



**Enablence Technologies announces several strategic milestones and provides a business update, including financing**

**Toronto, Canada – October 15, 2012** - Enablence Technologies Inc. (“Enablence” or the “Company”) (TSX VENTURE: ENA), a leading supplier of optical components and subsystems for telecommunication access, metro and long-haul markets and enterprise and other applications, is pleased to announce the achievement of several strategic milestones that will be crucial in securing the Company’s future. In particular, Enablence has established a new joint venture to expand business into the 40G/100G communication module space. Enablence has commitments to secure new equity investments and bank facilities to fund ongoing operations and has restructured its debt obligations. Key points include:

1. The creation of a new joint venture in China by three partners to develop, manufacture and sell 40G/100G communication modules based on Enablence’s PLC-based Photonic Integrated Circuit (“PIC”) technology (“JV2”). This will be Enablence’s second joint venture in China and JV2 will allow Enablence to participate as a minority partner in JV2 efforts to become a leading vendor for 40G/100G communication modules.

The modules will be made by JV2 with PLC-based PIC TOSA/ROSA (transmit optical sub-assembly/receive optical sub-assembly) supplied by Enablence.

The TOSA/ROSA products and the advanced PIC chips are part of an array of Enablence products that have been developed to address the 40G/100G market in parallel with the global market migration to these standards over the next several years.

JV2 will benefit Enablence by providing the Company with an assured market for its TOSA/ROSA products.

The majority partner in JV2 is a private Chinese company with annual revenues in excess of \$100 million. This company is a supplier to China Mobile, China Unicom and China Telecom.

2. Subject to the approval of the TSX Venture Exchange and the finalization of the arrangements related to the Bank Term Sheet, two non-brokered private placement

financings totaling \$6 million (on the terms and conditions set out below) to be subscribed for in tranches, of which approximately \$3.35 million will be done initially by certain existing shareholders (the “Initial Financing”) and then a subsequent financing for approximately \$2.65 million will be completed by the majority JV2 partner and certain existing shareholders (the “Second Financing”). The Initial Financing and the Second Financing are referred to as the “Financing”. The Financing shall be structured such that all investors will purchase shares at the same average price and on the same terms and conditions.

The Initial Financing for gross proceeds of approximately \$3,329,000 is being completed by the same investors at two different prices: (i) \$750,000 at a price of \$0.005 for an issuance of 150,000,000 common shares of Enableness, using the TSX Venture Exchange Policy on Temporary Relief from Certain Pricing Requirements, and (ii) approximately \$2,579,000 at a price of \$0.05 for an issuance of 51,577,960 common shares of Enableness. The shares are subject to a four month hold period pursuant to applicable securities laws.

The initial tranche of the Initial Financing is expected to close on or before October 26, 2012. The Second Financing for gross proceeds of approximately \$2,671,000 is expected to be completed on or before December 31, 2012.

It is expected that one of the institutional investors (an “insider”) in the Initial Financing is a related party within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”).<sup>1</sup> This information is being filed less than 21 days prior to the expected closing of the Related Party Transaction. The shorter period was necessary in order to permit the Company to close the Initial Financing including the Related Party Transaction, in a time frame consistent with the usual market practice for transactions of this nature.

<sup>1</sup> MI 61-101 requires the Company, in the absence of exemptions to obtain a formal valuation for, and minority shareholder approval of, the Related Party Transaction. The independent directors of the Company (excluding Peter Dey who is associated with a potential investor), have determined that an exemption is available from the formal valuation requirements and minority shareholder approval requirements under MI 61-101 due to the circumstances of financial hardship of the Company and independent directors have approved the Initial Financing unanimously.

Approximately \$750,000 of the proceeds from the Initial Financing will be used as follows: (i) payroll commitments of the Company and its subsidiaries in the amount of approximately \$270,000, and (ii) maintenance of certain loan arrangements with the Company's US bank in the amount of \$480,000. The remaining proceeds from the Initial Financing will be used for certain debt repayments and general working capital purposes.

