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Zacks Small-Cap Research

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POET Technologies Inc. (V.PTK – TSX-V)

Company Lays Out Milestones Schedule and Expects Revenues to Resume this Quarter

Given its unique product offering and large TAM we believe POET shares are worth CN$2.36 based on peer multiples given no further equity dilution than forecast.

Current Price (08/28/20)	CN$0.50
Valuation	**CN$2.36**

OUTLOOK

POET Technologies is a startup seeking to disrupt the photonics industry with a new design that eliminates parts of an optical transceiver and replaces them with a single integrated device which is smaller, cheaper and faster than the current solutions. It recently announced a $50M joint venture with Sanan IC to make and sell optical engines to data centers and telecom. Its solution can be produced in a fab, eliminating costly manual steps, and allowing it to be easily produced in large quantities. We believe POET's platform can be applied to many other large photonics markets including high speed computing, co-packaged optics, augmented reality, LIDAR, and the Internet of Things.

SUMMARY DATA

52-Week High	**CN$0.71**
52-Week Low	**CN$0.23**
One-Year Return (%)	**33.4**
Beta	**0.9**
Average Daily Volume (sh)	**45,020**
Shares Outstanding (mil)	**292**
Market Capitalization ($mil)	**CN$146**
Short Interest Ratio (days)	**0.6**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2020 Estimate	**N/M**
P/E using 2021 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Elec Comp-Semis**

ZACKS ESTIMATES

Revenue
(in millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2019	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2020	$0.0 A	$0.0 A	$0.1 E	$0.1 E	$0.2 E
2021					$5.0 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.01 A	-$0.02 A	-$0.02 A	-$0.01 A	-$0.06 A
2019	-$0.01 A	-$0.01 A	-$0.01 A	$0.03 E	$0.00 E
2020	-$0.01 A	-$0.02 A	-$0.01 E	-$0.01 E	-$0.05 E
2021					-$0.06 E

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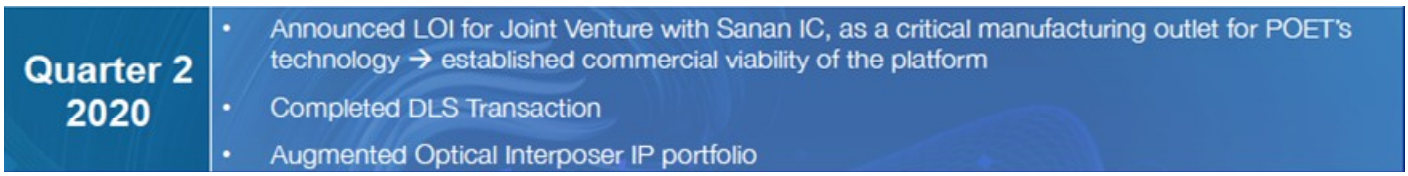
WHAT'S NEW

Last week POET Technologies held its annual meeting and gave a detailed view of its accomplishments and roadmap for the rest of 2020 and into 2021 when it plans to get to volume production of its first few products.

