



ENABLENCE PROVIDES FINANCIAL UPDATE AND ANNOUNCES RECAPITALIZATION TRANSACTIONS

Recapitalization Transactions involve Shares-for-Debt Settlements, Concurrent Private Placement and Share Consolidations

Ottawa, Canada – August 23, 2021 – Enablence Technologies Inc. ("**Enablence**" or the "**Company**") (TSXV: ENA), a supplier of optical components and subsystems, is pleased to provide a financial update and announce its recapitalization plan (the "**Recapitalization Transaction**") to improve the financial condition of the Company and to provide existing securityholders with an opportunity to participate in, and shape, the future of Enablence. The Company expects the Recapitalization Transaction – comprising a restructuring of its secured debt, a shares-for-debt settlement with certain unsecured creditors ("**Shares-for-Debt Settlements**"), a shares-for-services settlement with a service provider ("**Shares-for-Services Settlement**"), a concurrent C\$11 million private placement and a share consolidation – will improve the liquidity of its listed common shares ("**Common Shares**") and allow the Company and its securityholders to capitalize on significant market opportunities in the optical components industry, particularly the large and growing data centre and 5G telecommunications markets that the Company serves today. It is a condition precedent to completing the Shares-for-Debt Settlement that 100% of the Required Debtholders (as defined herein) will enter into an agreement with the Company in the next two weeks to convert their debt on the same terms as the Shares-for-Debt Settlement, see below under the heading "*Shares-for-Debt Settlement*".

Commenting on the Recapitalization Transaction, Co-CEO and CFO Craig Mode said: "*The Recapitalization plan represents a transformative event for Enablence and its shareholders. For too long the Company has been constrained by its significant debt load and limited cash resources which have limited our ability to upgrade and expand our fabrication plant in Silicon Valley and to hire, train and retain the staff needed to achieve the commercial production targets required by our global customer base. Thanks to the support of our creditors and existing and future shareholders, we believe we can now achieve the growth potential that was envisioned when the Company made its shift to focus on optical chip designs and production in 2019. Moreover, the willingness of the creditors to agree to accept shares in exchange for their debt at the current market price of our shares is a significant win for existing shareholders who will continue to hold a greater share of the Company's common shares after closing of the Recapitalization Transaction than if other alternatives to restructure the Company's debts were pursued.*"

Ashok Balakrishnan, Co-CEO and Chief Technology Officer said: "*A significant majority of the new funds will be used for equipment maintenance and upgrades within our fab as well as expansion of our internal testing capacity. Enablence has developed core technology in Coarse Wavelength Division Multiplexing ("**CWDM**"), LAN-Wavelength Division Multiplexing ("**LWDM**") and Dense Wavelength Division Multiplexing ("**DWDM**") and is delivering on customer demands in each channel. The additional capital will allow us to increase manufacturing capacity for CWDM, explore new designs in LWDM and pursue technological advances in our DWDM. Improvements in fab capabilities will further support our fab services business which continues to grow thanks to recurring orders from a large global mega-cap technology company while access*

to more internal testing will accelerate our development in areas such as automotive LiDAR and optical sensors where the Company is delivering on NRE projects today and expects growing commercial demand in the future. Enablene's strength lies in the wide breadth of products and services we provide, and we welcome the new capital to support our vision of a brighter future for Enablene and its shareholders."

Assuming the Recapitalization Transaction is completed on terms announced, and all of the Remaining Debt is converted on the same terms as the Shares-for-Debt Settlement noted below, the following securityholders are expected to hold the following percentage interest in the Common Shares of the *pro forma* Company upon completion of the Recapitalization Transaction: (i) the existing shareholders of Enablene are expected own approximately 24%, (ii) the existing debtholders and service providers are expected own approximately 60%, and (iii) the subscribers under the Private Placement are expected own approximately 16% (assuming an aggregate of 440,000,000 Subscription Receipts are issued under the Private Placement, the full C\$3 million in additional principal advances under the Grid Note are advanced and exchanged for Common Shares at the Recap Price and no SR Warrants are exercised). *Capitalized terms used in the preceding paragraph that are not defined above in this news release shall have the meanings ascribed thereto below in this news release.*

