December 2, 2021

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com 10 S. Riverside Plaza, Chicago, IL 60606

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

POET Ships Samples to New Customers and Plans to Pursue Medtech and Wearables as its Next Big Markets

Given its unique product offering and large TAM we believe POET shares are worth CN$3.67 based on peer multiples given no further equity dilution than forecast.

Current Price (12/01/21)	CN$0.81
Valuation	**CN$3.67**

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 has 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, medtech, wearables, augmented reality, LIDAR, and the Internet of Things.

SUMMARY DATA

52-Week High	**CN$1.58**
52-Week Low	**CN$0.49**
One-Year Return (%)	**68.6**
Beta	**0.7**
Average Daily Volume (sh)	**234,091**
Shares Outstanding (mil)	**365**
Market Capitalization ($mil)	**CN$296**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**1.0**
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	**High**
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)
2019	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2020	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2021	$0.0 A	$0.2 A	$0.0 A	$0.1 E	$0.3 E
2022					$2.0 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-$0.01 A	-$0.01 A	-$0.01 A	$0.01 A	$0.00 A
2020	-$0.01 A	-$0.02 A	-$0.01 A	-$0.02 A	-$0.06 A
2021	-$0.01 A	-$0.01 A	-$0.01 A	-$0.02 E	-$0.05 E
2022					-$0.06 E

© Copyright 2021, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

POET Breaks Out Joint Venture Results in Q3 as it Moves Closer to Reporting Revenues

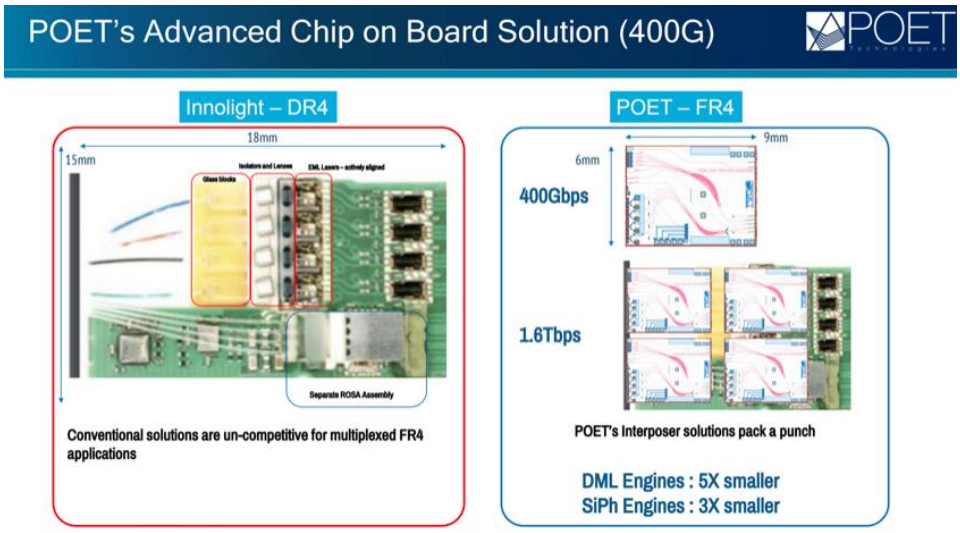
In Q3 POET continued to make progress generating interest in its platform. It attended the two leading optoelectronics conferences and exhibitions in China where it showed Optical Engine products and its Optical Interposer platform. In fact, Shenzhen Fibertop Technology (joint venture customer one) a transceiver module supplier, saw POET's solution at the answer to its product path dilemma and has already announced its plans to incorporate POET Optical Engines in its line of optical modules as soon as they are available. Also during the quarter POET shipped its first 100G Transmit (Tx) Optical Engine sample to a leading European optical systems company.

This quarter for the first time POET reported results from its joint venture as a stand-alone company and vows to provide full income statements on the joint venture in future earnings filings. In Q3, POET reported that the 92.5% of the JV that POET owns spent a cumulative $635,000 since the creation of the joint venture. The percent ownership of the JV that POET owns will reset as its partner adds capital to buy equipment and pay expenses and we expect every quarter the percentage will decline change. Six quarters from now we expect ownership to be 50/50. Strangely, even though POET owns well over 50% of the JV, it does not consolidate its revenues as neither company has operating control of the entity. We expect that investors will have to value POET without the JV results separately from the JV and then add the two together to value POET's per share value. To further confuse things, the joint venture has the potential of becoming a separate public company on the Shanghai Stock Exchange STAR Market where valuations are sky high and companies can trade at 15 times revenues.

