertible debentures

On June 30, 2017, the Company issued a total of $5,780 (C$7,500) of unsecured convertible debentures (the "Debentures") of which $4,624 of the Debentures were issued through a private placement for cash, and $1,156 were issued as a result of a debt settlement agreement to settle outstanding short-term loans received by the Company during the year ended June 30, 2017. The Debentures bear interest at a rate of 10% per annum, are payable quarterly commencing on September 30, 2017, and are convertible, at the option of their holder, into common shares of the Company (the "Shares") at a price of C$9.60 per Share. The Debentures had an initial maturity date of June 30, 2020.

On June 30, 2020, the Company entered into an amending agreement with all of the holders of its Debentures to extend the original maturity date from June 30, 2020 to December 31, 2020. Other than the extension of the Debentures' maturity date, the other terms of the Debentures remained unchanged. On December 31, 2020, the Company's convertible debentures became due in full, along with accrued and unpaid interest.

On December 6, 2021, all holders of convertible debts agreed to settle their debts, including accrued and unpaid interest as part of the Recapitalization (Note 10). The convertible debenture holders agreed to receive, in aggregate, 3,009 common shares and 571 warrants to purchase common shares representing total consideration of $3,558, based on the Company's closing share price on December 6, 2021. The difference between the carrying value of the convertible debentures at the closing date of $9,003 and the value of shares being issued at that time of $5,445 was recognized as a gain to the Company and was included in Gain on recapitalization for the current quarter.

During the three and nine months ended March 31, 2022, the Company recorded accretion to interest expense of $Nil and $389 respectively (three and nine months ended March 31, 2021 - $264 and $653 respectively) and accrued $Nil and $130 of arrears interest (three and nine months ended March 31, 2021 - $61 and $163 respectively). Of the $3,058 (June 30, 2021 - $2,917) interest accrued since June 30, 2017, $81 (June 30, 2021 - $81) had been paid and the unpaid balance of $2,979 (June 30, 2021 - $2,836) was included in accrued interest. The unpaid accrued interest outstanding was settled as part of the Recapitalization.

As at March 31, 2022, the total convertible debenture liability is $Nil (June 30, 2021 - $8,887), including accrued and unpaid interest of $Nil (June 30, 2021 - $2,836).

13. 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; 18,590 (June 30, 2021 – 5,349) common shares issued and outstanding

Share consolidation

On November 17, 2021, the Company consolidated the number of issued and outstanding common shares on the basis of one post-consolidation common share for every 120 pre-consolidation common shares. No fractional post-consolidation common shares were issued, and no cash was paid in lieu of post-consolidation common shares. In the case of fractional common shares resulting from the consolidation, such fractions of a share were rounded down to the nearest whole common share.

All common share information in the financial statements and comparatives have been adjusted to reflect the 120:1 effect of consolidation, without a corresponding change in dollar amounts. Earnings per share has been adjusted to reflect the impact of the share consolidation.

Private Placement of common shares

On December 21, 2021, the Company completed a private placement of common shares, issuing 694 common shares at a price of CAD$1.80 for aggregate proceeds of $992. The Company incurred no underwriter or advisory fees in connection with this private placement.

Equity incentive plan

Effective as of October 26, 2021, the shareholders of the Company approved a new omnibus equity incentive plan that authorizes the Board to make awards of up to 2,750 common share equivalents, subject to a maximum limit of 20% of the common shares of the Company outstanding at that time. The Board may award (*i*) stock options; (*ii*) restricted and performance share units (RSUs and PSUs); and (*iii*) deferred share units (DSUs) to directors, officers, employees, and consultants.

At March 31, 2022, the available common share equivalents pool was 712 (June 30, 2021 – 459). At March 31, 2022 outstanding options totaled 745 (June 30, 2021 – 76), outstanding RSUs totaled 681 (June 30, 2021 – nil), and outstanding DSUs totaled 612 (June 30, 2021 – nil).

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 four equal annual portions starting one year after the date of grant. Options granted to directors vest over a two-year period. All 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. During the six months ending

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

During nine months ending March 31, 2022, the Company issued RSUs and DSUs to certain employees and directors under the terms of its Equity Incentive Plan.

