

Enablence Technologies Announces CDN \$4.3 Million Debt Financing Package to Support Growth Plan

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Ottawa, Ontario--(Newsfile Corp. - January 30, 2024) - Enablence Technologies Inc. (TSXV: ENA) ("**Enablence**" or the "**Company**"), a leading provider of photonics semiconductors for datacom, telecom, automotive and industrial automation applications, announced today the completion of a debt financing package provided by Pinnacle Island LP, a limited partnership formed under the laws of the Province of Ontario (the "**Lender**"), to support Enablence's growth plan .

The debt financing package will support Enablence's strategic growth plan by providing the funding necessary to accelerate the development and commercialization of new families of photonics products based on planar lightwave circuits (PLC) and LiDAR technologies on silicon-based chips.

The debt financing package includes (i) a subordinated secured non-revolving term loan dated January 26, 2024, with the Lender in the maximum principal amount of CDN \$4,300,000 (the "**Loan Facility**"), and (ii) an amendment to existing convertible debenture of the Company in the amount of CDN \$11 million (the "**Convertible Debenture**") held by the Lender that will result in the Convertible Debenture becoming a secured obligation of the Company (subject to the Company obtaining minority shareholder approval for such amendment).

"The continued support of key investors in our strategic growth plan is greatly appreciated," noted Todd Haugen, CEO, Enablence Technologies. "This support will help to accelerate the expansion we are experiencing across our product lines, which is key to achieving our long-term revenue growth targets. The new investment also enhances both our present operational capabilities and supports the development and the proliferation of new optical devices."

Additional details on the Loan Facility and Convertible Debenture amendment are described below.

Loan Facility

The Lender entered into a loan agreement with the Company dated January [26], 2024 (the "**Loan Agreement**"), under which the Lender agreed to provide the Company with the Loan Facility. The Loan Facility is a subordinated secured non-revolving term loan in the maximum principal amount of CDN \$4,300,000 and includes a loan in the principal amount of CDN \$2,040,820, which the Lender advanced on December 13, 2023, and was evidenced by a demand promissory note (the "**Promissory Note**") that accrued interest at a rate of 10% per annum and was repayable on demand. The principal amount of the Promissory Note plus accrued interest now forms part of and is governed by the terms of the Loan Agreement. The principal amount outstanding under the Loan Facility bears interest at the rate of 12% per annum and has a maturity date of July 31, 2025. The Company intends to use the CDN \$2,190,000 of additional cash that was advanced to the Company under the Loan Agreement to finance its working capital requirements.

As additional consideration for entering into the Loan Agreement, the Company agreed to pay a structuring fee to the Lender of CDN \$215,000 (the "**Loan Agreement Structuring Fee**"), of which CDN \$85,394.40 has been paid to the Lender as of the date of the Loan Agreement. The remaining balance of the Loan Agreement Structuring Fee, CDN \$129,605.60, will be paid to the Lender on the maturity date of the Loan Facility, July 31, 2025.

To secure the Company's obligations under the Loan Facility, the Loan Agreement provides that, within 30 days of the date of the Loan Agreement: (i) the Company will execute and deliver a general security agreement (the "**Issuer GSA**") granting the Lender a second priority security interest over all of the Company's present and after-acquired assets and a second

priority pledge of the shares of Enablence Canada Inc. ("**Enablence Canada**") and Enablence USA Inc. ("**Enablence USA**"); (ii) each of Enablence Canada, Enablence USA and Enable USA Components Inc. ("**Enablence Components**", and together with Enablence Canada and Enablence USA, the "**Guarantors**") will execute and deliver a guarantee (a "**Subsidiary Guarantee**") and a general security agreement (a "**Subsidiary GSA**") granting the Lender a second priority security interest over all of its present and after-acquired assets; and (iii) Enablence USA will execute and deliver a second priority pledge of the shares of Enablence Components. The Loan Agreement also provides that the Company, the Guarantors, the Lender, and Vortex ENA LP ("**Vortex**") will enter into an intercreditor agreement (the "**Intercreditor Agreement**") to govern the relationship between the Issuer's and the Guarantors' secured creditors. The granting of such security impacts the priority of the Lender compared to the Company's unsecured creditors but does not change the relative recovery position of the Company's shareholders.