To recap, the joint venture is pursuing all customers for 100G, 200G customers for datacom and 400G customers only in China. POET has the rights to revenue from 400G products outside China and any other verticals other than 100G and 200G datacom. Only revenues from POET customers will show up at revenues on the income statement. All other revenues booked by the joint venture will only appear in the MD&A section when reporting and POET's net income from the JV will be the only thing on its income statement. Because of this investors should be aware of which customers will generate revenues for whom. As a result we are going to refer to unnamed customers by whom they buy from: the JV or POET. For example, Fibertop is JV customer number one. The European customer announced in October that committed for a unique multi-engine design for 100G CWDM4 and 100G LR4 Optical Engines based on the POET Optical Interposer, we can refer to as POET European customer one. The combined value of the NRE and the purchase order for initial units from this customer is expected to generate over US$1.2 million in revenues for POET. Interestingly, this customer told POET to focus on getting it the LR4 product first as it sees that as a its greater near term opportunity. The LR4 product is directed at the client side of major telecom networks, between a transport network backbone to data centers and customer locations globally. The POET solution will provide superior performance at a price that cannot be matched today by competing solutions. LightCounting increased its market estimate for 100G LR4 transceiver modules with a 10km reach, and now predicts rather than a flat market, that market could grow from $300 million a year to $700 million by 2025.

The key to POET's superior solution is that modules based on its Optical Engine can deliver the equivalent of 200G to 400G speeds using established 100G technology. As seen on the image below, compared to the TOSA/ROSA product on the left currently in use, the POET solution on the right is much smaller and uniquely integrates the mux and demux. This results in a smaller, cheaper solution that also uses 10% to 15% less power. The 400G FR4 product is expected to provide the first revenues direct to POET possibly by Q3 2022. The 100G CWDM products sold into China will generate the first revenues for the joint venture and will ship earlier than Q3.

Figure 1. POET 400G Solutions Compared with Current Solutions

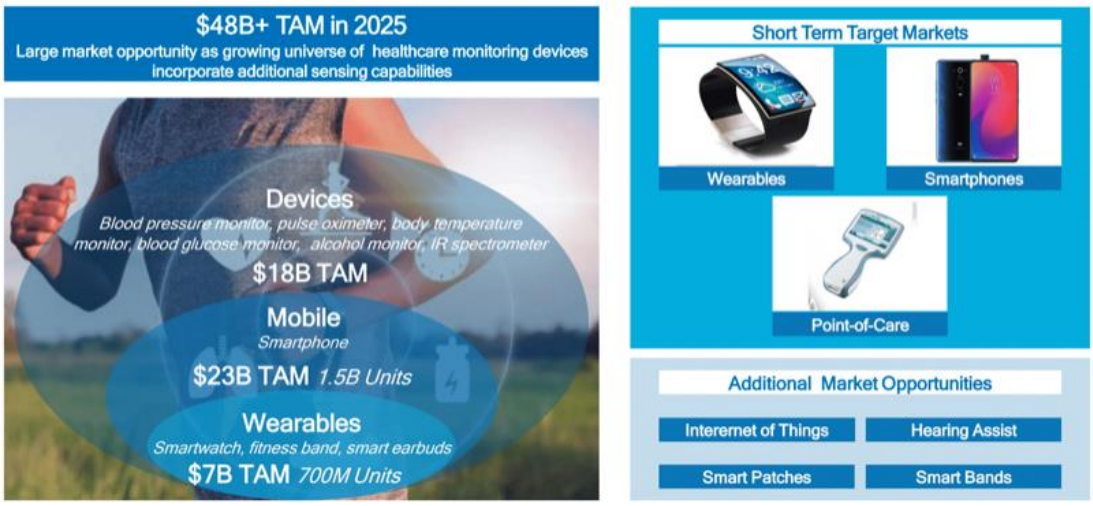


Source: POET Technologies

The Wearables Market

Although some revenues will slip out of 2022 due to the need for further development, the company is still confident of revenues coming in as planned in the out years. One of the reasons for this is the opportunity it sees in medtech and wearables. Its competitor Rockley Photonics is getting a high valuation as it is partnered with Apple in wearables, but POET believes it can develop a superior solution based on features built into its optical interposer platform that can be directly applied to spectrometers and sensors and is working to address that market. With the Rockley-Apple precedent, POET is in talks with large wearable and mobile phone manufacturers in China and Korea and is working with a Chinese company already active in the field to design a product. POET has demonstrated an ability to develop products rapidly and at much lower cost to its competitors (nearly $400 million and eight years of development by Rockley and only $50 million and four years for POET) due to the simplicity of design of the POET optical interposer. In fact, the largest wearables company is not Apple but Huamei (Amazfit), a Chinese company. POET expects to have deal announced in the first half of 2022 in this market, and would base a capital raise on funding a team in China to build a spectrometer. Rockley has based its product on expensive Silicon Photonics and LEDs that do not have enough wavelengths and thus data, but POET's solution would be smaller, less expensive and based on lasers able to penetrate the skin and provide information on many more metrics.