Subject to certain vesting and other conditions and provisions, each RSU awarded entitles the recipient to receive, on settlement, a cash payout equal to the market value of a common share, or, at the discretion of the Board, one common share of the Company or any combination of cash and shares as the Board in its sole discretion 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. During the nine months ending March 31, 2022, the Company granted to employees 931 RSUs (681 expiring December 31, 2024 and 250 expiring March 21, 2025) of which 333 vested immediately and 598 vest in equal amounts over a three-year period.

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

Vested DSUs shall be redeemed and settled as soon as reasonably practicable following the recipient's termination date, but in any event not later than December 15th following the first (1st) calendar year commencing immediately after the recipient's date of termination. DSUs are valued at the date of grant and the amount of expense relating to DSUs is credited to Other liabilities in the period in which it is incurred. Under IFRS 13 – *Fair Value Measurement,* DSUs outstanding and not yet redeemed and settled are considered financial instruments and are valued using the market approach (Level 1 inputs) since the most reliable evidence of fair value of this liability is the quoted price of the Company's common shares which trade on the TSX-V. The change in the carrying value of the DSUs liability as at the end of each reporting period end is included as Fair value change in financial instruments in other comprehensive income (loss) for that period. During the three and nine months ended March 31, 2022, a gain of $42 was included as Fair value change in financial instruments in other comprehensive income (three and nine months ended March 31, 2021 - $Nil).

Total stock-based compensation expense during the three and nine months ended March 31, 2022 relating to current and prior year grants was $40 and $943 respectively (three and nine months ended March 31, 2021 - $1 and $3) of which $17 and $23 relates to stock options (three and nine months March 31, 2022, respectively; three and nine months ended March 31, 2021– $1 and $2, respectively), $23 and $418 relates to RSUs grants (three and nine months March 31, 2022, respectively; three and nine months ended March 31, 2021 – $Nil), and $ Nil and $502 (three and nine months March 31, 2022; three and nine months ended March 31, 2021 – Nil), relates to grants of DSUs. For the three and nine months ended March 31, 2022, respectively, of the total stock-based compensation expense, 100% and 47% (three and nine months ended March 31, 2021 – 100%) was attributable to general and administrative personnel and Nil% and 53% (three and nine months ended March 31, 2021 – 0%) relates to members of the Company's Board.

As at March 31, 2022, $460 of stock-based compensation expense related to DSUs is included in Other liabilities (nine months ended March 31, 2021 – $Nil) and $446 related to stock option and RSUs expense is included in contributed surplus (nine months ended March 31, 2021 – $3).

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

Warrants

As part of the Recapitalization, the Company issued 1,578 share purchase warrants. Each full share purchase warrant allows the holder of such warrant to purchase one common share of the Company at a price of C$3.60 per common share and expires on December 6, 2024. The value attached to the share purchase warrants issued during the nine months ended March 31, 2022 was $81 (nine months ended March 31, 2021 - $Nil).

Shares to be Issued

The Company entered into an engagement letter on July 26, 2017 with Paradigm Capital Holdings Inc. ("Paradigm"), an entity deemed to be a related party as a result of the Recapitalization (Notes 11 and 20), for exclusive financial and capital markets advisory services. The agreement was subsequently amended on September 10, 2020. Under the terms of the agreement, the Company can satisfy the amounts owed (exclusive of tax) to Paradigm through the issuance of common shares of the Company, upon approval of the TSX Venture Exchange. During the three and nine months ended March 31, 2022, the Company incurred $Nil (three and nine months ended March 31, 2021 - $39 and $320, respectively) of commissions, advisory fees and related expenses related to services provided by Paradigm.

As part of the Recapitalization plan, the Company issued 1,170 common shares for aggregate consideration of $1,320 based on the Company's closing share price on December 6, 2021 in exchange for $2,655 of the total amount owing of $2,814 (June 30, 2021 – $2,814) (Note 10). The difference between the carrying value of the amount owing as at the closing date and the value of shares being issued at that time of $1,335, net of tax, was recognized in contributed surplus during the current quarter.

The amount owing to Paradigm and shown in Shares to be issued was satisfied in full under the terms of the Recapitalization (Note 10).

As at March 31, 2022, the total dollar value of the shares to be issued related to the above fees is $Nil (June 30, 2021 - $2,655). The amount of taxes payable in cash related to past financial and advisory services of $157 (June 30, 2021 - $158) are shown in Accounts payable and accrued liabilities.