Financial Update

The Company is currently in the process of completing its year-end audit for the twelve months ended June 30, 2021 ("**Fiscal 2021**") and anticipates filing its financial statements and management's discussion and analysis for Fiscal 2021 in late October 2021. In advance of the finalization of the financial results, the Company believes the following estimates will be relevant to shareholders in considering the Recapitalization Transaction:

- Expected revenue for Fiscal 2021 of between approximately US\$2.3 - US\$2.5 million
- Expected net loss for Fiscal 2021 of between approximately US\$5.5 - US\$6.0 million
- Cash-on-hand and other current assets of approximately US\$1.2 million and total current liabilities of approximately US\$40.7 million inclusive of the debts proposed for restructuring herein

Restructuring of Secured Debt

On August 20, 2021 the Company's secured term loan facility originally advanced by Export Development Canada (the "**Secured Debt**") was acquired (the "**EDC Loan Acquisition**") by Vortex ENA LP ("**Vortex LP**"). The Company and Vortex LP have entered into a letter of intent to amend the terms of the loan, with key indicative terms as follows:

- All prior defaults are waived and forgiven
- Maturity date extended to 48 months from the closing of the Recapitalization Transaction, plus one six-month extension option
- No required principal amortization for the loan duration
- Interest rate lowered from a rate ranging from Prime + 10.45% to Prime + 12.45% to a fixed rate of 7.5% per annum, accrued for the first twenty-four (24) months following the date of closing of the Recapitalization Transaction, and in cash thereafter

Since August 1, 2021, Vortex LP has made approximately C\$639,000 in new loan advances to the Company under short-term promissory notes. These notes form part of the debt to be settled under the Shares-for-Debt Settlement detailed below.

Interim Promissory Note Financing

Vortex LP has agreed to make available to the Company approximately C\$3 million in additional short-term promissory notes, subject to certain conditions, to provide interim financing and cover operating costs of the business prior to the closing date of the Recapitalization Transaction (the "**Grid Note**"). Any amounts owing on the Grid Note as of the closing date of the Recapitalization Transaction are expected to be converted to Common Shares at the Recap Price (as defined herein). Advances under the Grid Loan will be subject to the approval of Vortex LP, in its sole discretion, based on capital requests made by the Company.

Shares-for-Debt Settlement

On August 22, 2021, the Company entered into a debt settlement agreement with seven of its creditors who hold approximately 77% of the total unsecured debt of the Company proposed for settlement hereunder (collectively, the "**Major Creditors**"), pursuant to which all of the debt owed by the Company to such Major Creditors in the aggregate amount of C\$33,138,903.57 (the "**Major Creditor Debt**") will be settled in exchange for the issuance of either (i) Common Shares, or (ii) units of the Company ("**Units**"), at the creditors' election and subject to the policies of the TSX Venture Exchange, based on the following Shares-for-Debt Settlement options⁽¹⁾⁽²⁾⁽³⁾:

- **Option 1** – Exchange of 100% of the debt owed in exchange for Common Shares at a deemed price of C\$0.025 per Common Share, being the closing price of the Common Shares on the TSX Venture Exchange as of August 20, 2021 (the "**Recap Price**");
- **Option 2** – Exchange of 100% of the debt owed, at a discount of 20% to such amount owed, in exchange for units of the Company ("**Units**") at a deemed price equal to the Recap Price, whereby each Unit will entitle the holder thereof to receive one Common Share and one-fifth (1/5th) of one common share purchase warrant (the "**Debt Settlement Warrants**"). Each full Debt Settlement Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.03 per share for a period of 36 months following the closing date of the Recapitalization Transaction.