Figure 2. Medtech and Wearables Market Sizes



Source: POET Technologies

After the Quarter Ended

On November 2, 2021, POET announced that it agreed on the first phase of a supply agreement with a leading global supplier of lasers. The companies will collaborate on the design and production of flip-chippable Continuous Wave (CW) high power lasers for use in POET's 400G Optical Engines. Lasers combined with a silicon photonics-based modulator will be incorporated in transmit Optical Engines operating at 400G speeds and beyond. POET expects to have initial production chips available by mid-2022.

Q3 2021 Earnings Report

In Q3 POET went back to no revenue as expected but should generate a small amount of NRE in Q4. Product revenues might start in Q3 2022 from POET European customer number one from LR4. The JV's first revenues are expected to be from Fibercom, possibly starting in Q2 2022.

Total expenses were $4.1 million compared to $3.3 last year and $3.9 in Q1 2021. We expect the company to continue to increase spending as it approaches its production ramp.
R&D expenses were up $562,000 from last year and up $473,000 from Q1 2021. We expect them to be somewhat lumpy as different expenses hit different quarter as the company moves to production. Wages and benefits decreased by $222,732 (27%) to $593,280 in Q2 2021 from $816,012 in Q1 2021. In Q1 2021, the company paid a bonus of $250,000 to certain employees. Stock-based compensation was up $200,000 compared to last year.

In Q1 2021, the company paid $235,000 in interest expense, and that declined to $95,000 in Q2 as the convertible debentures converted. Since they are mostly gone, we expect interest expense to approach zero going forward.

The net loss was $4.2 million down from $6.2 million in Q2 2020. This resulted in an IFRS loss per share of $0.01 per share and a non-IFRS loss of $0.01 per share, compared to a loss of $0.02 and non-IFRS loss of $0.01 last year. Shares outstanding increased 10.8% to 345.3 million. As of August 11, 2021 there were 351 million shares outstanding, or 390 million shares fully diluted.

Balance Sheet

POET Technologies ended the September quarter with $20.3 million in cash and marketable securities, no convertible debentures and no debt. Working capital was $19.7 million. After the quarter ended, POET received $4,270,544 from the exercise of 10,265,732 warrants with an expiry date of November 2, 2021, exercisable at $0.416 (CAD$0.52). 933,000 warrants expired unexercised. POET reported that its unaudited cash and cash equivalents balance on November 2, 2021 was approximately US$23.8 million. The company is burning about a million dollars a month and has 18 to 24 months of runway. We expect it to do a $25-30 million capital raise in Q1 or Q2 and uplist to NASDAQ some time after the announcement of a significant customer some time in Q1. Part of this raise will be used to fund its push into the medtech and wearables market.

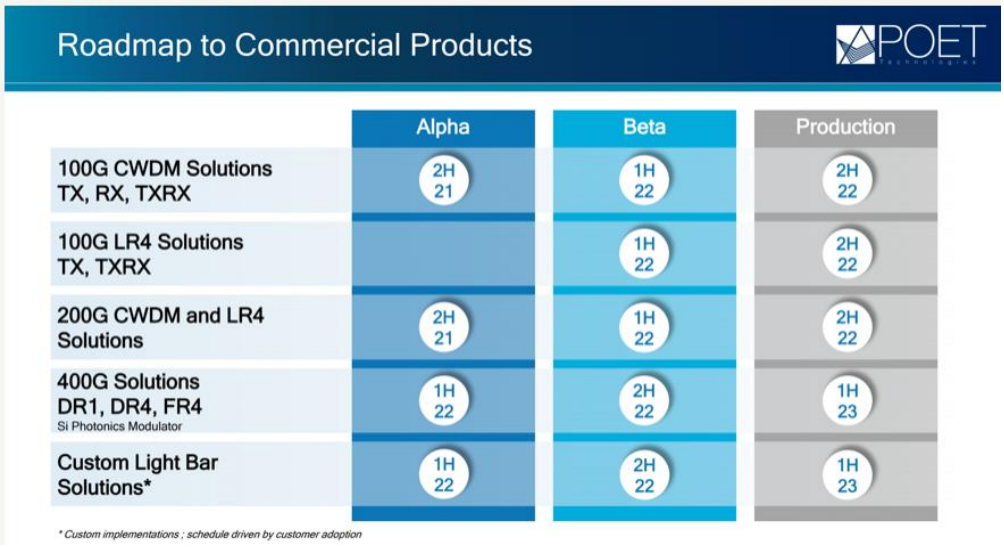
KEY POINTS

- 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.