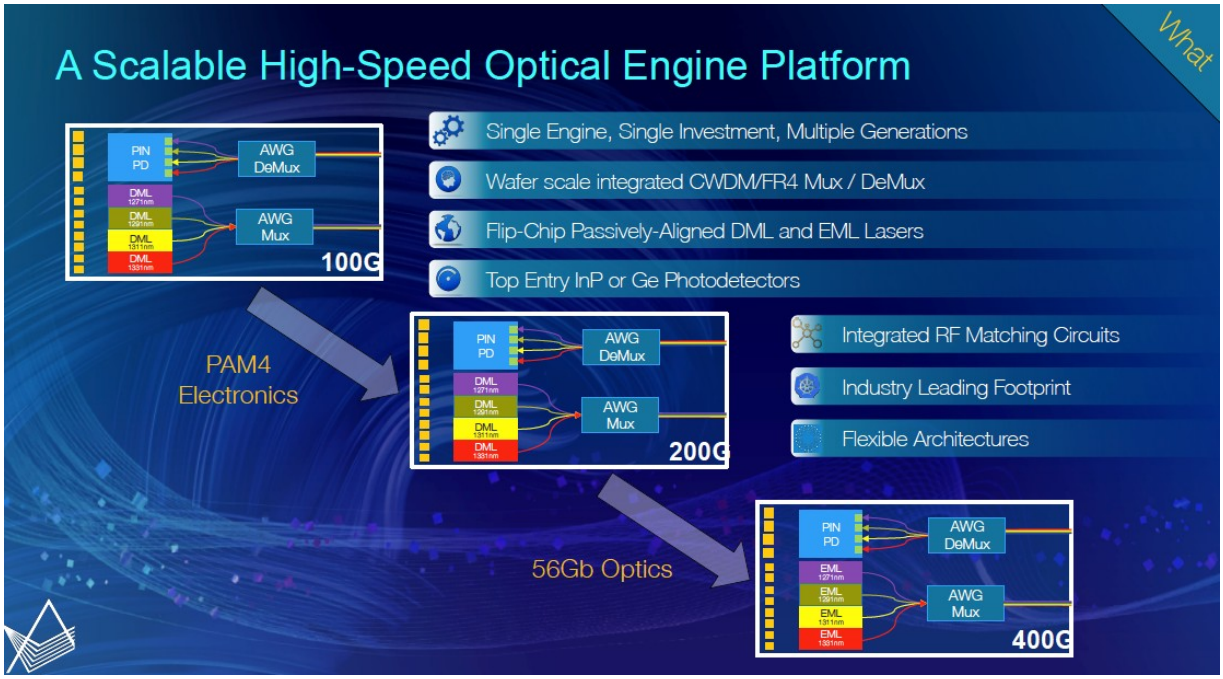
Q2 Results and Accomplishments

In Q2 the company accomplished three main milestones as shown below:



Source: POET Technologies

In Q2, the company was particular proud of completing the design of a platform for Optical Engines that can span three generations of transceivers with minimal re-design and is much smaller compared to current products on the market. The platform is described in the following schematic:



Source: POET Technologies

Q2 2020 Earnings Report

In its second full quarter without DenseLight, POET spent $3.5 million, the same amount as in Q1 2020. However in that number was $328,000 one-time costs for expenses associated with POET's expansion into China. While spending could be down in Q3, we expect expenses to increase again in Q4 as the company adds more staff. In Q2 2020, the company paid $229,000 in interest expense up slightly from Q1 2020. POET wrote off $2.5 million in receivables from the renegotiated sale of DenseLight, resulting in a net loss of $6.2 million for the quarter. The sale of DenseLight is now completed. Without that charge, the loss would have been $3.7 million, the same as in Q1 2020. This resulted in an IFRS loss per share of $0.02 per share and a non-IFRS loss of $0.01 per share taking out the charge, one-time JV expenses and stock-based compensation. Shares outstanding increased 0.5% to 289.4 million.

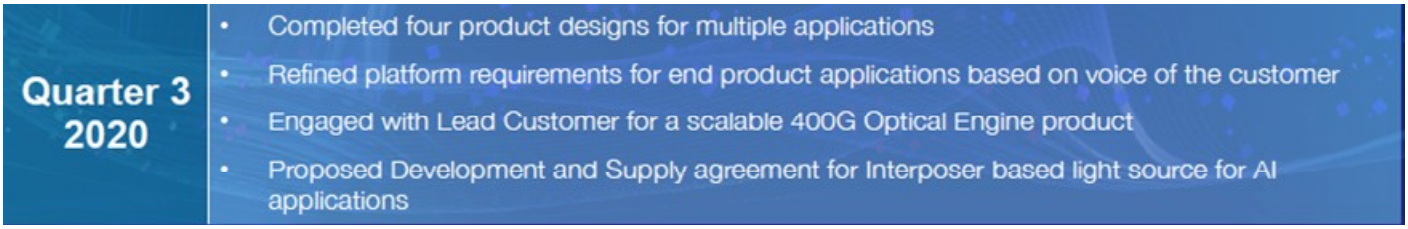
Balance Sheet

POET Technologies ended the June quarter with $11.9 million in cash and $2.9 million in convertible debentures. Working capital was $13.3 million. The company received its final payment of $1 million for the sale of DenseLight on July 3 after the quarter ended. If the company burns $2.5 million per quarter, that should get it fifteen months of runway even without any revenues. Any revenue from NREs will get it even further.

POET is also expecting that the outstanding warrants and exercisable options that are already in the money to add $23.3 million in potentially available cash. As of today, there are 57.0 million warrants outstanding and 44.4 million are already in the money. Warrants already in the money could raise $17.1 million dollars. There are also 52.8 million options outstanding of which, 22.0 million are exercisable and in the money and could raise $6.2 million. So that totals to $23.3 million.