Notes:

- (1) The figures above shall be adjusted in accordance with the Consolidation (as defined herein), which is a condition precedent for the completion the Recapitalization Transaction. See below under the heading "*Consolidation*".
- (2) Option 2 is not available to any "Non-Arm's Length Party" (as defined in the policies of the TSX Venture Exchange), as any such "Non-Arm's Length Party" is precluded from receiving Debt Settlement Warrants under the policies of the TSX Venture Exchange.
- (3) For the purposes of the Recapitalization Transaction and unless otherwise noted, the Company has denoted all debt figures in Canadian dollars. The Company has fixed the exchange rate at US\$1.00 = C\$1.2694, being the average daily exchange rate quoted by the Bank of Canada for the five-day period ending on August 20, 2021.

A summary of the proposed terms impact of the Shares-for-Debt Settlements of with the Major Creditors Debt is set forth below:

All figures in thousands and denominated in USD	Balance as of March 31, 2021 (\$)	Balance as of August 20, 2021 (\$)	Major Creditor Debt ⁽¹⁾ (\$)	Number of Common Shares to be Issued ⁽²⁾ (#)	Number of Debt Settlement Warrants to be Issued ⁽²⁾ (#)	Remaining Debt Balance (\$)
Notes Payable						
Short-term loans	19,074	20,735	14,889	624,602,895	105,137,539	5,845
Federal government loans	95	95	-			95
Loan from Export Development Canada ⁽³⁾	5,372	5,681	-			5,681
Loan from Irix	370	388	-			388
Total Notes Payable	24,910	26,898	14,889	624,602,895	105,137,539	12,009
Less: Current portion	24,445	26,415	-			11,526
Long-term portion	465	483	-			483
Convertible debentures	8,547	8,795	8,428	360,988,746	68,473,474	367
Total Debt	33,457	35,693		985,591,641	173,611,013	12,375

Notes:

- (1) Subject to approval of 100% of the remaining debtholders, excluding amounts held under Federal government loans and the Loan from Export Development Canada which is expected to remain in place subject to the modifications described in the "Restructuring of Secured Debt" section above.
- (2) Subject to the approval of the TSX Venture Exchange.
- (3) The Loan from Export Development Canada was acquired by Vortex ENA LP on August 20, 2021. The Loan will be transferred into a long-term liability upon execution of the amended and restated loan agreement relating to such loan per the terms described in the Restructuring of Secured Debt section above.
- (4) Excludes amounts relating to accounts payable and/or accrued liabilities which may also be proposed for settlement under the terms of the Recapitalization

The Company will make an offer to certain remaining debtholders of the Company, holding an aggregate of C\$10,660,022.24 in debt (the "**Required Remaining Debt**"), which includes additional amounts owed under short-term loans and the loan from Irix Holding Limited (as such amounts are described in Note 11 of the condensed consolidated financial statements of the Company for the three and nine month periods ended March 31, 2021, and certain large amounts recognized as owed by the Company in its accounts payable and accrued liabilities. The Required Remaining Debt does not include certain debts such as Paycheck Protection Program (PPP) loans, Canada Emergency Business Account (CEBA) loans and certain other accounts payable and accrued liabilities for which the Company expects to pay in the normal course of business in cash. The Company will offer holders of the Required Remaining Debt to settle such amounts on the same terms as the Shares-for-Debt Settlement noted above and the offer to such remaining debtholders will remain open for a period of two weeks. It is a condition to completing the Shares-for-Debt Settlement that 100% of the Required Debtholders (as defined herein) enter into an agreement with the Company to convert such debt on the same terms as the Shares-for-Debt Settlement noted above.

It is expected that all securities issued pursuant to the Shares-for-Debt Settlement will be subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation. In addition, the securities issued pursuant to the Shares-for-Debt Settlement will be subject to a contractual restriction on resale, which will be released to the holders thereof in increments of 25% on each of the 6-month, 9-month, 12-month and 15-month anniversaries of the closing date of the Recapitalization Transaction.

