

POET Technologies CEO issues shareholder letter after 36c financing

Poet Technologies Inc. {TSX.V: PTK} has published a letter to shareholders from the company's chief executive officer, Dr. Suresh Venkatesan.

This is to describe the rationale behind the 36c financing which has disappointed many shareholders.

Poet provides rationale for \$12.52-million offering

Dr. Suresh Venkatesan reports

POET TECHNOLOGIES ISSUES CEO LETTER TO SHAREHOLDERS

Poet Technologies Inc. has published the following letter to shareholders from the company's chief executive officer, Dr. Suresh Venkatesan.

Nov. 2, 2016

To our shareholders,

Following today's close of our public offering, which generated aggregate gross proceeds of \$12,528,000, I would like to address the concerns expressed by several of our shareholders and expand further on the company's rationale for raising additional capital at this time. Let me emphasize that

the decision to raise capital was made following careful evaluation and consideration by Poet's executive management team and the board. Our increased manufacturing capability in Singapore fundamentally changes the company's capital investment priorities. We therefore collectively determined that the offering was essential to make critical investments in multiple areas of the business.

First, it is important for the company to gain greater control over its own destiny as we continue to advance technology and product development related to Poet's integrated optical platform technology, including both the VCSEL and detector. As previously communicated, we have completed transfer from the lab and are beginning to develop and optimize our integrated optical platform technology in a high-volume large wafer-scale manufacturing foundry.

As we continue product development of the Poet platform technology, we anticipate bringing key capabilities in-house for the most time-sensitive aspects of technology development to help avoid future delays associated with third party vendors. These delays relate to the timing and scheduling of Poet's manufacturing requirements in the production plans of the vendors.

As a small company with limited prototype runs, we do not represent a large current account to these vendors, and lead times can sometimes extend to months. We believe that investments in the development of multiple sources for our epitaxial wafers and in capital equipment will allow us to accelerate the cycles of learning that are needed to produce prototype devices that meet distinct specifications.

Second, we believe the company has a significant opportunity to drive meaningful near-term revenue growth through its recently acquired DenseLight business. The capital we raised should allow us to invest in expanded sales and product development of the DenseLight product portfolio, including the introduction of competitive new products for the sensing and lasing markets.

There is strong market demand for these products today, and it is imperative that the company have sufficient working capital to effectively participate in these markets and capture market share to drive near-term revenue growth. The success of our DenseLight business should provide the company with established sales channels and customer relationships that will ultimately be essential to the commercialization of the Poet platform technology. Additionally, it should provide the potential to accelerate time-to-market once we reach that stage of commercialization.

Poet is no longer solely a research and development company. We have a manufacturing facility and infrastructure that enable us to internalize manufacturing of our technology. We must continue to drive investment in technology and product development to achieve commercialization and begin capitalizing on the full revenue potential of our existing technology platform and infrastructure.

Third, it is important that Poet maintain a strong balance sheet as we make the investments outlined above – investments that are required to support the evolution of our business model. It is increasingly clear that we must first demonstrate

production-ready products before pursuing potential licensing opportunities, since potential licensees require evidence beyond laboratory demonstrations as key proof points of commercialisation prior to making any significant investment.

As we continue to grow the company and its product portfolio, we anticipate having an increasing number of opportunities to pursue larger customers, as well as partners. A strong balance sheet is extremely important for exhibiting sustainability and being viewed as a reliable supplier or collaborator.

Following the offering, Poet is now in a better position to operate from a position of strength and preserve its strategic focus on building a long-term, sustainable business. Also in support of our efforts to prudently manage financial resources, we are implementing cost-reduction measures, including a temporary decrease in salaries of all Poet executives in the United States. These actions will help to preserve cash and maximize the amount of resources available to finance technology development.

Lastly, let me address the pricing of the offering. ***The offering price is not an indication of management's view on the long-term value of the company. In fact, we are now more encouraged about the future opportunities and prospects of our business. However, the pricing of any public offering is determined by investor demand in co-ordination with the investment banks placing the offering, which reflects a variety of factors that are not necessarily related to the trading price of the stock when the offering is initiated.***

That said, we acknowledge and recognise the concerns raised by shareholders resulting from the pricing of the company's public offering, which followed extensive marketing efforts we made in Canada, the United States and Europe. As outlined above, we felt it was important to secure the necessary funds today that would enable us to make critical investments in our business and product development. We believe without this investment the company's ability to ramp our existing products, as well as the methods by which we pursue full commercialization of the Poet technology, would be constrained.

The certainty of a raise today, versus the unknown market environment that could possibly be faced in the future, warranted us to proceed with the raise. Additionally, as part of this offering, we were able to secure sophisticated institutional investors, which we expect to provide expanded awareness for Poet in the U.S. and other international financial markets.

In closing, we as a management team and our board are greatly appreciative for the significant investment each of our shareholders has made in Poet, as well as their continued passionate interest and support. We remain steadfast in our commitment to build a long-term, sustainable business that can potentially increase the value and valuation of our company.

Although the path and timelines to achieve full commercialisation may have evolved from what was originally envisioned, I am confident that we are better positioned today to achieve our goals and vision. I would like to personally thank our shareholders for your long-standing and continued support of Poet Technologies.

Sincerely,

Dr. Suresh Venkatesan

Chief executive officer, Poet Technologies

About Poet Technologies

Poet (planar optoelectronic technology) is a developer of optoelectronics and Photonic fabrication processes and products. Photonics integration is fundamental to increasing functional scaling and lowering the cost of current Photonic solutions. Poet believes that its advanced optoelectronics process platform enables substantial improvements in energy efficiency, component cost and size in the production of smart optical components, the engines driving applications ranging from data centres to consumer products to military applications. Silicon Valley-based Poet's patented module-on-a-chip process, which integrates digital, high-speed analog and optical devices on the same chip, is designed to serve as an industry standard for smart optical components.

We seek Safe Harbor.