Vortex is a "related party" of the Company. Since Vortex may be considered to be *acting jointly or in concert* with the Lender, the entering into of the Loan Agreement and the granting of security discussed above (the "**Loan Transaction**") is considered to be a "related party transaction" for purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company is relying on exemptions from the formal valuation and minority shareholder approval requirements available under MI 61-101. The Company is exempt from the formal valuation requirement in Section 5.4 of MI 61-101 in reliance on Section 5.5(b) of MI 61-101, as no securities of the Company are listed on a specified market under MI 61-101. Additionally, the Company is exempt from the minority shareholder approval requirement in Section 5.6 of MI 61-101 in reliance on Section 5.7(1)(f) of MI 61-101 in respect of the Loan Transaction, as the Loan Facility is not convertible directly or indirectly, into equity or voting securities of the Company.

Amended and Restated Convertible Debenture

In connection with the Loan Transaction, the Company also intends to amend and restate the Convertible Debenture (the "**Amended and Restated Convertible Debenture**") held by the Lender to reflect that the repayment obligations of the Company thereunder are secured on the same basis as the Company's repayment obligations under the Loan Facility (the "**CD Amendment**"). The Issuer GSA and each Subsidiary Guarantee and Subsidiary GSA will grant a second priority security interest as security for the Company's repayment obligations under the Amended and Restated Convertible Debenture upon the effective date of the Amended and Restated Convertible Debenture (which is expected to be March 7, 2024). No changes are proposed to the maturity date, principal amount, or conversion price of the Convertible Debenture.

As the Lender may be considered to be *acting jointly or in concert* with Vortex, a "related party" of the Company, the CD Amendment is a "related party transaction" of the Company for purposes of MI 61-101. While the Company is exempt from the formal valuation requirement in Section 5.4 of MI 61-101 in reliance on Section 5.5(b) of MI 61-101, as no securities of the Company are listed on a specified market under MI 61-101, the Company is not exempt from the minority shareholder approval requirements under MI 61-101 in respect of the CD Amendment. As such, the Company intends to obtain minority shareholder approval for the CD Amendment (the "**CD Amendment Approval**") at its upcoming annual and special meeting of shareholders of the Company. Until the CD Amendment Approval has been obtained, the CD Amendment will not be effective, and the Convertible Debenture shall remain unsecured and governed by the terms of the original Convertible Debenture.

The Loan Transaction and the CD Amendment remain subject to the acceptance of the TSX Venture Exchange.

About Enablence Technologies Inc.

Enablence Technologies Inc (<https://api.newsfilecorp.com/redirect/oLqy2Fwjv2>). 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) and LiDAR technologies on silicon-based chips. Enablence products support a broad range of customers in the multi-billion, datacenter, telecom, automotive, and industrial automation industries. Enablence operates a wafer fab in Fremont, California, with design centers in Canada and China supported by sales and marketing operations worldwide.

For more information visit: [www.enableness.com \(https://api.newsfilecorp.com/redirect/O3DRwtYz3e\)](https://api.newsfilecorp.com/redirect/O3DRwtYz3e).

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Cautionary Note Regarding Forward-Looking Information

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. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. These statements are based on current expectations, including the impact of the Loan Transaction and the proposed CD Amendment, the ability of the Company to repay any indebtedness, and the receipt of final approval from the TSX Venture Exchange for the above-mentioned transactions, and involve several risks and uncertainties which could cause actual results to differ from those anticipated. 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, including the ability of the Company to repay any indebtedness. We caution our readers of this news release not to place undue reliance on our forward-looking statements as many 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 outlined in the Company's continuous disclosure documents that can be found on SEDAR+ ([www.sedarplus.com \(https://api.newsfilecorp.com/redirect/PLrEoFXrqz\)](https://api.newsfilecorp.com/redirect/PLrEoFXrqz)) 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No stock exchange, securities commission, or other regulatory authority has approved or disapproved the information contained herein.



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