Shares-for-Services Settlement

On July 30, 2021, the Company entered into an engagement letter (the "**Engagement Letter**") with Mr. Dan Bordessa (the "**Service Provider**") in relation to a proposed financial restructuring of the Company's balance sheet. Pursuant to the Engagement Letter, the Service Provider is entitled to receive a fee equal to C\$1 million upon the announcement of the Recapitalization Transaction, payable in Common Shares at the Recap Price, subject to the completion of the Recapitalization Transaction (the "**Shares-for-Services Settlement**"). The Service Provider will also be reimbursed in cash for up to C\$25,000 in third party expenses incurred in the performance of the services. Where tax is applicable, an additional amount equal to the amount of the tax owing will also be paid in cash by the Company to the Service Provider at the same time the Shares-for-Services Settlement fee is paid.

It is expected that all securities issued pursuant to the Shares-for-Service Settlement will be subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation. In addition, the securities issued pursuant to the Shares-for-Services Settlement will be subject to a contractual restriction on resale, which will be released to the Service Provider in increments of 25% on each of the 6-month, 9-month, 12-month and 15-month anniversaries of the closing date of the Recapitalization Transaction.

Concurrent Private Placement

Concurrent with the Recapitalization Transaction, the Company intends to complete a non-brokered private placement of up to 440,000,000 subscription receipts of the Company ("**Subscription Receipts**") at a price of C\$0.025 per Subscription Receipt for aggregate gross proceeds of up to C\$11 million (the "**Private Placement**"). Each Subscription Receipt will automatically convert, without any further action on the part of the holders thereof, into one (1) post-Consolidation Common Share and one-fifth of one common share purchase warrant of the Company (each whole warrant, a "**SR Warrant**") upon the completion of the Recapitalization Transaction. Each SR Warrant will entitle the holder thereof to purchase one post-Consolidation Common Share at a price of \$0.03 per share for a period of 36 months following the closing date of the Recapitalization Transaction.

Proceeds of the Private Placement are expected to be used to repay certain accounts payable and accrued liabilities, the funding of the Company's growth objectives, including a US\$4 million cap-ex program and general corporate and working capital purposes.

Subject to compliance with applicable regulatory requirements and in accordance with National Instrument 45-106 – *Prospectus and Registration Exemptions* and the rules of the TSX Venture Exchange, Enableness intends to issue the Subscription Receipts in Canada and to eligible purchasers resident in a jurisdiction other than Canada provided that no prospectus filing or comparable obligation arises and Enableness does not thereafter become subject to continuous disclosure obligations in such jurisdiction.

It is expected that all securities issued pursuant to the Private Placement will be subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation.

Consolidation

In connection with the Recapitalization Transaction, the Company intends to consolidate the outstanding Common Shares on the basis of one (1) post-Consolidation share in exchange for a number of pre-Consolidation shares within a range of fifty (50) to two-hundred (200), as may be determined by the directors of the Company in its sole discretion, as future circumstances dictate, if approved by Enableness shareholders (the "**Consolidation**").

The Consolidation is a condition precedent to completing the Recapitalization Transaction as the market price of the Common Shares issuable pursuant to the Shares-for-Debt Settlements, the Shares-for-Services Settlement and the Private Placement would be, absent the Consolidation, less than the minimum issue price of \$0.05 allowed by the TSX Venture Exchange.

Board Approvals and Recommendation

In connection with negotiating and reviewing the terms of the Recapitalization Transaction, the Board of Directors of the Company (the "**Board**") considered and reviewed a variety of matters, including a detailed assessment of the Company's prospects, cash flows, outlook and reasonable alternatives available to the Company, including the risks of continuing with the status quo. As part of their process, the Company retained Bennett Jones LLP as its legal counsel and Farber Corporate Finance Inc. ("**Farber**") to provide an opinion as to the fairness to the Company, from a financial point of view, of the proposed Recapitalization Transaction.