- On October 22nd, POET established a $50 million joint venture with Xiamen Sanan Integrated Circuit Co. Ltd. of Xiamen, China. POET is contributing know how and a license to some of its technology, and Xiamen is contributing intellectual property, capital and production facilities. It will ultimately be 53% owned by Sanan IC and 47% by POET, but today POET owns 92.5%. 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 expects volume production of product to start in the first half of 2022. Its product roadmap is shown below:



- The stock currently trades at a fully diluted enterprise value of US$267 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. 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 US$2.87 based on $200 million in revenues in 2025 at 18.6xs EV to Sales, discounted at 30% back to present value.

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 18.6xs enterprise value to estimated 2021 revenues. Currently POET trades at an enterprise value of $267 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 18.6xs gives us an enterprise valuation of $3.72 billion, a market value of $3.74 billion or $8.20 per share by 2024 using today's fully diluted share count of 456 million shares. This would be a present value of US$2.87 or CN$3.67 per share discounted by 30% per year.

		Calendar				EBIDTA		Enterprise Value / Sales		EV/EBITDA	Included	
Company	Ticker	2022E	2021E	LTM	EBITDA	Margin	2022E	2021E	LTM		in Average?	Ent. Value
AMD	AMD	$19,160	$16,130	$14,850	3,420	23%	9.6x	11.4x	12.4x	53.7x	y	183,800
Broadcom	AVGO	NA	$28,900	$26,510	13,930	53%	NA	9.1x	9.9x	18.8x	y	261,670
Cirrus Logic	CRUS	$1,710	$1,547	$1,520	319	21%	26.1x	28.9x	29.4x	140.1x	y	44,700
Lightwave Logic	LWLG	NA	NA	$0	(12)	NM	NA	NA	NA	-128.1x	n	1,500
Marvell	MRVL	$5,210	$4,270	$3,460	798	23%	13.1x	16.0x	19.7x	85.3x	y	68,120
Monolithic Power Sys	MPWR	$1,430	$1,190	$1,100	258	23%	17.7x	21.3x	23.0x	98.1x	y	25,300
NVIDIA	NVDA	$31,730	$26,680	$24,270	9,760	40%	25.1x	29.9x	32.8x	81.6x	y	796,800
Rockley Photonics	RKLY	$59	$25	$21	(55)	-256%	12.3x	29.5x	34.0x	-13.3x	y	728
Qualcomm	QCOM	$40,700	$35,600	$33,570	11,830.0	35%	5.0x	5.8x	6.1x	17.3x	y	204,730
Xilinx	XLNX	$3,966	$3,623	$3,470	1,030.0	30%	14.6x	16.0x	16.7x	56.2x	y	57,850
Average						**-1%**	**15.4x**	**18.6x**	**20.4x**	**34.2x**		**137,100**

For the valuation we calculated the company's fully diluted share count using the treasury stock method at **456 million fully diluted shares** outstanding.

Warrant and Option Stack
30-Sep-21

Expiration	Type	Holder	Ave. Strike Price CAD	Ave. Strike Price USD	Number	Value CAD	Value USD
2022	Options	Employee	$ 0.23	$ 0.17	25,000	$ 5,750	$ 4,313
2024	Options	Employee	$ 0.32	$ 0.24	300,000	$ 96,000	$ 72,000
2026	Options	Employee	$ 0.76	$ 0.57	1,975,000	$ 1,501,000	$ 1,125,750
2027	Options	Employee	$ 0.32	$ 0.24	6,162,125	$ 1,971,880	$ 1,478,910
2028	Options	Employee	$ 0.44	$ 0.33	7,871,271	$ 3,463,359	$ 2,597,519
2029	Options	Employee	$ 0.36	$ 0.27	15,237,939	$ 5,485,658	$ 4,114,244
2030	Options	Employee	$ 0.47	$ 0.35	8,700,470	$ 4,089,221	$ 3,066,916
2031	Options	Employee	$ 0.81	$ 0.61	1,450,000	$ 1,174,500	$ 880,875
					41,721,805	17,787,368	13,340,526
2031	Options	Employee	$ 1.09	$ 0.82	650,000	$ 708,500	$ 531,375
2031	Options	Employee	$ 1.19	$ 0.89	4,706,250	$ 5,600,438	$ 4,200,328
2/11/23	Warrants	Private placement	$ 1.15	$ 0.86	17,647,200	$ 20,294,280	$ 15,220,710
					23,003,450	26,603,218	19,952,413
2023	Warrants	Debenture	$ 0.50	$ 0.38	11,807,500	$ 5,903,750	$ 4,427,813
11/2/21	Warrants	Public Offering	$ 0.52	$ 0.39	11,198,432	$ 5,823,185	$ 4,367,388
2/11/23	Broker warrants	Private placement	$ 0.85	$ 0.64	1,058,832	$ 900,007	$ 675,005
				Total Warrants	41,711,964	32,921,222	24,690,916

