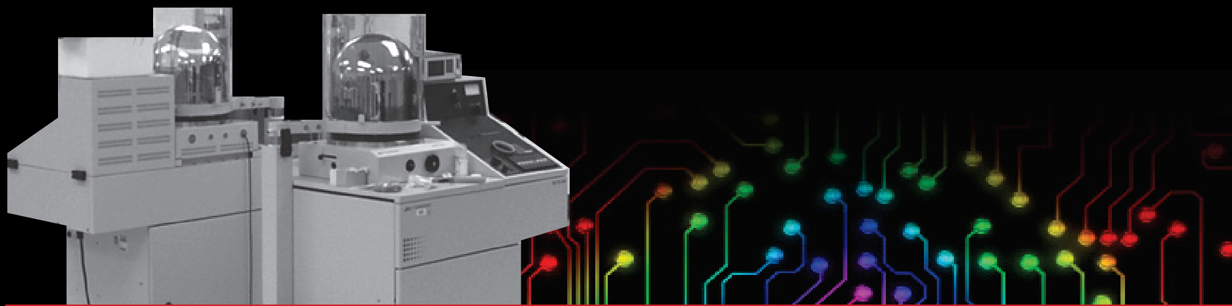

POET Technologies

Powered by POET

2013

ANNUAL REPORT

POET Technologies

CEO'S REPORT

To the Shareholders of POET Technologies Inc.:

As promised in our strategic plan, 2013 was a year of transformational change for POET Technologies Inc. from the former OPEL Technologies Inc., positioning itself to focus its attention on the POET (Planar Opto-Electronic Technology) platform – the disruptive and transformative process that enables monolithic fabrication of integrated circuits containing both electronic and optical elements. Combined with the material performance advantages of our III-V semiconductor platform, POET provides for a resurgence of Moore's Law in high-speed and power-efficient applications in devices including imaging, servers, tablets and wearable computers.

You can find more information on POET and our proprietary semiconductor platform, at our website at www.poet-technologies.com

In early 2013 we successfully concluded a capital raise to enable the Company to implement both tactical and personnel related objectives in order to drive monetization of the POET technology platform. We added Dr. Adam Chowaniec and Dr. Geoff Taylor to the Board of Directors, strengthening the Board's POET focus, technical make-up and its reach to potential partners.

The Company also created a Special Advisory Board (SAB) to its Special Strategic Committee (SSC), including personnel with decades of experience in high-performance semiconductors and technical standards, to begin its reach into industry. On November 2013, Stephane Gagnon, one of the SSC-SAB members, joined the Company as Senior Vice-President of Operations.

In mid-2013, the Company embarked on a plan to upgrade its laboratory facilities, with a view to accelerate its technology roadmap. It also launched a plan to establish the POET Development Alliance (PDA), industry partners with the necessary foundry infrastructure to take the POET technology to the manufacturing stage. In July 2013, we officially changed the Company name to POET Technologies Inc.

We continue to hit our milestones on POET's technology roadmap, and are continuing a very ambitious drive for reduction of feature size to the 100-nm range.

In March 2013, we announced results for complementary transistors fabricated using POET wafers fabricated at one of our PDA foundry partners, building on earlier third-party validation of the POET process at the same foundry.

In June 2013, the Company announced integration of the complementary heterostructure field effect transistor (HFET) based inverter in a POET process, the basis for all on-chip logic. This demonstrated complementary functions in GaAs/InGaAs, and thus the ability to serve the digital marketplace currently dominated by complementary metal-oxide semiconductor (CMOS).

Subsequently, in early 2014, we announced that the POET team had realized submicron device operation down to 200-nm. We also announced the fabrication of infrared detectors using wafers manufactured at one of our third-party PDA foundry partners. This announcement marked the third in a series of validations with this particular PDA foundry, and represented full integration of both electronic and optical devices in a monolithic process at this foundry. We've announced a re-negotiated contract, and a new partnership, with the University of Connecticut; and a re-examination of the Pellegrino report. More recently, we've achieved the documentation of POET Technical Development Kit (POET/TDK) for 10 different devices both for POET and for PET and are sharing the documents with prospective partners under NDA.