Further to this, as a part of their deliberations in respect of the Recapitalization Transaction, Farber provided the Board of Directors of the Company with its oral fairness opinion (to be subsequently confirmed in writing) (the "**Fairness Opinion**") that, as at the date of the Fairness Opinion, the Recapitalization Transaction is fair, from a financial point of view, to the Company and its shareholders. The Fairness Opinion is subject to the assumptions, limitations and qualifications set out therein.

After consulting with its legal advisors, and after considering other relevant matters, including the anticipated benefits to the Company as described above and certain other considerations and determinations, including the conclusions set forth in the Fairness Opinion, the Board (with each of the directors abstaining from voting on their participation in the Recapitalization Transaction) unanimously approved the Recapitalization Transaction, and determined that the Recapitalization Transaction is in the best interests of the Company and made a recommendation that shareholders of the Company should approve the Recapitalization Transaction.

Mr. Derek H. Burney declared a potential conflict of interest in respect of the Recapitalization Transaction by virtue of having an equity interest in Vortex LP. As such, Mr. Burney did not attend any part of a meeting of the Board during which his participation or the participation of Vortex LP in the Recapitalization Transaction was discussed and did not vote on any resolution to approve the Shares-for-Debt Settlement involving his debt or the debt of Vortex LP as part of the Recapitalization Transaction.

Each of the directors also declared a potential conflict of interest in respect of the Recapitalization Transaction by virtue of holding debt forming part of the Required Remaining Debt proposed to

be converted pursuant to the Shares-for-Debt Settlement and did not vote on any resolution to approve the Shares-for-Debt Settlement involving his debt as part of the Recapitalization Transaction. Minority shareholders of the Company will be entitled to vote on the Shares-for-Debt Settlement involving such directors in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). See below under the heading "*MI 61-101*". The conversion of the Required Remaining Debt held by the directors of Enablence pursuant to the Shares-for-Debt Settlement noted above is not a condition precedent to the completion of the Recapitalization Transaction. It is only a condition precedent for the completion of the Recapitalization Transaction for the debtholders other than Vortex ENA LP and the directors of Enablence (the "**Required Debtholders**") to convert the Required Remaining Debt. The following amounts of Required Remaining Debt are held by such directors: (i) Mr. Derek H. Burney (C\$523,972.60); (ii) Mr. Louis De Jong (C\$412,273.97); and (iii) Mr. Dan Shmitt (C\$465,534.25).

MI 61-101

Each of Mr. Derek H. Burney, Mr. Louis De Jong, Mr. Dan Shmitt, Mr. Craig Mode and Irix Holding Limited and its related affiliates (each, a "**Participating Insider**") is a "related party" of the Company pursuant to MI 61-101.

Each Shares-for-Debt Settlement with a Participating Insider is a "related party transaction" for the purposes of MI 61-101. The Company is exempt from the formal valuation requirements of Section 5.4(1) of MI 61-101 for a related party transaction in reliance on the exemption in Section 5.5(b) of MI 61-101 as no securities of the Company are listed on the markets specified therein. The Company will seek "minority approval" (as defined in MI 61-101) of each Shares-for-Debt Settlement with a Participating Insider in accordance with MI 61-101.

Approvals

The Company intends to hold an annual and special meeting of its shareholders, tentatively scheduled for October 26, 2021, to, among other things, seek the requisite shareholder approvals to complete the Recapitalization Transaction, including (i) the Consolidation, (ii) the creation of Mr. Dan Bordessa as a new "control person" of the Company (resulting from the issuance of Common Shares to him under the terms of the Debt-for-Shares Settlement and Shares-for-Services-Settlement), and (iii) any minority approvals required of the Shares-for-Debt Settlement and, if required, the Private Placement under MI 61-101.

Each of the Shares-for-Debt Transaction, the Shares-for-Services Transaction, the Private Placement and the Consolidation remain subject to regulatory approval, including the approval of the TSX Venture Exchange.