Fully Diluted Shares Using Treasury Stock Method

Share Outstanding	354,266,540
Warrants	41,711,964
Options	88,799,860
Debentures	
All in shares	484,778,364
Fully diluted shares	484,778,364
Cash raised by warrants and options	22,810,733
Share purchased by cash raised	28,513,416
Current share price $	$0.80
Fully diluted shares, TS Method	**456,264,948**

RISKS

- POET is a startup and has virtually no revenues. It may not be able to close customers if its technology does not work or work within needed parameters. If it were it to use up its current cash without 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.

- The joint venture may take longer to book sales, ramp slower or produce less than expected sales and profits. The current foundry capacity shortage has caused the timetable for the company producing and shipping samples to customers and we believe industry conditions beyond its control could lead to further delays.

- The pandemic continues to effect the supply chain and POET has experienced delays in shipping as well as acquiring needed components from suppliers. General decision-making has been slowed with potential customers as well due to their supply chain issues.

INCOME STATEMENT

Restated	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21E	2020	2021E	2022E
Revenue	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 209,100**	**$ 0**	**$ 100,000**	**$ 0**	**$ 309,100**	**$ 2,000,000**
Cost of revenue	0	0	0	0	0	0	0	0	0	0	1,000,000
Gross margin	0	0	0	0	0	209,100	0	100,000	0	309,100	1,000,000
Gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	0.0%	100.0%	50.0%
Operating expenses											
R&D	1,419,744	1,250,475	1,217,849	2,229,672	1,339,784	1,812,924	1,231,676	1,500,000	6,117,740	5,884,384	7,200,000
Depreciation and amortization	174,317	189,582	206,819	242,385	252,731	270,189	296,424	271,000	813,103	1,090,344	1,100,000
Professional fees	125,001	177,149	123,664	374,737	284,105	247,742	354,163	500,000	800,551	1,386,010	800,000
Wages and benefits	543,571	475,114	442,605	720,877	816,012	593,280	623,731	1,800,000	2,182,167	3,833,023	8,000,000
Stock-based compensation	776,783	846,485	1,096,013	893,664	820,538	1,236,593	1,295,864	1,000,000	3,612,945	4,352,995	3,400,000
General expenses and rent	213,027	559,679	167,608	305,495	357,980	381,539	275,078	390,000	1,245,809	1,404,597	1,600,000
Operating expenses	3,252,443	3,498,484	3,254,558	4,766,830	3,871,150	4,542,267	4,076,936	5,461,000	14,772,315	17,951,353	22,100,000
Operating income	(3,252,443)	(3,498,484)	(3,254,558)	(4,766,830)	(3,871,150)	(4,333,167)	(4,076,936)	(5,361,000)	(14,772,315)	(17,642,253)	(21,100,000)
Debt-issuance cost	0	0	0	0	0	0	0	0	0	0	0
Impairment and other loss	0	(2,500,000)	0	0	0	0	0	0	(2,500,000)	0	0
Interest expense	(216,684)	(228,591)	(243,805)	(248,823)	(234,579)	(94,799)	(19,729)	3,500	(937,903)	(345,607)	0
Other income	1,362	18,543	13,910	7,333	7,309	19,772	21,353	1,300	41,148	49,734	32,000
Forgiveness of COVID govt loans	0	0	0	0	0	0	186,747	0	0	186,747	0
Gain on contribution of IP to JV	0	0	0	0	0	0	1,057,500	0	0	1,057,500	0
Share of loss in JV (95.3%)	0	0	0	0	0	0	(634,666)	(1,000,000)		(1,634,666)	(3,000,000)
Pretax loss	**(3,467,765)**	**(6,208,532)**	**(3,484,453)**	**(5,008,320)**	**(4,098,420)**	**(4,408,194)**	**(3,465,731)**	**(6,356,200)**	**(18,169,070)**	**(17,938,126)**	**(21,068,000)**
Income tax recovery	0	0	0	0	0	0	0	0	0	0	0
Net loss	(3,467,765)	(6,208,532)	(3,484,453)	(5,008,320)	(4,098,420)	(4,408,194)	(3,465,731)	(6,356,200)	(18,169,070)	(17,938,126)	(21,068,000)
Non-GAAP net loss	(2,690,982)	#REF!	(2,388,440)	(4,114,656)	(3,277,882)	(3,171,601)	(2,169,867)	(5,356,200)	6,112,945	(13,585,131)	(17,668,000)
Basic and diluted net loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.06)
Yr-to-yr growth				42.3%	6.6%	-40.1%	-17.3%	2.2%		-16.7%	14.4%
Non-GAAP loss per share	(0.01)	#REF!	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	0.02	(0.04)	(0.05)
Share outstanding (millions)	289.4	291.2	292.6	293.9	320.8	345.3	351.7	365.0	291.8	345.7	355.0
Yr-to-yr growth	0.5%	1.1%	1.5%	1.9%	10.8%	18.6%	20.2%	24.2%	1.2%	18.5%	2.7%
EBITDA	(2,301,343)	(2,462,417)	(1,951,726)	(3,630,781)	(2,797,881)	(2,826,385)	(2,484,648)	(4,090,000)	(10,346,267)	(12,198,914)	(16,600,000)