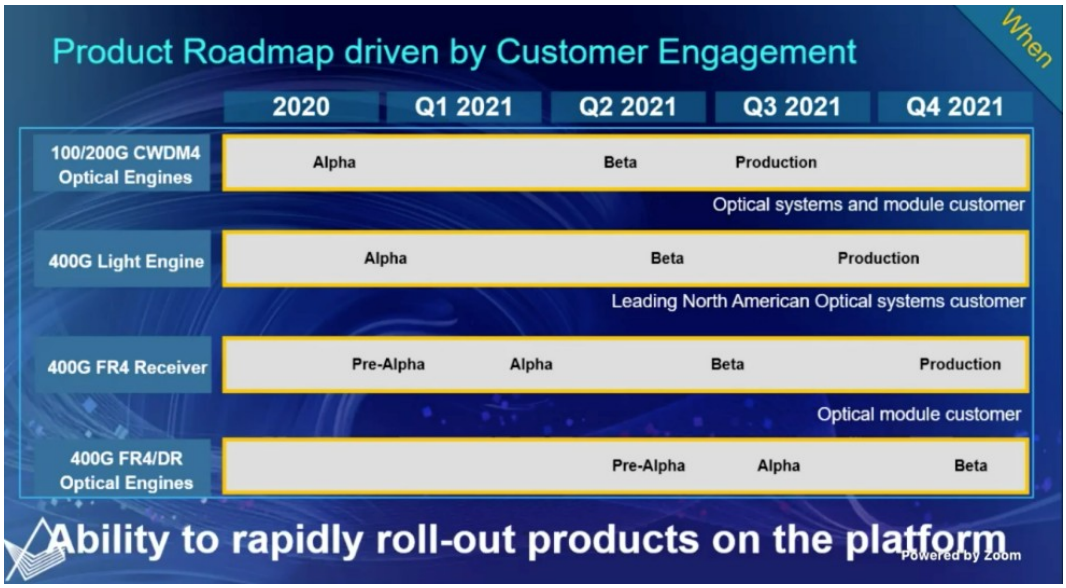
Q3 2020 Events

The major event in Q3 should be the signing of the joint venture agreement, which we expect to happen by the end of September. Since Q2 ended, the POET has already achieved a number of accomplishments as shown below:



Source: POET Technologies

POET has completed four product designs for three different potential customers. The first to go into production is expected to be the one for the about-to-close joint venture. Two of these designs are in the alpha stage and the company has sent samples to these customers and is now beginning to establish the production process and will be scaling up volume in the joint venture. In its labs in Pennsylvania and Singapore, engineers are testing devices and collecting data to demonstrate performance of the end product to customer specifications. Once the production process is established the devices will move into the beta stage, during which additional refinements will be completed. The three completed product designs, plus one that is only in a preliminary state, are shown in chart below with the expected timing for milestones to be achieved:



Source: POET Technologies

The first products are scalable 100/200G CWDM4 optical engines made for the joint venture and they are the furthest along. The design was completed and they are already in alpha even before the deal has closed. The joint venture partner is eager to make progress and the company hopes to reach beta testing by Q2 2021. The second two designs finished are 400G light engines for the same company. It is expected that some version of the newer of the two designs will be picked to go into production and the former could be used for a different client. The fourth design is for a small 400G FR4 receiver that is moving to alpha stage soon.

In addition to these products, the company is designing an interposer based light engine to be used in an AI processor, and expects to sign a customer for that product soon. It also hopes to sign a development and supply agreement this quarter. That product has not yet been placed on the roadmap above, as the deal has not closed.

Events investors may expect by quarter are shown in the table below:



Source: POET Technologies

KEY POINTS

- The Holy Grail in photonics is cost reduction (through efficiencies in process and materials) combined with lower power consumption. Throw in a smaller size, and higher performance, and customers should beat a path to your door. POET believes it can provide all four with its proprietary “optical interposer” based on a novel low-loss material that can allow multiple components to be integrated into a single package entirely at wafer-scale. What this means is that it can eliminate steps in the labor-intensive assembly process currently used when manufacturing optical transceivers. Manual assembly results in higher scrap rates, longer production times, and higher equipment costs. Also, its base material is far better suited to use in the management of light than silicon due to its lower loss and planar architecture, thus allowing lower powered lasers, resulting in lower power consumption and the ability to use less expensive lasers. POET hopes to disrupt the current market for photonics devices and have its Optical Engine platform become the standard in the industry.

- POET recently announced a Letter of Intent (LOI) to establish a $50 million joint venture with Xiamen Sanan Integrated Circuit Co. Ltd. of Xiamen, China. We expect this deal to close before the end of September. POET will be contributing know how and a license to some of its technology, and Xiamen will contribute intellectual property, capital and production facilities. It will ultimately be 53% owned by Sanan IC and 47% by POET. Its first products will be optical engines to be sold to manufacturers of 100G, 200G, and 400G devices for use in data centers and telecommunications. This joint venture could generate as much as $200-$300 million in revenues per year by 2025 by taking modest market share.

- POET reinvented itself by selling its foundry in Singapore and redeploying the cash to pursue the development of products with higher return on equity due to demand, market growth, and low capital requirements.

- POET has presented NRE proposals to numerous companies targeting a variety of markets and we await news on at least three agreements in 2020.

- POET has start producing samples for customers and should be ready to ramp into volume production starting at the end of 2021.

- The stock currently trades at a fully diluted enterprise value of US$115 million. The global market for optical transceivers is estimated to be $5.7 billion in 2020 and projected to reach a value of $9.2 billion by 2025, representing a CAGR of 10.0%, according to MarketsandMarkets Research Private Ltd. POET's product is a component of an optical transceiver and market is about a third of the transceiver market. If POET can secure even a small portion of that market with its unique offering, its valuation should far exceed its current price. We believe the stock could be worth $1.80 based on $200 million in revenues in 2025 at 8.1xs EV to Sales, discounted back to present value.

FINANCIALS

2020

POET expects that it will book NRE revenues starting in Q3. These NREs should be less that those previously earned as the company is now in the product development stage and fees earned would only be for product customization rather than basic technology development. It is still uncertain how these revenues will be accounted for with the two choices being milestone payments or flat monthly fees over the contract duration. These contracts should be from six to twelve months in length each, but until they are signed there is no way to know. We expect the company will issue press releases whenever any deals are sign. Until we see any announcements of NRE contracts, we are conservatively looking for $150,000 in sales this year and a loss of $14 million or $0.05 per share. This is compared to no revenues and a loss of $11.7 million from continuing operations in 2019 or $0.04 per share.