There is a consensus in the semiconductor industry that the improvements in Moore's Law that have sustained the semiconductor world over the last 50 years are coming to an end. We see this as, the opportunity to offer an alternative, as the chance for a new beginning. Our evolution over 2013 and 2014 has underlined our relentless technological and commercial pursuit of our vision – of a semiconductor industry where POET becomes a viable alternative to CMOS, of a world where all devices, everywhere, are powered by POET.

In conclusion, I would like to thank my fellow Directors for their continued guidance and leadership, and our employees for their dedication and efforts. We also greatly appreciate the support and interest of our shareholders and look forward to communicating updates of the firm's continued success to you in the future. In the meantime, we look forward to greeting many of you at our Annual Meeting on August 12, 2014.

Peter Copetti

Interim Chief Executive Officer
June 6, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying financial statements contained in this report were prepared by and are the responsibility of management. The statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include management's best judgments and estimates. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial information presented elsewhere in this report is consistent with that in the financial statements.

POET Technologies Inc. (the "Company") maintains a system of internal controls which provides management with reasonable assurance that financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by Marcum LLP., the independent external auditors appointed by shareholders. In that capacity, they have examined and reported on the financial statements for the year ended December 31, 2013. The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors and has recommended their approval by the Board of Directors. The Board of Directors has approved the financial statements.

Peter Copetti

Chief Executive Officer
Toronto, Ontario
June 6, 2014

The following discussion and analysis of the operations, results, and financial position of POET Technologies Inc. (formerly 'OPEL Technologies Inc.'), ("PTI" or the "Company") for the year ended December 31, 2013 (the "Year") should be read in conjunction with the Company's December 31, 2013 audited consolidated financial statements and the Company's December 31, 2012 audited consolidated financial statements and the related notes thereto where applicable both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The effective date of this report is April 3rd, 2014. All financial figures are in United States dollars ("USD") unless otherwise indicated. The abbreviation "U.S." used throughout refers to the United States of America.

Forward-Looking Statements

This management discussion and analysis contains forward-looking statements that involve risks and uncertainties. It uses words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", and other similar expressions to identify forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the early stage of the Company's development and the possibility that future development of the Company's technology and business will not be consistent with management's expectations, difficulties in achieving commercial production or interruptions in such production if achieved, the inherent uncertainty of cost estimates and the potential for unexpected costs and expenses, the uncertainty of profitability and failure to obtain adequate financing on a timely basis. The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates or opinions should change, except to the extent required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Business Overview

Today's semiconductor world is rapidly growing. The world has become increasingly dependent on electronics for day-to-day functioning. As that dependency grows, so does the need for smaller, faster and more power efficient devices. The progress in the industry continues to determine the habits of people in the developed world; from the way we work, communicate, transport and entertain ourselves.

Silicon-based semiconductor technology has been pushed to its limits. According to IC Insights (2013), R&D spending by semiconductor companies has grown to a record-high $53.0 billion, or an equivalent of 16.7% of total semiconductor sales, its highest level in 4-5 years. Capital investments are high and cash intensive, which in-turn creates swings in the semiconductor market place. The industry is in need of new technology that is neither Fab specific nor highly dependent on old product development techniques or materials.

PTI has developed a unique, proprietary process that addresses the needs of speed, size, energy and cost efficiency associated with the current silicon-based technology along with the hurdles of expanding silicon-based chip technology to fit the needs of product developers.

The Company currently has a number of issued patents and patents pending primarily for this process – the semiconductor Planar Opto-Electronic Technology ("POET") process, which was developed through its U.S. subsidiary ODIS Inc. ("ODIS"). Through ODIS, the Company's focus is on the design of III-V semiconductor devices and processes for military, industrial and commercial applications, including infrared sensor arrays and ultra-low-power random access memory. The POET platform enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smart phones.

The Company, through its wholly owned U.S. subsidiary, OPEL Solar Inc ("OSI"), previously manufactured and deployed solar trackers designed for applications worldwide. All solar activities ceased as of June 11, 2012 after a strategic decision was made to focus its efforts on commercializing POET. This led to the sale of a significant portion of the assets of the solar tracker business in December 2012. The remaining installation assets were disposed of during April 2013. Currently, the Company is solely in the semiconductor business.

