

FAQs

Frequently Asked Questions about “POET Technologies Receives Offer for DenseLight Subsidiary” News Release dated February 4, 2019:

1. What can shareholders and others know about the contents of the LOI?
2. Who is the Buyer and what is its motivation?
3. Why would POET consider selling DenseLight at this time?
4. What is the go-forward strategy for POET and how has it changed?
5. What are the challenges to completing the sale?
6. What products, applications or market segments would be included in the DenseLight sale? Will there be any restrictions on either company ability to serve particular market segments?
7. How does this transaction affect POET’s future revenue?
8. Will there be any significant changes at DenseLight after the transaction closes?
9. What can shareholders expect to happen in the days, weeks, months ahead?

#1. What can shareholders and others know about the contents of the LOI?

The Press Release has been approved by both sides and contains the key items that the Company and the potential Buyer are prepared to disclose today, namely:

- Purchase of the capital stock of POET’s wholly-owned subsidiary.
- Total Consideration: US\$30M cash, with \$4 million in an “earn-out”.
- Inclusion of both a “Preferred Supplier Agreement” and “Strategic Cooperation Agreement”, the details of which will be negotiated as part of the transaction.
- POET to retain ownership to all Intellectual Property unique to the Optical Interposer
- Six-month Confidentiality and Exclusivity (i.e. no discussion and no shop).
- Target date for completion is ON OR BEFORE September 15, 2019.

#2. Who is the Buyer and what is its motivation?

The Buyer wishes to remain anonymous at this time and the Company has agreed that doing so is also in POET’s best interests.

The Buyer desires to acquire Indium Phosphide-based device technology, including development and manufacturing capabilities. The Buyer is motivated by the large markets in which DenseLight sells laser products, both in sensing and datacom. POET believes that the Buyer is further motivated by:

- The current condition of DenseLight in terms of its technical capabilities, staffing and new product pipeline;
- The opportunity to expand the sales of DenseLight products into new and existing markets through investments in marketing and sales; and
- The ability to cooperate with POET at a strategic level for the furtherance of Optical Interposer-based solutions.

#3. Why would POET consider selling DenseLight at this time?

POET's ownership of Denselight gave us access to critical engineering capabilities and a dedicated fab. Quicker cycles of learning allowed POET to take the Optical Interposer from concept to reality in about 18 months. POET believes it would not have been able to make as much progress in so short a period of time as it has without those two key assets.

Since the introduction of the Optical Interposer technology in January 2018, POET's development has expanded to optical waveguide designs fabricated by its manufacturing partner based in Malaysia and on novel packaging techniques related to the Optical Interposer.

Now that POET is prototyping portions of the Optical Interposer and preparing to qualify the devices with major global customers, as announced in mid-November 2018, the Company is considering two important objectives in order to achieve its expected growth:

- Preparing for high-volume manufacturing to support the ramp of POET's Optical Interposer; this will require investment in capital equipment and facilities to increase manufacturing capacity for the Optical Interposer and its related components; and
- Investing its own capital, energy and focus in design, development, marketing and sales of Optical Interposer-based solutions.

POET believes that it is now time to take concrete steps toward meeting those objectives. The Company was approached by a highly-qualified Buyer that shares POET's vision for DenseLight and wants to invest its capital in manufacturing and market expansion of Indium Phosphide-based devices.

#4. What is the go-forward strategy for POET and how has it changed?

The opportunity to transition DenseLight to a new owner and still maintain an ongoing relationship with the company allows POET to pursue a "fab-light" strategy.

The benefit to POET of a fab-light strategy is that another party can take on the required investment in facilities, capital equipment and operating expenses, as well as taking over the operational and

management responsibility for completing the transformation of DenseLight into stronger supplier of Indium Phosphide-based photonics components with global reach.

In addition to more focus on vertical market solutions for the Optical Interposer beyond datacom, this transaction is expected to have a material impact on POET's balance sheet and its cash flow. The Company expects to be able to grow the sales of Optical Interposer-based devices and achieve positive operating cash flow within a few quarters following the closing of the transaction.