As noted above, it is a condition to completing the Shares-for-Debt Settlement that 100% of the Required Debtholders will enter into an agreement with the Company to convert such debt on the same terms as the Shares-for-Debt Settlement noted above. There is no certainty that such remaining debtholders will convert their debt or that the conditions precedent to the closing of the Recapitalization Transaction will be satisfied on the terms announced or at all.

In addition, Mr. Dan Bordessa, together with his affiliates and associates, are expected to hold (i) 731,640,132 Common Shares of the *pro forma* Company (on a basic basis), representing approximate 27% of the issued and outstanding Common Shares of the *pro forma* Company, and (ii) 133,730,200 Common Shares of the *pro forma* Company (on a partially-diluted basis, after giving effect only to the exercise of the Warrants held by Mr. Dan Bordessa and his affiliates and

associates), representing approximate 30% of the issued and outstanding Common Shares of the *pro forma* Company. As a result, the Company will seek approval of the shareholders for the creation of Mr. Dan Bordessa as a new "control person" of the Company (resulting from the issuance of Common Shares to him under the terms of the Debt-for-Shares Settlement and the Shares-for-Services Settlement).

About Enablence Technologies Inc.

Enablence is a publicly traded company that designs, manufactures and sells optical components and subsystems to a global customer base. It utilizes its patented technologies, including planar lightwave circuit intellectual property, in the production of an array of photonic components and broadband subsystems that deliver a key portion of the infrastructure for current and next-generation telecommunication systems. The Company's components are key elements in large optical network infrastructure builds which enable global networking and large-scale computing for businesses and individuals, including data centers and 5G telecommunications networks. For more information, visit www.enablence.com.

Forward-looking Statements

This news release contains forward-looking statements regarding the Company based on current expectations and assumptions of management, which involve known and unknown risks and uncertainties associated with our business and the economic environment in which the business operates. All such statements are forward-looking statements under applicable Canadian securities legislation. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In particular, this news release contains forward-looking statements pertaining to the timing and ability of the Company to complete the Recapitalization Transaction, if at all; the timing and ability of the Company to make an offer to the remaining debtholders of the Company; the ability of the Company to complete the Recapitalization on the terms announced, or at all; the ability of the Company to obtain shareholder and regulatory (including the TSX Venture Exchange) approvals of the Recapitalization Transaction and ancillary matters; the annual and special meeting of shareholders tentatively scheduled for October 26, 2021; the use of funds expected to be made available as a result of the Recapitalization Transaction; reduction in the debt burden; the consolidation of its common shares; and the ability of the Company to raise proceeds under the Private Placement on terms announced, or at all. By their nature, forward-looking statements require us to make assumptions. Assumptions are based in part on the future capital expenditure levels, the ability to fulfill all conditions precedent to the closing of the Recapitalization Transaction, the ability to secure regulatory approval and the ability to secure shareholder approval. These statements are based on current expectations that involve several risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, risks relating to the Company failing to obtain the requisite shareholder and regulatory (including the TSX Venture Exchange) approvals of the Recapitalization Transaction and ancillary matters; the remaining debtholders declining to convert their debt on the same terms as the Shares-for-Debt Settlement, which may give rise to termination rights; the terms as described hereof may be amended following the date hereof; the impact of the evolving COVID-19 pandemic on the Company's business, operations and sales; uncertainties relating to the ultimate spread, severity and duration of COVID-19 and related adverse effects on the economies and financial markets of countries in which the Company operates; and the ability of the Company to successfully implement its business continuity plans with respect to the COVID-19 pandemic. Although the Company believes that the expectations reflected in the forward-looking statements contained in this news release, and the assumptions on which such forward-looking statements

are made, are reasonable, there can be no assurance that such expectations will prove to be correct. We caution our readers of this news release not to place undue reliance on our forward-looking statements as a number of factors could cause actual results or conditions to differ materially from current expectations. *Additional information on these and other factors that could affect the Company's operations* are set forth in the Company's continuous disclosure documents that can be found on SEDAR (www.sedar.com) under Enableness's issuer profile. Enableness does not intend, and disclaims any obligation, except as required by law, to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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