PTI is incorporated under the laws of the Province of Ontario. The Company's shares trade under the symbol "PTK" on the TSX Venture Exchange in Canada and under the symbol "POETF" on the OTCQX in the U.S.

The following sections discuss its business in more detail.

a) Semiconductor Technology

PTI, through ODIS, is currently conducting research and development (R&D) for a wide array of devices for potential military, consumer, commercial, and industrial applications. ODIS continues to develop gallium arsenide-based chip design processes having several potential major market applications, including: (i) infrared sensor arrays for military as well as domestic monitoring and imaging applications, and (ii) the unique combination of optical lasers, and electronic control circuits on the same microchip for potential use in various military programs and telecom applications. The use of gallium arsenide is a key factor in ODIS' POET process development for these products. Upon completion, the POET process is expected to allow the Company to fundamentally alter the landscape of computing for a broad range of applications by offering components with dramatically lower cost together with increased speed, density, and reliability.

Since 2012, the Company has:

1. Successfully produced an integrated continuous-wave laser device which serves as the basis for chip-to-chip interconnection, and complements numerous other optoelectronic devices already demonstrated by ODIS – including hetero-structure field effect transistors (HFETs), optical thyristors, pulsed lasers, and super-radiant light emitting devices – all able to be monolithically fabricated via the POET process.
2. Achieved the operation of a switching laser within the POET platform. This success is a significant forward step for an integrated circuit industry looking for ways to push complementary metal-oxide semiconductor (CMOS) processes past some challenging technical barriers.
3. Focused on establishing Technology Design Kits ("TDK"). The TDKs comprise a library of comprehensive design rules and device parameters for the Company and will enable customers and partners the ability to implement the POET process into preferred foundries. The TDKs will also help licensed designs in a POET device ecosystem to proliferate and help existing silicon library functions to migrate to POET technology-based circuitry in a minimum amount of time.
4. Focused on reduction of operational features through to the 100-nm scale in size, and increasing concomitant device yield and quality, complementing current III-V manufacturing processes at the commercial level.
5. Validated its fabrication process, as well as specific device operation over both electronic and optical regimes, in an independent third-party foundry.

ODIS has been awarded more than a dozen U.S. Department of Defense projects since 2000. These have helped to support the development of the POET process, infrared sensing technology, sensor/laser development and the combination of electronic circuits and lasers on the same microchip. The Company was contracted in 2012 to complete further projects with the U.S. Department of Defense, the U.S. Air Force Research Laboratory, and a major U.S. Defense Contractor. One such project involved the development of a much-sought-after Infrared Detector (IR) Device, for which we subsequently announced achievement as a key milestone. While important to continuing development, the work conducted with military applications will not restrict the Company's ability to monetize POET.

The Company continues aggressively with its objective which is to explore opportunities to monetize this breakthrough technology.

b) Solar Business

Prior to June 2012, the mission of OSI was to develop and supply innovative solar product solutions. In June 2012, a Special Committee of the Board was established to complete the divesture of the Company's Solar Division. In line with this, the Company, on December 14, 2012, the Company obtained final regulatory approval for the sale of its major solar assets to Northern States Metals; and on April 5, 2013 the Company disposed of two solar installations in return for the assumption of the disposal liabilities and any future liabilities to an arm's length party. Currently, PTI is no longer in the solar business.

Industry Outlook

The semiconductor market is projected to grow to over $550 billion by 2015 and remains a rapidly growing segment of the economy. The convergence of internet-capable and mobile technologies will drive the strength of the semiconductor device market through 2017.

Primary drivers, as summarized in IC Insights 2013 and Gartner 2013 publications, include:

- **Pad, Tablet and Cloud OS-type PC devices**—Demand continues to surge for tablet-class and phablet-class devices, and the market for PCs built on cloud-based services, such as Chromebooks, is beginning to heat up. In addition, Microsoft's recent port of its MS Office suite to iPads will be a further impetus to growth in this area, particularly for businesses. One example of a device that is key to this market is DRAM which is projected to be a $35.0 billion market in 2015; another example is logic circuitry which is projected to be a $115 billion market in 2015;
- **Smartphones**—Semiconductor content of this fast-growing segment represents approximately 31% of the average selling price, compared to 23% for ordinary cellphones. 3G/4G smartphones are set to impact on the future analog, DSP, logic, and NAND flash memory IC markets. The mobile phone semiconductor market alone is projected to be $64.1 billion for 2015. The market for other wearable mobile devices will further contribute to an expanded outlook.
- **Digital and Smart TVs**—Streaming capability via the Internet will be the must-have technology in 2014; this points to increased revenues for LED drivers, power management ICs, and MCUs/MPUs. MPUs/CPUs are forecast to be $92.6 billion for 2015.
- **Smart Grids and Advanced Metering Infrastructure (AMI)**— Residential appliances and related electrical systems are now being designed for interaction with power utilities via the Internet and local networks. Smart grid technology investment is forecast to grow 19% annually through 2016.
- **"Internet of Things"**— The identification, monitoring, and control of objects with an addressable Internet protocol has been gaining momentum for over a decade with no abatement. The recent acquisition by Google of Nest, a smart-home-monitoring device company, underlines the importance of this area. The sensor and actuator semiconductor market, one of the areas impacted by this sector, is projected at $14.1 billion.

PTI's POET technology is applicable in a large portion of this semiconductor market as it represents, possibly, the most comprehensive solution to increasing semiconductor performance in an economical and functional manner. Business indicators suggest that POET may provide significant value to the ever growing market, where it addresses a need for power consumption, speed, size and cost efficiency.

It is anticipated that the POET platform will provide the following advantages to the industry:

- **Up to 100x speed improvement** over CMOS silicon (silicon hits a "power wall" at about 4 GHz that has limited circuit speeds to about 3.2 GHz over the last 10 years);
- **Up to 90% power efficiency improvement** over CMOS silicon (depending on application);
- **Flexible application** that can be applied to virtually any technical application, including memory, digital/mobile, sensor/laser and electro-optical, among many others; and
- **No major retrofit or other modifications to existing silicon fabs required** – Since POET/PET are CMOS technologies fabricated using standard lithography techniques, they are easily integrated into current semiconductor production facilities extending the profitable utilization of fabrication equipment and production lines that would otherwise be considered at the end of life.

PTI's strategy is to continue aggressive research and development efforts planned by ODIS as it relates to the completion of the POET platform. Upon completion, POET is expected to allow ODIS to fundamentally alter the landscape of computing for a broad range of applications by offering components with dramatically lowered cost together with increased speed, density, power consumption and reliability.

Since the beginning of its development, the recognition of the breakthrough potential provided by the POET technology within the military community has remained strong. ODIS is regularly tapped to provide solutions to many technological challenges or innovative concepts that the military may face. Historical military development work will not constrain the commercial application of the POET Technology.

Key Success Drivers ("KSD")

ODIS continued to develop its enhancements to the POET platform during 2013. POET is a semiconductor fabrication process that enables the monolithic fabrication of integrated circuits containing both electronic and optical elements. PTI successfully demonstrated a continuous laser, fabricated using POET, which it regards as a significant development and underscores its viability and commercial applicability.

The POET platform, which is covered by numerous patents and patents pending, makes possible the economic production of fully-integrated optoelectronic semiconductor devices with higher speeds and reduced power consumption compared to conventional silicon-based devices. Utilizing POET, ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs, higher efficiency computing systems, and potentially telecom for Fiber to The Home. ODIS chip design capabilities allow for optical and electronic signals to be used on the same chip when necessary and allow for direct connection to optical fiber without conversion to electronic signals.

The success of early stage semiconductor companies is highly dependent on their ability to establish milestones that push the limit of existing technology and reaching those milestones in a timely fashion. PTI has demonstrated such success over 2013. In 2013, the Company achieved two significant milestones:

1) Achieved radio frequency and microwave operation of both n-channel and p-channel transistors. By reaching this milestone, 3-inch POET wafers fabricated at BAE Systems (Nashua, NH) yielded submicron n-channel and micron-sized p-channel transistors operating at frequencies of 42 GHz and 3 GHz respectively. The team is aiming to optimize the operating frequencies to up to 300-350 GHz range for the n-channel device.
2) The integration of the complementary inverter. Specifically, PTI successfully demonstrated complementary heterostructure field effect transistor based inverter operation using the POET process. This milestone, which forms the basis for all on-chip logic, was accelerated at the direction of the Special Strategic Committee ("SSC") which was formed on June 10, 2013 to evaluate strategic alternatives in relation to the sale or licensing of the Company's proprietary POET platform, to deliver recommendations to the Board and to carry out any selected transactions to completion as confirmed by the Board.