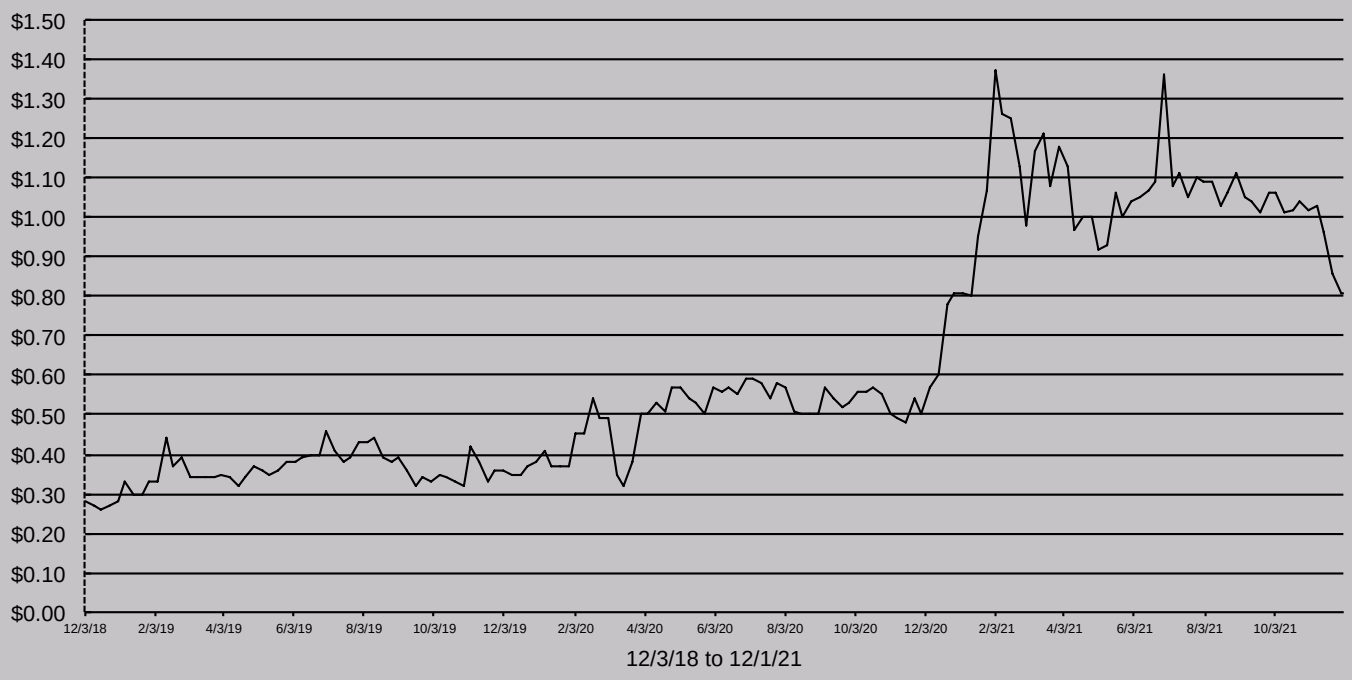
BALANCE SHEET

	Sept 30, 2021	June 30, 2021	Qtr-Qtr % Growth	Sept 30, 2020	Yr-Yr % Growth
Current					
Cash and cash equivalents	**$ 14,004,514**	**$ 21,941,873**	-36%	**$ 9,445,015**	48%
Short-term investments	6,328,226	0	NA	0	0%
Accounts receivable	0	207,260	-100%	0	NA
Prepaids and other current assets	195,278	294,917	-34%	128,406	52%
Current Assets	20,528,018	22,444,050	-9%	9,573,421	114%
Investment in joint venture	422,834	0	NA	0	NA
Property and equipment	3,194,061	3,372,863	-5%	4,120,639	-22%
Patents and licenses	392,310	406,688	-4%	426,073	-8%
Right of use asset	372,534	424,901	-12%	355,564	5%
Total Assets	24,909,757	26,648,502	-7%	14,475,697	72%
Liabilities					
Accounts payable and accrued liabilities	1,472,810	2,165,686	-32%	1,418,074	4%
Covid-19 government support loans	0	189,723	-100%	46,687	-100%
Lease liability	150,257	199,148	-25%	107,348	40%
Convertible debentures	**0**	**171,185**	-100%	**3,107,055**	-100%
Current Liabilities	1,623,067	2,725,742	-40%	4,679,164	-65%
Non-current covid-19 govt support loans	31,544	47,822	-34%	170,092	-81%
Lease liability	250,548	258,002	-3%	254,451	-2%
Total liabilities	1,905,159	3,031,566	-37%	5,103,707	-63%
Shareholders' Equity					
Share capital	141,477,477	138,800,262	2%	113,647,622	24%
Equity component of loan payable	0	18,747	-100%	571,185	-100%
Warrants & comp options	7,266,722	7,711,219	-6%	7,916,623	-8%
Contributed surplus	45,702,802	44,759,499	2%	41,508,443	10%
Accumulated other comprehensive loss	(2,152,181)	(1,850,300)	16%	(1,962,326)	10%
Deficit	(169,290,222)	(165,824,491)	2%	(152,309,557)	11%
Shareholder's Equity	23,004,598	23,614,936	-3%	9,371,990	145%
Tot Liabilities and Share. Equity	$ 24,909,757	$ 26,646,502	-7%	$ 14,475,697	72%
Cash	$ 14,004,514	$ 21,941,873	-36%	$ 9,445,015	48%
Cash per share	0.04	0.06	-31%	0.03	35%
Current ratio	12.6	8.2	54%	2.0	518%
Working capital	18,904,951	19,718,308	-4%	4,894,257	286%
Debt	0	171,185	-100%	3,107,055	-100%
Debt/total assets	0.0%	0.6%	-100%	21.5%	-100%