2021

In 2021 we expect the possibility of several million dollars in NREs and the start of production revenues near the tail end of the year. We are starting with what could be a conservative estimate of $5 million, which could increase as we see contracts announced and progress on production. We are looking for a loss of approximately $15 million or $0.06 per share.

VALUATION

POET's business model would make it similar to fabless semiconductor companies. Third parties would provide the production of its devices and we expect it would have margins similar to those companies below. They trade at an average of 8.1xs enterprise value to estimated 2021 revenues. Currently POET trades at an enterprise value of $115 million using a fully diluted share count. We need to look further out to where we think revenues would be by 2025. If we say the joint venture is able to reach $200 million in revenues by then and the rest of the business can ramp to $100 million that would be $200 million in revenues for POET in 2025. Using 8.1xs gives us an enterprise valuation of $1.62 billion, a market value of $1.63 billion or $5.10 per share by 2024 using today's fully diluted share count. This would be a present value of US$1.80 per share discounted by 30% per year or CN$2.36.

Fabless Semiconductors

		Cal. Revenue				Enterprise Value / Sales			EV/EBITDA	
Company	Ticker	2021E	2020E	LTM	EBITDA	2021E	2020E	LTM		Ent. Value
AMD	AMD	$10,920	$8,910	$7,650	1,150	8.9x	10.9x	12.7x	84.3x	97,000
Broadcom	AVGO	NA	$23,800	$22,890	10,110	NA	6.6x	6.8x	15.5x	156,300
Cirrus Logic	CRUS	NA	$1,179	$1,240	238	NA	3.0x	2.9x	14.9x	3,560
Dialog	DLG.DE	$1,320	$1,450	$1,520	424	1.6x	1.4x	1.4x	4.9x	2,090
Inphi	IPHI	$714	$608	$423	54	5.6x	6.5x	9.4x	73.5x	3,970
Lightwave Logic	LWLG	NA	NA	$0	(6)	NA	NA	NM	-11.5x	67
Marvell	MRVL	$3,480	$3,000	$2,730	407	7.5x	8.6x	9.5x	63.7x	25,930
MediaTek	2454.TW	NA	NA	$254,360	32,960	NA	NA	3.6x	27.7x	912,490
Monolithic Power Sys	MPWR	$818	$696	$652	127	12.7x	15.0x	16.0x	82.4x	10,430
Novatek	3034.TW	NA	NA	$66,320	10,880	NA	NA	2.2x	13.1x	142,660
NVIDIA	NVDA	$17,200	$14,640	$11,780	3,860	14.1x	16.6x	20.6x	62.8x	242,540
Qualcomm	QCOM	NA	$22,400	$24,740	9,690.0	NA	4.9x	4.4x	11.3x	109,650
Realtek	2379.TW	NA	NA	$63,840	7,700.0	NA	NA	2.4x	20.1x	155,000
Xilinx	XLNX	NA	$2,951	$3,160	982.0	6.4x	6.4x	6.0x	19.3x	18,990
Average						**8.1x**	**8.0x**	**7.5x**	**40.2x**	**156,723**

Source data: Yahoo Finance

For the valuation we calculated the company's fully diluted share count we use the treasury stock method and determined POET has **318 million fully diluted shares** outstanding.

Warrant and Option Stack
as of August 21, 2020

Expiration	Type	Holder	Ave. Strike Price CAD	Ave. Strike Price USD	Number	Value CAD	Value USD
2021	Options	Employee	$ 0.58	$ 0.44	175,000	$ 101,500	$ 76,125
2022	Options	Employee	$ 0.23	$ 0.17	75,000	$ 17,250	$ 12,938
2024	Options	Employee	$ 0.32	$ 0.24	300,000	$ 96,000	$ 72,000
2026	Options	Employee	$ 0.77	$ 0.58	2,621,875	$ 2,018,844	$ 1,514,133
2027	Options	Employee	$ 0.32	$ 0.24	11,567,813	$ 3,701,700	$ 2,776,275
2028	Options	Employee	$ 0.44	$ 0.33	11,606,209	$ 5,106,732	$ 3,830,049
2029	Options	Employee	$ 0.36	$ 0.27	17,154,420	$ 6,175,591	$ 4,631,693
2030	Options	Employee	$ 0.47	$ 0.35	9,250,326	$ 4,347,653	$ 3,260,740
2021	Warrants	Debenture	$ 0.50	$ 0.38	12,457,500	$ 6,228,750	$ 4,671,563
11/2/21	Warrants	Public Offering	$ 0.52	$ 0.39	31,969,500	$ 16,624,140	$ 12,468,105
7/20/20	Warants	Public Offering	$ 0.75	$ 0.56	12,545,350	$ 9,409,013	$ 7,056,759
					109,722,993	$ 53,827,173	**$ 40,370,380**

Total options	52,750,643	21,565,270	16,173,953
In the money options	49,953,768	19,546,427	14,659,820
Total warrants	56,972,350	32,261,903	24,196,427
In the money warrants	44,427,000	22,852,890	17,139,668
Total in the money	94,380,768	42,399,317	31,799,487
Total options and warrants	109,722,993	53,827,173	40,370,380

Source: POET Technologies

Since POET already qualifies (other than stock price) to uplist to NASDAQ, we believe it may uplist and reverse split sometime in the future when it has hit more milestones and certainly should it need to raise any capital. We do not believe this would happen in 2020 or any time before products are ready to go into large-scale production.