Timely capital investment is also key to the success of the semiconductor companies. In this regard, the Company sourced and invested approximately $900,000 in new equipment, all of which has now been installed and is operational. This new equipment has resulted in the ability to target milestones further down the roadmap than previously mapped. It has also enabled the Company to define and develop an important planar electronic technology (PET) subset of the POET platform, and which has contributed to our recent advances in device demonstration.

The Company continues to build on those success drivers to keep the Company operationally sustainable. The Company's future success will also be driven by focusing on the same factors, as well as critical human capital.

The Company has been rewarded for the aforementioned successes in 2013 and so far in 2014. Since the beginning of 2013, the Company has successfully raised over $12 million in equity financing through private placements and an additional $2.8 million through the exercise of stock options and warrants. The prestigious University of Connecticut recently agreed to convert certain royalties rights into a significant investment in the Company. The parties agreed to restructure the payment provisions of the License Agreement by reducing royalty payments to three percent (3%) of amounts received from unaffiliated third parties in respect of the exploitation of the Intellectual Property defined in the License Agreement, in consideration for 2,000,000 common shares of the Company, subject to the execution of the formal amendment to the License Agreement.

Significant Events and Milestones During 2013

PTI continues to make progress in 2013. Following are some significant events in the growth and development of the Company which add to the foundation for the achievement of the Company's future success:

1) On February 14, 2013, the Company completed a brokered private placement financing for gross proceeds aggregating $7,189,200 ($7,200,000 CAD). The Company issued 14,400,000 units, at a price of $0.50 CAD ($0.499 USD) per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.75 CAD ($0.748 USD) per share for a year of two years. The agents received cash commissions in the aggregate of $503,244 ($504,000 CAD) and 1,440,000 compensation warrants in connection with the private placement. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.50 CAD ($0.499 USD) per share for a period of three years.
2) In February 2013, the Company ordered approximately $900,000 dollars of new equipment to upgrade its R&D facility capabilities. All necessary site infrastructure upgrades have been completed and a majority of the new equipment has been delivered and installed.
3) On March 4, 2013, the Company announced that it had achieved Milestone 4, which was a key milestone for POET. The Company announced that it achieved radio frequency and microwave operation of both n-channel and p-channel transistors. By reaching this milestone, 3-inch POET wafers fabricated at BAE Systems (Nashua,

NH) yielded submicron n-channel and micron-sized p-channel transistors operating at frequencies of 42 GHz and 3 GHz respectively. The team is aiming to optimize the operating frequencies to up to 300-350 GHz range for the n-channel device.

4) On April 2, 2013, the Company announced the appointment of Dr. Adam Chowaniec and Dr. Geoff Taylor to the Board of Directors. Dr. Chowaniec was the CEO of a number of technology companies that were successfully acquired by companies such as Ericsson, Microsemi and Integrated Device Technology.

5) Dr. Taylor is the Chief Scientist of the Company who has led the development of the Company's POET platform. Dr Taylor is also a professor of Electrical Engineering and Photonics at the University of Connecticut. Dr. Taylor previously was a member of the technical teams at AT&T Bell Labs, Honeywell and Texas Instruments. On April 5, 2013, the Company divested its remaining assets available for sale to a third party in consideration for the assumption of the related disposal group liability, thereby completing the Company's discontinuance of its solar division.

6) On April 11, 2013, the Company announced that it retained Grayling Communications Limited ("Grayling"), a leading international strategic communications advisory firm to be its North American investor relations counsel. Grayling has committed to assisting the Company in areas of investor relations, public relations and government relations. Grayling has over 1,000 staff in 70 offices in more than 40 countries across the United States, Western and Eastern Europe, Africa and Asia Pacific.

7) On June 3, 2013, the Company completed the refitting of its Molecular Beam Epitaxy ("MBE") System which is used in its gallium arsenide wafer production. In addition to refitting the MBE, the Company also completed a redesign of the lab to allow for the installation of new R&D equipment.