14. Income taxes

	For the nine months ended	
	March 31, 2021	March 31, 2020
	$	$
Income tax expense	**3,457**	-
Recovery of unbooked losses carryforward	**(3,457)**	-
	-	-

Income tax expense is recognized based on management's best estimate of the average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The income tax rate for each of the three and nine months ended March 31, 2022 was 25%.

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

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:

	Three months ended March 31		Nine months ended March 31	
	2022	2021	**2022**	2021
Cost of revenues				
Materials/components	102	247	426	670
Labour	240	280	729	862
Inventory write downs/provision	(2)	-	29	-
Equipment and Freight	-	-	-	-
Allocation of overhead	148	153	487	537
Depreciation - COGS	33	34	97	103
Total	521	714	1,768	2,171
Research & Development				
Staff compensation	381	407	1,031	1,101
Travel	-	-	-	-
Contractors	(9)	(25)	(39)	(52)
Materials/supplies	15	5	31	26
Depreciation	1	4	5	11
Rent/Utilities	7	6	20	25
Total	396	397	1,048	1,110
Sales & Marketing				
Staff compensation	57	60	165	168
Travel	-	-	-	0
Trade shows	-	-	-	-
Materials/supplies/other	7	8	22	25
Rent/Utilities	1	1	3	3
Total	65	69	190	196
General & Administrative				
Staff compensation	186	181	605	520
Rent/Utilities	230	234	732	771
Taxes (Property tax/Use tax)	24	22	60	53
Insurance	29	12	86	40
HR management fee	5	5	14	14
Phone & Internet	7	10	19	28
Travel	11	-	20	-
Professional fees	152	126	480	550
Bad Debt expense	(14)	(16)	(15)	(48)
Other	34	18	139	70
Depreciation	1	1	3	3
G&A Allocation (Rent/utilities)	(156)	(160)	(509)	(564)
Total	509	431	1,634	1,437

16. Income/(Loss) per share

During the nine months ending March 31, 2022, the Company issued RSUs and DSUs to certain employees and directors under the terms of its Equity Incentive Plan (Note 13). At the discretion of the Board, RSUs and DSUs may be redeemed and settled, all or in portion, in shares issued from treasury. As of March 31, 2022, 1,293 potentially dilutive shares from the redemption and settlement of RSUs and DSUs (March 31, 2021 – nil) have been included in the calculation of net income/(loss) per share – diluted.

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

The potential effect of the exercise of stock options, warrants, and convertible debentures are anti-dilutive as all stock options, warrants, and convertible debenture conversion rights are out-of-the-money based on the Company's last reported share price; therefore, as of March 31, 2022, 745 potentially dilutive shares from the exercise of stock options (March 31, 2021 – 858 from exercise of stock options and convertible debentures) have not been included in the calculation of net income/(loss) per share – diluted.

17. 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:

	March 31, 2022	June 30, 2021
	$	$
Assets - based on amortized cost	**298**	484
Liabilities - based on amortized cost	**5,298**	40,908
Liabilities - based on FVTPL	**5,219**	-
Liabilities - based on FVOCI	**460**	-

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, current portion of notes payable, and convertible debentures.

Liabilities – based on FVTPL includes Notes payable.

Liabilities – based on FVOCI includes Other liabilities.

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 the convertible debentures and the RBC Loans are equal to their carrying values, as all of these amounts are either current liabilities and repayable on demand or carry a fixed interest rate. The Vortex LP loan is carried at fair value, as the value of this loan can change if the risk profile of the Company changes, or if lending (bond) rates for companies with risk profiles comparable to that of the Company change. The fair value of the Deferred share units, which are disclosed as Other liabilities in Company's statements of financial position, is based on the market value of the Company's common shares as at the end of each reporting period. A change in the value of Deferred share units is charged to Fair value change in financial instruments in the statement of comprehensive income (loss) during the period in which it occurs.

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 $298 (June 30, 2021 - $484). 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 March 31, 2022. 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 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 statement net loss.

A certain portion of the Company's sales were to a limited number of customers and consequently the Company is exposed to a concentration of credit risk. 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 March 31, 2022, one customer accounted for more than 10% of the trade receivable, totaling $75, (June 30, 2021 – four customers, $276), which is approximately 50% (June 30, 2021 – 90%) of the trade receivable total, net of the specific customer allowance for Customer A described below. The Company has taken an expected credit loss of $8 (June 30, 2021 - $28) against these over 10% customers.