3. As previously announced, Enablence is planning the divestiture of its wholly-owned photodiode business located in Switzerland. Enablence has received an unsolicited offer from management in Zurich to purchase the shares of its subsidiary. Subject to the approval of the TSXV, the Company will proceed to negotiate a share purchase agreement with management and complete the transaction as soon as possible but no later than November 15, 2012.
4. The execution of a term sheet with Cathay Bank, a chartered California bank, (the "Bank Term Sheet"), subject to certain pre-funding conditions, which establishes a new line of credit and extra bank facilities to primarily offset the repayment of the \$3 million bridge loan (the "Bridge Loan") from the same California bank announced in July 2012.
5. Revised terms have been negotiated and verbally agreed with the holders of the majority of the value of certain secured notes payable totalling US\$11 million (the "Notes"), including partial repayment of the Notes and an extension of the term for the payment of the balance of the principal and interest. Enablence is working with the balance of the holders of the Notes so that all the Notes will be revised on the same terms and conditions. Currently, one holder is pursuing legal recourse for repayment of its Note, Enablence is responding to the action.

"These arrangements are the culmination of many months of work to stabilize the Company's operations and position Enablence to grow into markets of higher value added products." said Peter Dey, Chairman of the Board of Enablence. Further, Mr. Dey commented, "The establishment of a second joint venture with a strong Asian partner is testament to Enablence's industry-leading PLC-based Photonic Integrated Circuit technology. The other arrangements help provide Enablence with increased financial stability. We are very optimistic about the prospects for the Company now that it will be financially stable."

## **Business Update**

Enablence believes that market conditions for its products are improving after a lengthy period of softness which has adversely affected not only the Company but the entire industry. As a result of the improvements in the Company's financial stability, the Company believes it will be well positioned to take advantage of the enhanced prospects in the market place.

Also, Enablence's first joint venture in Foshan, China, Enablence Sunblence Technologies Co., Ltd. ("Sunblence") continues to move forward toward commercial production. The current focus remains on improving yields and other optimization measures. Sunblence's low-cost, state of the art manufacturing facility helps ensure improving financial margins are generated. As new products are added, including PIC based TOSA/ROSA devices, it is expected that Sunblence will experience significant growth in the coming quarters.

## **About Enablence Technologies Inc.**

Enablence Technologies Inc. is a publicly traded company (TSX VENTURE: ENA) that designs, manufactures and sells optical components and subsystems to a global customer base. It utilizes its patented technologies including planar lightwave circuit ("PLC") intellectual property in the production of an array of photonics components and broadband subsystems that deliver a key portion of the infrastructure for next-generation telecommunication systems. The Company's product lines address all three segments of optical networks: access (connecting homes and businesses to the network); metro (communication rings within large cities); and long-haul (linking cities and continents). For more information, visit [www.enablence.com](http://www.enablence.com).

## **Forward-looking Statements**

This press release may contain forward-looking statements, in particular with respect to equity financing commitments, the restructuring of current debt obligations, including with the Company's noteholders, the sale of ENA Switzerland, revised banking arrangements and new credit facilities, repayment of the Bridge Loan, the expectations of two joint ventures in China and increased revenues, margins, profitability and future growth of the continuing operations that are made as of the date hereof and are based on current expectations, forecasts and assumptions which involve risks and uncertainties associated with our business and the economic environment in which the business operates. All such statements are made pursuant to the 'safe harbour' provisions of, and are intended to be forward-looking statements under, applicable Canadian securities legislation. Any statements contained herein that are 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. We caution our readers of this press 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. Please refer to the risks set forth in the Company's continuous disclosure documents that can be found on SEDAR [www.sedar.com](http://www.sedar.com). Enablence 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.

**For further information contact:**

**Enablence Technologies Inc.**

John Roland, Director

(647) 729-1605