8) On June 10, 2013, the Company announced the establishment of the SSC. Mr. Copetti was confirmed as chairman of the SSC.

9) On June 27, the Company announced that Adam Chowaniec had been appointed to the SSC. Members were also appointed to the advisory subcommittee of the SSC - Lee Shepherd, VP of Technology at ODIS, and two external members, Geoffrey Rogers and Dr. Martin Peisl. Mr. Rogers has held key roles with Tensilica (now Cadence Design Systems), Silicon Architects (now Synopsys), VLSI Technology (now Philips Semiconductor) and Applied Micro Circuits. Dr. Peisl has held senior positions in companies such as Siemens, Infineon, Qimonda, Ramaxel, and Netlist; he was directly responsible for product development of Dynamic Random Access Memory (DRAM) generations from 64Mbit to 1Gbit, has overseen product-line starts in Mobile Random Access Memory, Reduced Latency DRAM and DRAM based Application Specific Integrated Circuits (ASICS); on the Joint Electron Device Engineering Council (JEDEC) standardization committee, he has chaired development of the predecessor of the Double Data Rate 2 (DDR2) specification within the Advanced DRAM Technology (ADT) consortium together with technical members of Intel, Samsung, Hynix, Micron and Elpida.

10) On June 27, 2013, the Company announced that it had achieved Milestone 6. The new Milestone is the integration of the complementary inverter. Specifically, PTI successfully demonstrated complementary heterostructure field effect transistor based inverter operation using the POET process. This milestone was accelerated at the direction of the SSC and forms the basis for all on-chip logic.

11) On July 23, 2013, the Company changed its name to POET Technologies Inc. and trading on the TSX Venture Exchange under the new name and stock symbol (TSX-V:PTK) commenced on July 25, 2013. The purpose of the name change was to better reflect the Company's business and highlight the POET platform.

12) On August 16, 2013, the Board of Directors approved and endorsed the SSC's "Next Phase of Commercialization Plan" which includes; establishing a POET Development Alliance ("PDA"), reduction of Feature Size from the sub-micron to the 100-nm range scale and the adoption of a Shareholder Rights Plan ("SRP") in order to protect the potential value of the Company for all shareholders. The SSC work having been completed the SSC was subsequently dissolved effective December 31, 2013.

13) On October 7, 2013, the Company announced the appointment of Stephane Gagnon to the SSC advisory subcommittee. Mr. Gagnon was subsequently appointed as a director of the Company on November 14, 2013. Mr. Gagnon has over 20 years of experience in the semiconductor, telecommunication and processor industry. Stephane's most recent role was Senior Director of Product Management for Integrated device Technology (IDT) where he drove business strategy for the RapidIO® switching and IP product line. His primary responsibilities included overall strategy and product marketing, in addition to business development and the management of international customers and partner relationships. Mr. Gagnon became involved with the RapidIO® Trade Association (RTA) Technical Working Group 13 years ago and has held the position of Chairman of the RTA Steering Committee for over 3 years.

Summary of Quarterly Results

Following are the highlights of financial data of the Company for the most recently completed eight quarters which have been derived from the Company's consolidated financial statements prepared in accordance with IFRS. All amounts herein are expressed in United States dollars unless otherwise indicated:

	Dec. 31/13	**Sep. 30/13**	**Jun. 30/13**	**Mar. 31/13**	**Dec. 31/12**	**Sep. 30/12**	**Jun. 30/12**	**Mar. 31/12**
Other income	$ 80,890	$ 84,628	$ 86,269	$ 91,087	$ 126,736	$ 112,070	$ -	$ -
Cost of goods sold	-	-	-	-	-	-	-	-
Research and development	438,777	352,486	256,914	312,551	265,146	240,494	233,850	289,764
Depreciation, amortization	38,892	24,478	12,276	2,548	1,838	3,258	1,131	1,131
Professional fees	277,505	92,176	185,615	139,786	32,001	17,650	70,931	54,750
Stock-based compensation	960,705	1,332,554	993,179	734,715	651,317	379,243	309,069	364,397
General and administrative	346,497	564,767	612,825	585,335	404,654	297,854	342,968	160,312
Investment income, including interest	(18,371)	-	-	-	-	-	-	-
Discontinued operations (income) loss	-	-	-	-	210,754	(382,666)	3,480,717	1,376,644
Net loss	($1,963,115)	($2,281,833)	($1,974,540)	($1,683,848)	($1,438,974)	($ 443,763)	($ 4,438,666)	($ 2,246,998)

Explanation of Quarterly Results

In Q4 2013, the Company continued to receive payments pursuant to a $750,000 SBIR contract granted to the Company in 2012. In Q4 2013, $80,890 was received compared to $126,736 in the same period in 2012. The Company continues to receive payments under the contract and expects it to be completed in 2014. The Company's strategy, however, is to eliminate its use of SBIR grants.