In the year ended June 30, 2021, the Company determined that it is not likely that it will recover any amounts receivable from one customer ("Customer A") with a receivable that is greater than 90 days old. As such, the Company has taken a specific 100% provision for the amounts owed by Customer A as shown in the chart on the following page. In aggregate, as of March 31, 2022, it was determined that an expected credit loss of $88 (June 30, 2021 - $104) was required:

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

As at March 31, 2022	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	150	-	-	73	223
Lifetime Expected Credit Loss	15	-	-	-	15
Specific Impairment Allowance - Customer A	-	-	-	73	73
Total Expected Credit Loss	15	-	-	73	88

As at June 30, 2021	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	305	-	-	-	305
Lifetime Expected Credit Loss	31	-	-	-	31
Specific Impairment Allowance - Customer A	-	-	-	73	73
Total Expected Credit Loss	31	-	-	73	104

The closing balance of trade receivables loss allowance as at March 31, 2022 reconciles with the trade receivables loss allowance as at June 30, 2021 as follows:

	$
Loss Allowance June 30, 2021	104
Plus: Increased (decreased) allowance on trade receivables	(16)
Less: Write-offs of trade receivables	-
Loss Allowance March 31, 2022	88

Interest rate risk

The Company manages interest rate risk by negotiating fixed rate interest rates on loans when possible. As at March 31, 2022, the Company is not exposed to interest rate risk as 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 nine months ended March 31, 2022 (nine months ended March 31, 2021 - $38). Prior to the loan amendment dated September 3, 2021, the Vortex LP loan interest was based on a variable interest rate and was subject to interest rate risk. 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, Hong Kong and Canada and is, therefore, subject to foreign currency risk. Enablence 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.

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

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

Nine Months Ended March 31, 2022		Nine Months Ended March 31, 2021	
Net income (loss)	**OCI**	Net income (loss)	OCI
1,570	**107**	(266)	(265)

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

Nine Months Ended March 31, 2022		Nine Months Ended March 31, 2021	
Net income (loss)	**OCI**	Net income (loss)	OCI
(66)	**1**	21	5

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and cash equivalents. 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.

The Company operated under a temporary waiver of defaults from Vortex LP until the Company entered into an amended and restated secured loan agreement with Vortex LP on December 31, 2021, at which the previous defaults were permanently waived (Note 12(c)).

In addition, the Company had been in breach of its agreement with the convertible debt holders as the loans were past their maturity date of December 31, 2020. The convertible debt holders exchanged their debts for common shares in the Company as part of the Recapitalization (Note 13).

At March 31, 2022 and June 30, 2021, the Company has financial liabilities which are due as follows:

	Current		**Non-Current**		
As at March 31, 2022	**within 6 months**	**6 to 12 months**	**1 to 5 years**	**5+ years**	**Total**
	$	$	$		$
Accounts payable and accrued liabilities	4,789	-	-	-	4,789
Notes payable	509	-	5,219	-	5,728
Convertible debentures	-	-	-	-	-
Total	5,298	-	5,219	-	10,517

	Current		**Non-Current**		
As at June 30, 2021	**within 6 months**	**6 to 12 months**	**1 to 5 years**	**5+ years**	**Total**
	$	$	$		$
Accounts payable and accrued liabilities	5,666	-	-	-	5,666
Notes payable	25,970	386	-	-	26,355
Convertible debentures	8,887	-	-	-	8,887
Total	40,523	386	-	-	40,908

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

18. 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.

19. Segmented Information

The Company operates in one segment, Optical Components.

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

	March 31, 2022	June 30, 2021
	$	$
United States	**276**	298
Canada	**-**	
	276	298

Revenue is analyzed geographically as follows:

	For The Three Months Ended			For The Nine Months Ended	
	March 31, 2022		March 31, 2021	**March 31, 2022**	March 31, 2021
	$		$	**$**	$
Americas	**207**	-	333	**1,006**	596
Europe, Middle East, Africa	**-**	-	-	**-**	114
Asia Pacific	**235**	-	366	**433**	1,212
	442		699	**1,439**	1,922

During the nine months ended March 31, 2022, ten customers accounted for 90% of the Company's total revenue (nine months ended March 31, 2021– nine, 90%).

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.