The Company believes this is a "win-win-win" situation for POET, DenseLight and the Buyer. POET wins by having the opportunity to focus and pursue a less capital-intensive strategy; DenseLight wins by having a well-funded Buyer capable of making investments in its own capacity and the growth of DenseLight's products; and the Buyer wins by being able to acquire a first-rate photonics device manufacturer with new products in its pipeline.

#5. What are the challenges to completing the transaction?

POET has already made significant progress with the Buyer, which is reflected in the details of the press release. What remains is the following:

- Negotiation of the definitive transaction and ancillary agreements, including the Preferred Supplier and Strategic Cooperation Agreements;
- Internal approvals by both sides for all the documents;
- Obtaining approval by a majority of POET's shareholders; and
- Working through the details of the transfer of assets and management responsibilities.

POET believes that both parties are committed to completing this transaction as soon as possible, while ensuring that the Company is diligent about the details of the transaction and the ancillary agreements. POET remains focused on continuing to operate through the next several months with minimal distraction.

#6. What lines will be drawn, or restrictions will be put into place between the two companies, in terms of products, applications or market segments?

At this point, POET and the Buyer are discussing all of these important details, which will be included in the definitive transaction and ancillary agreements. POET expects that certain points of agreement on these matters, if material and not confidential, will be disclosed once the definitive agreements are final.

#7. How does this transaction affect POET's future revenue?

POET and DenseLight will remain as one company until the closing of the transaction. Even prior to the announcement of the Letter of Intent, POET always anticipated that the majority of its revenue in the future would be driven by sales of Optical Interposer-based solutions. This is evident from the presentations on the Company's website and in the recent filings on SEDAR.

POET expects to retain all revenue related to the Optical Interposer both during and after the close of the transaction.

#8. Will there be any significant changes at DenseLight after the transaction closes?

The Buyer has committed to growing DenseLight in Singapore as well as considering how to expand manufacturing capacity over the long term. They have expressed a strong desire to keep the entire team in place and to provide the required capital to expand facilities and to equip the fab with additional production capacity. In addition, they have noted that they expect to promote share ownership among the employee base and put the proper incentives in place for employee retention.

One objective of the "Strategic Cooperation" agreement is to maintain the relationship between the two companies at a senior management level. In addition, the "Preferred Supplier Agreement" should bind the companies at the working level in a mutually-dependent relationship.

#9. What can we expect to happen in the next days, weeks, months ahead?

As a public company, POET has an obligation for timely disclosure of material events. The Company expects to update shareholders on a continuous basis on progress with development and commercial activities or any other material events. With respect to the transaction, the Company will make the necessary disclosures upon completion of the negotiations and upon presentation of material terms of the transaction to shareholders for their required approval.

POET anticipates completing the negotiation of all the agreements on or before June 30, 2019, after which POET will seek approval by its shareholders, either in connection with its Annual General Meeting or by Special Meeting to be properly noticed.

Importantly, now that the Company has announced this event, it believes it is in a much better position to strengthen its balance sheet with additional capital, with a priority being given to securing debt and other forms of non-dilutive financing.

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Such forward-looking information or statements are based on a number of risks, uncertainties and assumptions which may cause actual results or other expectations to differ materially from those anticipated and which may prove to be incorrect. Assumptions have been made regarding, among other things, management’s expectations regarding future growth, plans for and completion of projects by the Company’s third-party relationships, availability of capital, and the necessity to incur capital and other expenditures. Actual results could differ materially due to a number of factors, including, without limitation, the inability of the Company to complete the transactions described in this document, operational risks in the completion of the Company’s anticipated projects, delays or changes in plans with respect to the development of the Company’s anticipated projects by the Company’s third-party relationships, risks affecting the Company’s ability to execute projects, the ability of the Company to generate sales for its products, the ability to attract key personnel, and the inability to raise additional capital. Although the Company believes that the expectations reflected in the forward-looking information or statements are reasonable, prospective investors in the Company’s securities should not place undue reliance on forward-looking statements because the Company can provide no assurance that such expectations will prove to be correct. Forward-looking information and statements contained in this document are as of the date of this document and the Company assumes no obligation to update or revise this forward-looking information and statements except as required by law.

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