RISKS

- POET is using a startup and has no customers. It may not be able to close customers if its technology does not work or work within needed parameters. It has no revenues and was it to use up its current cash without generating revenues and reaching cash breakeven, to would need to raise new capital from investors, which could dilute current shareholders.

- Many potential customers may be hesitant to so business with a small, money losing start up, making market penetration even more difficult.

- Many of the employees work in states that have shut down businesses and travel and have had to work from home. They have been unable to go to its lab to continue to research and much of marketing efforts have been hindered by the inability to travel. It is not known when California, Pennsylvania, or New Jersey will lift their restrictions.

- The joint venture agreement is not yet finalized and may not materialize or take longer to complete and ramp than shareholders expect.

OWNERSHIP

POET Technologies has no institutional holdings and ownership by management and directors of its common shares is relatively small. However, if we were to take the number of options owned by management and directors (37.4 million), and use the fully diluted number of shares outstanding (317.5 million), it would show they have an 11.8% interest in the company. The company has no owners with more than five percent of the stock and we believe the largest shareholder has about 2% ownership and is based in Canada. 100% of the stock is in the float and is held by retail investors with the grand majority in Canada. Insiders' ownership of options is shown below:

	Options Held*	Ave Price (C$)	Date of Last Grant	New Grants	Total	% of Total Pool**	% of TSO	Shares Held Outright	Options and Shares	% of TSO	Debenture Amounts (CND $)
Management											
Suresh Venkatesan	11,700,000	0.413	5/29/19	2,000,000	13,700,000	23.8%	4.7%	115,000	13,815,000	4.7%	$100,000
Vivek Rajgarhia	3,250,000	0.330	11/4/19	1,250,000	4,500,000	7.8%	1.5%		4,500,000	1.5%	
Thomas Mika	4,450,000	0.442	5/29/19	550,000	5,000,000	8.7%	1.7%	100,000	5,100,000	1.8%	$30,000
Kevin Barnes	1,625,000	0.430	1/15/20	150,000	1,775,000	3.1%	0.6%	18,000	1,793,000	0.6%	$20,000
Edward Cornejo	1,000,000	0.360	12/6/19		1,000,000	1.7%	0.3%		1,000,000	0.3%	
James Lee	1,000,000	0.330	11/4/19	200,000	1,200,000	2.1%	0.4%		1,200,000	0.4%	
Dan Meerovich	1,000,000	0.295	3/17/20		1,000,000	1.7%	0.3%		1,000,000	0.3%	
Other Employees	1,635,000	0.330		1,550,000	3,185,000	5.5%	1.1%		3,185,000	1.1%	
Sub-total Mgmt	25,660,000			5,700,000	31,360,000	54.4%	10.8%	233,000	31,593,000	10.8%	$150,000
Board of Directors											
Chris Tsiofas	1,756,819		5/29/19	276,350	2,033,169	3.5%	0.7%	25,000	2,058,169	0.7%	$100,000
Dave Lazovsky	5,000,000		5/29/19	248,715	5,248,715	9.1%	1.8%	181,000	5,429,715	1.9%	$50,000
Don Listwin	1,251,106		5/29/19	276,350	1,527,456	2.7%	0.5%	632,250	2,159,706	0.7%	$100,000
Jean-Louis Malinge	1,284,534		5/29/19	248,715	1,533,249	2.7%	0.5%		1,533,249	0.5%	$70,000
Mohan Warrior	1,472,034		5/29/19	248,715	1,720,749	3.0%	0.6%		1,720,749	0.6%	$70,000
Peter Charbonneu	989,811		5/29/19	276,350	1,266,161	2.2%	0.4%		1,266,161	0.4%	$100,000
Sub-total Board	11,754,304			1,575,195	13,329,499	23.1%	4.6%	838,250	14,167,749	4.9%	$490,000
	37,414,304		**Totals**	**7,275,195**	**44,689,499**	**77.6%**	**15.3%**	**1,071,250**	**45,760,749**	**15.7%**	**$640,000**