	For The Three Months Ended		For The Nine Months Ended	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
	$	$	**$**	$
Product	**373**	331	**1,027**	1,304
NRE	**69**	352	**412**	618
	442	683	**1,439**	1,922

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

20. Supplemental Disclosures of Cash Flow Information

Net change in non-cash operating working capital items:

	For The Nine Months Ended	
	March 31, 2022	March 31, 2021
	$	$
Net inflow (outflow) of cash:		
Accounts receivable and other receivables	**173**	223
Inventories	**(5)**	18
Prepaid expenses and deposits	**(60)**	(82)
Accounts payable and accrued liabilities	**(877)**	322
Contract Liabilities	**(5)**	(54)
	(773)	427

21. Related Party Transactions

Vortex Entities

Vortex ENA LP ("Vortex LP") is a related party as a result of its general partner being controlled by an affiliate of Paradigm Capital Inc., a company for which a Director of Enablence sits on the advisory board. In addition, a Director of the Company is a minority investor in Vortex ENA LP. As at March 31, 2022, the following group of joint actors holding common shares of the Company are collectively deemed to be control persons as they own over 20% of the common shares of the Company ("Vortex Entities"):

- Vortex ENA LP ("Vortex"), which owns 1,270 shares
- Paradigm Capital Inc. ("PCI"), which owns 1,170 shares
- Paradigm Capital Partners Limited ("PCPL"), which owns 94 shares
- A director of PCI and PCPL owns 1,938 shares and 332 share purchase warrants

The following transactions took place between Enablence and the Vortex Entities in the nine months ended March 31, 2022 and March 31, 2021:

- Vortex LP advanced $1,904 under short-term notes payable to the Company (six months ended December 31, 2020 - $Nil from Vortex LP). Vortex LP also acquired $1,485 in short-term notes payable of the Company from existing holders in exchange for units of Vortex LP, including a portion acquired from a Director of the Company. On December 6, 2021, Vortex LP exchanged short-term notes payable totaling $3,538 for 1,270 common shares under the terms of the Recapitalization plan. On December 31, 2021, Vortex LP transferred $465 of the amounts it had advanced under short-term notes payable during the six months ending December 31, 2021 to the secured loan (Note 11(c)). Interest on short-term notes payable held by Vortex LP for the three and nine months ended March 31, 2022 totaled $Nil and $101 respectively (three and nine months ended March 31, 2021 - $Nil to Vortex LP).
- During the three and nine months ended March 31, 2022, Vortex Entities made additional unsecured advances to the Company of $636 (three and nine months ended March 31, 2021 - $Nil from Vortex LP) outside of the terms of the short-term notes payable described in Note 11(a); such amounts had no fixed repayment

terms and carried no interest rate. These amounts were transferred to the secured loan agreement on December 31, 2021, as described below.

- During the period ending March 31, 2022, Vortex LP acquired the secured loan previously held by EDC and entered into a secured loan agreement with the Company on September 3, 2021 (Note 11(c)). On December 31, 2021, the Company and Vortex LP amended the secured loan agreement by way of a full amended and restated secured loan agreement. Under the terms of the amended and restated agreement, $636 previously advanced by Vortex LP during the period ending December 31, 2021 outside of the short-term notes payable and $465 advanced under the terms of the short-term notes payable, were included in the secured loan. In addition, the loan maturity was extended to December 31, 2025 (from September 3, 2025) and the interest free period was extended to December 31, 2023 (from September 3, 2023). During the three and nine months ended March 31, 2022, Vortex advanced to the Company $317 and $680, respectively (three and nine months ended March 31, 2021 - $Nil) under the terms of the amended and restated loan agreement. Vortex advanced to the Company an additional $760 under the terms and conditions of the agreement (Note 22).