CASH FLOWS

US Dollars	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020	Dec. 31, 2020	2020	Mar. 31, 2021	Jun. 30, 2021	Sep. 30, 2021
OPERATING ACTIVITIES								
Net loss	$ (3,467,765)	$ (6,208,532)	$ (3,484,453)	$ (5,008,320)	$ (18,169,070)	$ (4,098,420)	$ (4,408,194)	$ (3,465,731)
Discontinued operations, net	0	0	0	0	0	0	0	0
Net loss, continuing operations	(3,467,765)	(6,208,532)	(3,484,453)	(5,008,320)	(18,169,070)	(4,098,420)	(4,408,194)	(3,465,731)
Adjustments for:								
Depreciation of property and equipment	134,088	141,677	158,230	197,268	631,263	188,220	205,154	219,148
Amortization of patents and licenses	17,049	17,447	17,585	13,701	65,782	16,995	16,994	29,848
Amortization of intangibles	0	0	0	0	0	0	0	0
Amortization of debt issuance costs	0	0	0	0	0	0	0	0
Amortization of right of use assets	23,180	30,456	31,006	31,415	116,057	47,516	48,041	47,428
Other operating costs	0	0	0	0	0	0	13,814	0
Accretion of debt discount on converts & int.	108,831	129,378	141,332	0	524,095	128,229	48,768	18,548
Amortization of debt discount	0	0	0	0	0	0	0	0
Loss on disposal of property and equipment	0	0	0	0	0	0	0	0
Impairment loss	0	0	0	0	0	0	0	0
Stock-based compensation	776,783	846,485	1,096,013	893,664	3,612,945	820,538	1,236,593	1,295,864
Non-cash settled operating costs	0	0	0	0	910,738	0	0	0
Change in fair value of contingent consideration	0	0	0	0	0	0	0	0
Income tax recovery	0	0	0	0	0	0	0	0
Deferred rent	0	0	0	0	0	0	0	0
Expected credit loss allowance	0	2,500,000	0	0	2,500,000	0	0	0
Gain on lease modification	0	0	0	0	(786)	0	0	0
Gain on contribution of IP to JV	0	0	0	0	0	0	0	(1,057,500)
Share of loss in JV	0	0	0	0	0	0	0	634,666
Forgiveness of COVID loans	0	0	0	0	0	0	0	(186,747)
Non-cash foreign exchange	0	0	0	161,000	161,000	0	0	0
Net change in non-cash working capital accounts:								
Accounts receivable	0	0	0	0	0	0	(209,100)	209,100
Prepaid and other current assets	586,983	(47,690)	147,664	(454,435)	232,522	(465,106)	798,311	88,597
Accounts payable and accrued liabilities	(194,610)	916,570	(997,963)	253,493	(22,510)	882,528	(450,207)	(679,765)
Cash flows from continuing operating activities	(2,015,461)	(1,674,209)	(2,890,586)	(2,856,922)	(9,437,964)	(2,479,500)	(2,699,826)	(2,846,544)
Cash flows from discontinued operating activities	0	0	0	0	0	0	0	0
INVESTING ACTIVITIES								
Cash proceeds from acquisitions	0	0	0	0	0	0	0	0