*Options Held does not include those expiring on June 12, 2020

**Based on pool as of last AGM	57,611,360	20%
TSO	291,394,438	

Source: POET Technologies

INCOME STATEMENT

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20R	Q2 20	Q3 20E	Q4 20E	2019	2020E	2021E
Revenue	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 50,000**	**$ 100,000**	**$ 0**	**$ 150,000**	**$ 5,000,000**
Cost of revenue	0	0	0	0	0	0	0	0	0	0	0
Gross margin	0	0	0	0	0	0	50,000	100,000	0	150,000	5,000,000
Gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating expenses											
Selling, marketing and administration	1,524,873	1,484,440	1,738,310	1,949,764	2,049,383	2,248,009	1,920,009	2,000,000	6,697,387	8,217,401	10,000,000
Research and development	302,254	497,023	450,297	834,241	1,419,744	1,250,475	1,250,475	1,250,475	2,083,815	5,171,169	4,500,000
Other income, including interest	0	(1,579)	(40)	(5,677)	(1,362)	(18,543)	(20,000)	(13,000)	(10,540)	(52,905)	(27,000)
Operating expenses	1,823,883	2,279,325	2,633,883	4,993,525	3,467,765	3,479,941	3,150,484	3,237,475	11,727,372	13,335,665	14,473,000
Operating income	(1,823,883)	(2,279,325)	(2,633,883)	(4,993,525)	(3,467,765)	(3,479,941)	(3,100,484)	(3,137,475)	(11,727,372)	(13,185,665)	(9,473,000)
Interest expense	0	0	0	301,577	216,684	228,591	180,000	160,000	0	785,275	400,000
Imparirment and other loss				1,764,459	0	2,500,000	0	0			
Loss from continuing operations	(1,823,883)	(2,279,325)	(2,633,883)	8,151,301	(3,684,449)	(6,208,532)	(3,150,484)	(3,237,475)	(11,727,372)	(14,120,940)	(14,873,000)
Loss from discontinued operations	(858,659)	(1,500,553)	(310,332)	8,151,301	0	0	0	0	5,481,757	0	0
Pretax loss from operations	**(2,682,542)**	**(3,779,878)**	**(2,944,215)**	**3,746,500**	**(3,684,449)**	**(6,208,532)**	**(3,150,484)**	**(3,237,475)**	**(6,245,615)**	**(14,120,940)**	**(14,873,000)**
Income tax recovery	0	0	0	(292,740)	0	0	0	0	(292,740)	0	0
Profit before joint venture	(2,682,542)	(3,779,878)	(2,944,215)	3,453,760	(3,684,449)	(6,208,532)	(3,150,484)	(3,237,475)	(6,245,615)	(14,120,940)	(14,873,000)
Income from joint venture	0	0	0	0	0	0	0	(100,000)	0	(100,000)	(1,500,000)
Net loss	(2,682,542)	(3,779,878)	(2,944,215)	3,453,760	(3,684,449)	(6,208,532)	(3,150,484)	(3,337,475)	(6,245,615)	(14,220,940)	(16,373,000)
Non-GAAP net loss	(1,960,215)	(3,095,017)	(2,106,577)	5,861,534	(2,907,666)	(2,534,047)	(2,350,484)	(2,537,475)		(10,332,550)	(12,473,000)
Basic and diluted net loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.05)	$ (0.06)
Loss per share from cont. operations	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.03	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.05)	$ (0.06)
Yr-to-yr growth					101.1%	169.5%	18.1%	-139.2%	36.3%	20.1%	14.8%
Non-GAAP loss per share	(0.01)	(0.01)	(0.01)	0.02	(0.01)	(0.01)	(0.01)	(0.01)	NA	(0.04)	(0.04)
Share outstanding (millions)	288.1	288.1	288.3	288.3	289.4	291.2	292.0	292.0	288.2	291.1	292.0
Yr-to-yr growth					0.5%	1.1%	1.3%	1.3%	2.2%	1.0%	0.3%

Source: Zacks Small-Cap Research and SEC Filings

BALANCE SHEET

	June 30, 2020	Mar. 31, 2020	Qtr-Qtr % Growth	Dec. 31, 2019	Six Mon. % Growth
Current					
Cash and cash equivalents	**$ 11,895,907**	**$ 12,327,555**	-4%	**$ 1,428,129**	733%
Accounts receivable	1,000,000	5,000,000	-80%	18,000,000	-94%
Prepaids and other current assets	269,038	228,433	18%	831,265	-68%
Current Assets	13,164,945	17,555,988	-25%	20,259,394	-35%
Property and equipment	3,570,678	3,027,727	18%	3,143,060	14%
Patents and licenses	443,658	435,335	2%	452,384	-2%
Right of use asset	384,083	187,763	105%	222,517	73%
Total Assets	17,563,364	21,206,813	-17%	24,077,355	-27%
Liabilities					
Accounts payable and accrued liabilities	2,394,443	1,439,060	66%	1,725,708	39%
Covid-19 government support loans	46,687	0	NM	0	NM
Lease liability	107,348	87,245	23%	90,504	19%
Convertible debentures	**2,946,180**	**2,728,846**	8%	**3,089,033**	-5%
Current Liabilities	5,494,658	4,255,151	29%	4,905,245	12%
Non-current covid-19 govt support loans	169,520	0	NM	0	NM
Lease liability	283,853	103,450	174%	133,254	113%
	5,948,031	4,358,601	36%	5,038,499	18%
Shareholders' Equity					
Share capital	113,266,706	112,649,918	1%	112,144,172	1%
Equity component of loan payable	576,223	576,223	0%	627,511	-8%
Warrants & comp options	7,940,842	8,167,622	-3%	8,525,358	-7%
Contributed surplus	40,533,864	39,878,032	2%	38,799,337	4%
Accumulated other comprehensive loss	(1,877,197)	(1,807,011)	4%	(1,908,715)	-2%
Deficit	(148,825,104)	(142,616,572)	4%	(139,148,807)	7%
Shareholder's Equity	11,615,334	16,848,212	-31%	19,038,856	-39%
Tot Liabilities and Share. Equity	$ 17,563,365	$ 21,206,813	-17%	$ 24,077,355	-27%
Cash	$ 11,895,907	$ 12,327,555	-4%	$ 1,428,129	733%
Cash per share	0.04	0.04	-4%	0.00	728%
Current ratio	2.4	4.1	-42%	4.1	-42%
Working capital	7,670,287	13,300,837	-42%	15,354,149	-50%
Debt	2,946,180	2,728,846	8%	3,089,033	-5%
Debt/total assets	16.8%	12.9%	30%	12.8%	31%