  As at March 31, 2022, the balance owing on the Vortex LP term facility is $5,219 (June 30, 2021 - $nil to Vortex LP), inclusive of interest and fees (Note 11(c)).
- PCI earned commissions and advisory fees relating to financing transactions of $Nil during the nine months ended March 31, 2022 (nine months ended March 31, 2021 - $267). PCI was owed $2,655 relating to past commissions that were expected to be paid in common shares of the Company (June 30, 2021 - $2,655), subject to TSXV approval (Note 13). On December 6, 2021, the Company settled the amounts owing, exclusive of taxes, in exchange for common shares of the Company as part of the Recapitalization (Notes 10 and 13). As at March 31, 2022, $157 for taxes related to the commissions and advisory fees are recorded in the Company's Accounts payable and accrued liabilities (June 30, 2021 - $158).
- On December 6, 2021, a director of PCI exchanged $3,201 owed to him under short-term notes payable for 1,058 common shares and 212 share purchase warrants under the terms of the Recapitalization plan. Interest of $Nil and $108 was incurred on these short-term notes payable in the three and nine months ended March 31, 2022 respectively (three and nine months ended March 31, 2021 - $61 and $185, respectively). Prior to completion of the Recapitalization plan, $966 of notes were transferred to Vortex LP in the six months ended December 31, 2021, as referenced above. As at March 31, 2022, the amount due to this Director under the short-term notes payable was $Nil (June 30, 2021 - $3,909).
- On December 6, 2021, a Director of PCI exchanged $1,836 owed to him by the Company under the convertible debentures for 603 common shares and 121 share purchase warrants under the terms of the Recapitalization plan. Interest of $Nil and $61 was respectively incurred on these convertible debentures in the three and nine months ended March 31, 2022 (three and nine months ended March 31, 2021 – $ 32 and $91 respectively). The amount due to the Director of PCI as at March 31, 2022 was $Nil (June 30, 2021 - $1,671).

Private Investor

As a result of the Recapitalization on December 6, 2021, a private investor and his affiliates ("the Investor") became control persons as they own over 20% of the common shares of the Company. As at March 31, 2022, the Investor owns 5,915 common shares and 1,114 share purchase warrants.

The following transactions took place between Enablence and the Investor in the nine months ended March 31, 2022 and March 31, 2021.

- Under the terms of the Recapitalization plan, the Investor exchanged $9,928 owed to him by the Company under short-term notes payable in exchange for 3,322 common shares and 664 share purchase warrants. Interest of $Nil and $248 was accrued on the notes payable due to the Investor in the three and nine months ending March 31, 2022 respectively (three and nine months ending March 31, 2022 -$141 and $428 respectively). As at March 31, 2022, the amount owing to Investor under the short-term notes payable was $Nil (June 30, 2021 - $9,680).
- Under the terms of the Recapitalization plan, the Investor exchanged $6,776 of the Company's convertible debentures held by him in exchange for 2,250 common shares and 450 share purchase warrants. Interest of $Nil and $229, respectively, was accrued on the convertible debentures due to the Investor in the three and nine months ending March 31, 2022 (three and nine months ending March 31, 2021 - $121 and $341 respectively). As at March 31, 2022, the amount owing to the Investor under the short-term notes payable was $Nil (June 30, 2021 - $6,554).
- Under the terms of the Recapitalization plan, the Investor exchanged $23 in accounts payable owed to him by the Company for 10 common shares of the Company. As of March 31, 2022, the amount due to the Investor as accounts payable and accrued liabilities was $Nil (June 30, 2021 - $Nil).
- During the period ended March 31, 2022, the Investor provided consulting and advisory services to the Company in connection with the Recapitalization plan for fees of $789, which was included as transaction and additional costs in Gain on recapitalization (Note 10). The Company issued 333 common shares in full satisfaction of the fees.

Other Related Party Transactions

Interest totaling $Nil and $23, respectively, was accrued for the three and nine months ended March 31, 2022 on short-term notes payable previously provided by Directors and officers of the Company (three and nine months ended March 31, 2021 - $13 and $39 respectively). On December 6, 2021, the Company settled the full amounts of short-term notes payable owing to Directors and officers of $ 637 in exchange for 330 common shares of the Company as part of the Recapitalization. The amount owed to Directors and officers under short-term notes payable as of March 31, 2022 is $Nil (June 30, 2021 - $712); note that $118 of notes were transferred to Vortex LP, prior to the Recapitalization, in the six months ended December 31, 2021, as referenced above.

A Director of the Company held certain amounts of the convertible debentures owed by the Company that were settled as part of the Recapitalization. In the three and nine months ended March 31, 2022, the Company incurred interest expense of $Nil and $16, respectively (three and nine months ended March 31, 2021 - $9 and $24 respectively) relating to the convertible debentures held by this Director. On December 6, 2021, the Company settled the full amount of $ 382 in convertible debentures owing to the Director in exchange for 155 common shares of the Company as part of the Recapitalization. As of March 31, 2022, the amount owed is $Nil (June 30, 2021 - $348).

22. Subsequent Events

The following events occurred subsequent to March 31, 2022:

Vortex ENA LP ("Vortex LP"), a related party, advanced an additional $760 under the terms of the amended and restated loan agreement between the Company and Vortex LP (Notes 11(c) and 21).