During Q4 2013, the Company reported a loss of $1,963,115 compared to a loss of $1,438,974 for the same period in 2012. The loss in 2013 was driven primarily by the increase in stock based compensation expenses related to recent, higher fair value stock option grants in 2013 and the latter half of 2012. During the period, the Company reported a non-cash stock based compensation expense of $960,705 compared to $651,317 for the same period in 2012. During Q4 2013, the Company granted 1,680,000 new stock options to officers, directors and consultants of the Company at an average price of $0.42. Due to the timing of the stock option grants and the price at which the stock options are granted, the valuation may have a substantial impact on the Company's results. It is important to note that this non-cash expense is considered an integral part of the Company employing and maintaining highly qualified and competent personnel to reach its goals. For the purposes of clarity and simplicity, the Company reclassified any stock based compensation included in research and development costs to stock-based compensation.

The Company had increases in all major categories of corporate expenditure during Q4 2013 as compared to Q4 2012. Research and development costs increased by $173,631, from $265,146 in Q4 2012 to $438,777 in Q4 2013, primarily from subcontractor fees. The increase is consistent with the message of reaching milestones which will in-turn drive monetization of POET. The increased research and development costs contributed to the Company achieving milestone 6 which is the integration of the complementary inverter, the basis of all on-chip logic. The Company successfully demonstrated complementary heterostructure field effect transistor ("HFET") based inverter operation using the POET process. The Company is now focused on reaching milestones 5 (*Switching Laser Demonstration at POET's R&D Labs*) and 7 (*Optical Thyristor-Based Infrared Detector Array Fabrication and Validation*). During 2013, the Company also contracted with third parties to assist with reaching its milestone of replicating the fabrication process in a foundry other than PTI's. These costs are being recognized as the milestone is in progress.

Depreciation and amortization increased by $37,054, from $1,838 in Q4 2012 to $38,892 in Q4 2013. The Company added new equipment throughout 2013 aggregating approximately $900,000. All equipment that was planned and budgeted has now being installed and is operational. Depreciation expense is expected to be approximately $40,000 on a quarterly basis. The new equipment provides the Company with a unique opportunity to advance the POET process within the confines of its own lab and advance its timelines toward monetization. During the quarter, the Company installed approximately $480,000 of the new equipment.

Professional fees increased $245,504 from $32,001 in Q4 2012 to $277,505 in Q4 2013. The Company made numerous changes to its corporate structure and is continuing to make changes in order to better position the Company to quickly execute on the best opportunities for monetization. These structural changes include; changing its name, managing its patent registrations, expanding its shareholder base and examining other non-Canadian listing opportunities. The Company incurred substantial legal and accounting fees related to the preparation and filing of Form 20-F with the U.S. Securities Exchange Commission ("SEC"). Legal fees relating to this SEC filing were $170,000 and accounting fees were $36,000. The filing of the Form 20-F occurred in February 2014 and was the first step in the Company's plan to register the Company's securities on a U.S. exchange. If successful, it is anticipated that this would result in more liquidity for the Company's shares, access to other capital markets and greater visibility to prospective partners during the process of monetization. There can be no assurances that the Company's shares will be registered on a U.S. exchange. Additional legal and other professional costs are required to be incurred to execute on these changes.

Explanation of Annual Results

During the year ended December 31, 2013, the Company received payments of $342,874 relating to a $750,000 SBIR contract granted to the Company in 2012. This compares with $238,806 received under the SBIR contract in 2012. The Company's strategy is to eliminate its use of SBIR grants

General and administrative expenses increased by $903,636, from $2,109,424 in 2012 to $2,177,688 in 2013. The increase was primarily driven by increases in: management fees and investor relations of $442,000; maintenance and insurance costs of $70,000; travel of $35,000; and director fees, salaries and benefits of $356,000.