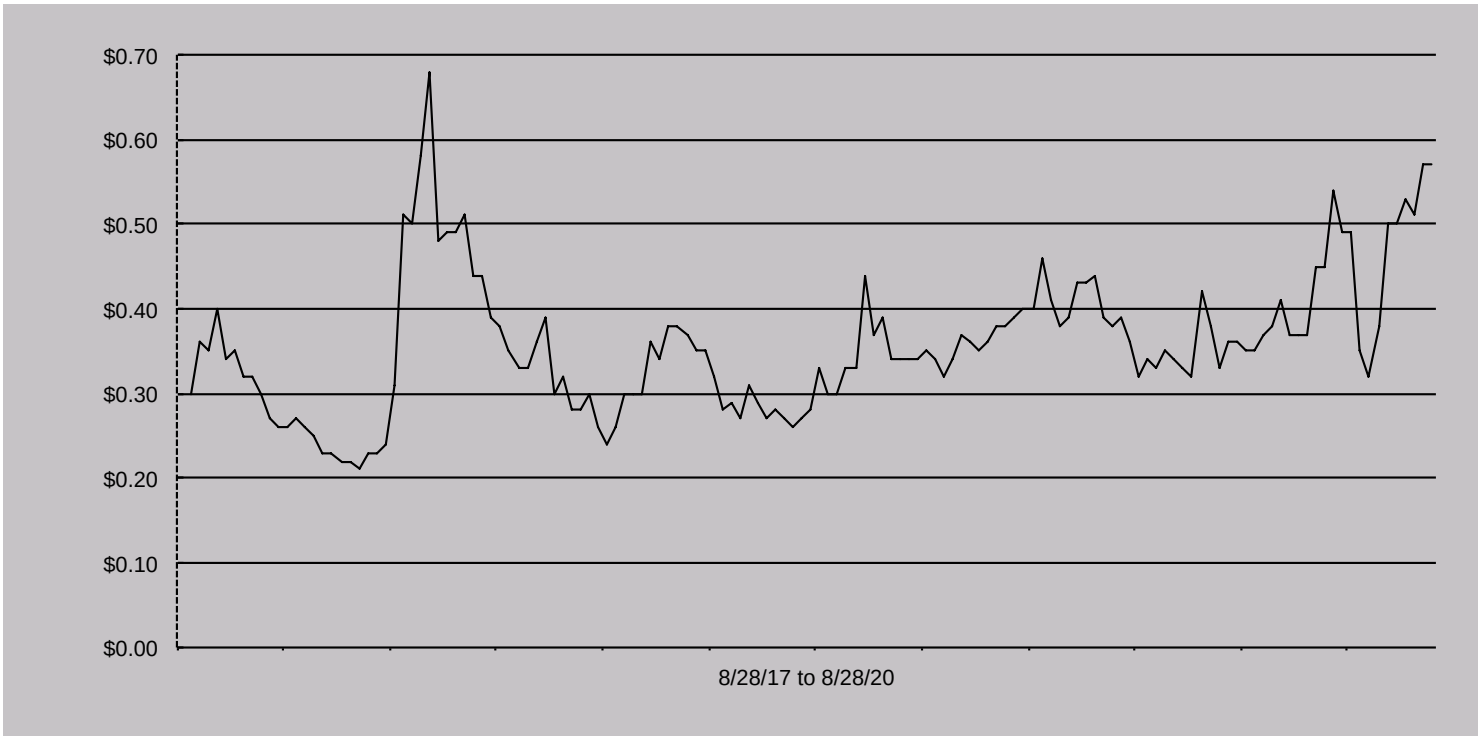
Source: SEDAR Filings

CASH FLOWS

US Dollars	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	2019	Mar. 31, 2020	Jun. 30, 2020
OPERATING ACTIVITIES							
Net loss	$ (2,682,542)	$ (3,779,878)	$ (2,944,215)	$ 3,453,760	$ (5,952,875)	$ (3,467,765)	$ (6,208,532)
Discontinued operations, net	858,659	1,500,553	310,332	(8,151,301)	(5,481,757)	0	0
Net loss, continuing operations	(1,823,883)	(2,279,325)	(2,633,883)	(4,697,541)	(11,434,632)	(3,467,765)	(6,208,532)
Adjustments for:							
Depreciation of property and equipment	33,513	19,358	18,309	95,162	166,342	134,088	141,677
Amortization of patents and licenses	14,705	15,438	23,439	8,089	61,671	17,049	17,447
Amortization of debt issuance costs	0	101,901	124,522	145,917	372,340	0	0
Amortization of right of use assets	0	0	0	15,683	15,683	23,180	30,456
Accretion of debt discount on converts & int.	0	0	0	0	0	108,831	129,378
Amortization of debt discount	0	62,483	109,977	108,369	280,829	0	0
Impairment loss	0	0	0	1,764,459	1,764,459	0	0
Stock-based compensation	722,327	684,861	837,638	643,315	2,888,141	776,783	846,485
Income tax recovery	0	0	0	(292,740)	(292,740)	0	0
Expected credit loss allowance	0	0	0	0	0	0	2,500,000
Gain on lease modification							
Net change in non-cash working capital accounts:							
Prepaid and other current assets	28,730	23,881	6,273	(744,551)	(685,667)	586,983	(47,690)
Accounts payable and accrued liabilities	108,814	192,972	559,544	(440,873)	420,457	(194,610)	916,570
Cash flows from continuing operating activities	(915,794)	(1,178,431)	(954,181)	(3,394,711)	(6,443,117)	(2,015,461)	(1,674,209)
Cash flows from discontinued operating activities	(553,920)	(1,721,069)	(387,340)	(288,775)	(2,951,104)	0	0
INVESTING ACTIVITIES							
Receivable form sale of discont. operations	0	0	0	0	0	13,000,000	1,500,000
Purchase of property and equipment	0	0	0	(445,678)	(445,678)	(188,082)	(618,093)
Purchase of patents and licenses	0	(40,035)	(7,899)	(17,872)	(65,806)	0	(25,770)