Proceeds from the disposal of property and eqt	0	0	0	0	0	0	0	0
Purchase of short-term investments	0	0	0	0	0	0	0	(6,328,226)
Proceeds from sale of discont. operations	13,000,000	1,500,000	1,000,000	0	15,500,000	0	0	0
Purchase of property and equipment	(188,082)	(618,093)	(638,367)	(77,246)	(1,521,788)	(123,564)	(508,458)	(61,320)
Purchase of patents and licenses	0	(25,770)	0	(26,305)	(52,075)	0	0	(17,470)
Advances made prior to acquisition	0	0	0	0	0	0	0	0
Proceeds from the sale of short-term investments	0	0	0	0	0	0	0	0
Cash flows from investing activities, continuing	12,811,918	856,137	361,633	(103,551)	13,926,137	(123,564)	(508,458)	(6,407,016)
Cash flows from investing activities, discontinued	0	0	0	0	0	0	0	0
FINANCING ACTIVITIES								
Proceed from convertible debentures, net	0	0	0	0	0	0	0	0
Proceeds from loan payable, net	0	0	0	0	0	0	0	0
Proceeds from COVID-19 loans	0	216,207	0	1,944	218,151	0	0	0
Repayment of loan payable	0	0	0	0	0	0	0	0
Issue of common shares for cash, net	0	361,612	(361,612)	1,088,450	1,088,450	19,150,387	0	1,667,954
Exercise of warrants and options	162,258	(162,258)	566,492	(566,492)	0	0	1,588,712	0
Payment of lease liability	(28,325)	(37,993)	(38,673)	(39,151)	(144,142)	(58,720)	(60,064)	(59,425)
Cash flows from financing, continuing activities	133,933	377,568	166,207	484,751	1,162,459	19,091,667	1,528,648	1,608,529
Cash flows from financing, discontinued activities	0	0	0	0	0	0	0	0
EFFECT OF EX RATE ON CASH, Continuing	(30,964)	9,642	(88,146)	(96,399)	(205,867)	110,758	149,254	(292,328)
EFFECT OF EX RATE ON CASH, Discontinued	0	0	0	0	0	0	0	0
NET CHANGE IN CASH, Continuing	10,899,426	(431,648)	(2,450,892)	(2,572,121)	5,444,765	16,599,361	(1,530,382)	(7,937,359)
NET CHANGE IN CASH, Discontinued	0	0	0	0	0	0	0	0
CASH AND CASH EQUIVALENTS, beginning	1,428,129	12,327,555	11,895,907	9,445,015	1,428,129	6,872,894	23,472,255	21,941,873
CASH AND CASH EQUIVALENTS, end	12,327,555	11,895,907	9,445,015	6,872,894	6,872,894	23,472,255	21,941,873	14,004,514
Cash flow continuing	(2,407,834)	(2,543,089)	(2,040,287)	(3,711,272)	(9,647,976)	(2,896,922)	(2,852,644)	(5,930,207)
Free cash flow continuing	10,404,084	(1,686,952)	(1,678,654)	(3,814,823)	4,278,161	(3,020,486)	(3,361,102)	(6,008,997)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of $40,000 annually.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer and, therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.