Cash flows from investing activities, continuing	0	(40,035)	(7,899)	(463,550)	(511,484)	12,811,918	856,137
Cash flows from investing activities, discontinued	(153,192)	(1,280,085)	(225,160)	7,567,060	5,908,623	0	0
FINANCING ACTIVITIES							
Proceed from convertible debentures, net	0	2,979,779	376,639	(3,569)	3,352,849	0	0
Proceeds from loan payable, net	0	2,462,923	990,000	547,077	4,000,000	0	0
Repayment of loan payable	0	0	0	(4,000,000)	(4,000,000)	0	0
Proceeds from Covid-19 govt support loans							
Issue of common shares for cash, net	0	0	60,028	0	60,028	0	361,612
Exercise of warrants and options	0	0	0	0	0	162,258	(162,258)
Payment of lease liability	0	0	0	(19,162)	(19,162)	(28,325)	(37,993)
Cash flows from financing, continuing activities	0	5,442,702	1,426,667	(3,475,654)	3,393,715	133,933	377,568
Cash flows from financing, discontinued activities	(46,439)	(98,568)	(83,046)	(30,407)	(258,460)	0	0
EFFECT OF EXCHANGE RATE CHANGES ON CASH, Continuing	56,076	8,406	(182,919)	(145,465)	(263,902)	(30,964)	9,642
EFFECT OF EXCHANGE RATE CHANGES ON CASH, Discontinued	651	535	(27,608)	12,412	(14,010)	0	0
NET CHANGE IN CASH, Continuing	(859,718)	4,232,642	281,668	(7,479,380)	(3,824,788)	10,899,426	(431,648)
NET CHANGE IN CASH, Discontinued	(752,900)	(3,099,187)	(675,220)	7,212,356	2,685,049	0	0
CASH AND CASH EQUIVALENTS, beginning	2,567,868	955,250	2,088,705	1,695,153	2,567,868	1,428,129	12,327,555
CASH AND CASH EQUIVALENTS, end	955,250	2,088,705	1,695,153	1,428,129	1,428,129	12,327,555	11,895,907
Cash flow	$ (1,911,997)	$ (2,895,837)	$ (1,830,330)	$ 5,942,014	$ (696,150)	$ (2,407,834)	$ (2,543,089)
Free cash flow	$ (1,911,997)	$ (2,935,872)	$ (1,838,229)	$ 5,478,464	$ (1,207,634)	$ (2,407,834)	$ (2,568,859)
Cash flow continuing	(1,053,338)	(1,395,284)	(1,519,998)	(2,209,287)	(6,177,907)	(2,407,834)	(2,543,089)
Free cash flow continuing	(1,053,338)	(1,435,319)	(1,527,897)	(2,672,837)	(6,689,391)	10,404,084	(1,686,952)

Source: SEDAR Filings

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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