The increases in the above expenses are consistent with the Company's strategy to continue to drive POET to monetization. The new management team was successful in attracting high profile members to the Board of Directors, renewing investor confidence which allowed the Company to raise over $12 million in new capital since June 2012. Additionally, the leadership of the new management team implemented the divestiture by the Company of its under-performing solar division which had contributed $4,685,449 to the Company's 2012 net loss. The current level of management fees and investor relation expenditure is expected to remain constant for the foreseeable future as the team continues to drive the POET monetization. Other expenses such as regulatory fees, listing fees, office expenses, travel expenses and other ancillary expenses increased as these costs are considered integral to raising capital and re-branding the Company's image.

The Company continues to invest in highly technical staff to expedite the development and monetization of POET. As a result the Company had an additional $247,000 of salaries and benefits during 2013 when compared to 2012. This investment has already contributed to the Company reaching its Milestone 6, an important milestone in the Company's path to monetization. The Company believes it is close to completing Milestones 5 and 7.

Non-cash stock based compensation expense was $4,021,153 in 2013 compared to $1,704,026 in 2012, an increase of $2,317,127. The Company granted 7,310,000 stock options in 2013 and 15,130,000 stock options in 2012. The expensing of vested stock options granted in 2012 had a significant impact on compensation expense in the current period. The periodic granting of stock options to key personnel is considered to be invaluable for the purpose of maintaining key employees and consultants. The Company also granted stock options to attract highly qualified business leaders as directors. For the purposes of clarity and simplicity, the Company reclassified any stock based compensation included in research and development costs to stock-based compensation. Stock based compensation included in research and development was $565,246 in 2013 and $64,744 in 2012.

Professional fees were $695,082 in 2013 compared to $175,332 in 2012. The increase in professional fees of $519,750 was due to the professional services required by both accountants and lawyers in dealing with the divestiture of the solar division which included the sale of assets, termination of leases and orderly termination of redundant employees. Additionally, The Company made numerous changes to its corporate structure and is continuing to make changes in order to better position the Company to quickly execute on the best opportunities for monetization. These structural changes include; changing its name, managing its patent registrations, expanding its shareholder base and examining other non-Canadian listing opportunities.

In preparation for the filing of a Form 20-F with the SEC, the Company incurred substantial legal and accounting fees to accomplish this filing. Legal fees relating to this specific event were $170,000 and accounting fees were $36,000. The filing of the Form 20-F occurred in February 2014 and was the first step in the Company's plan to register the Company's securities on a U.S. exchange. If successful, it is anticipated that this would result in more liquidity for the Company's shares, access to other capital markets and greater visibility to prospective partners during the process of monetization. There can be no assurances that the Company's shares will be registered on a U.S. exchange. Additional legal and other professional costs are required to be incurred to execute on these changes.

Discontinued Operations

On June 11, 2012, management committed to a plan to discontinue its solar related operations and to dispose of its solar related assets and liabilities. The decision was taken in line with the Company's strategy to focus on the Company's key competencies, being the development of the POET platform, which enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones. Consequently, all saleable assets and liabilities relating to the solar operations were classified as "assets available for sale" or "disposal group liabilities".

On December 12, 2012, the Company sold a portion of its assets available for sale to an arm's length party. The sale resulted in the Company receiving $1,000,000 for those assets available for sale. No gain or loss was recorded on the sale of the assets as current accounting standards mandate that assets are evaluated for impairment prior to discontinued operations treatment.

During 2013, the Company sold the remaining assets available for sale to a third party in consideration for the assumption of the associated disposal group liabilities. As at December 31, 2013, the Company has fully divested itself of all solar related assets and liabilities. No further income or significant expense is expected to be incurred relating to the former business segment.

Revenue and expenses, and gains and losses relating to the discontinued activity have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of operations. The operating results of the discontinued operations can be analyzed as follows:

For the Years Ended December 31,		2013		2012
Revenue	$	-	$	617,728
Costs and expenses				
Cost of goods sold (1)		-		1,117,282
General and administration (2)		-		3,380,117
Research and development		-		611,644
Investment income, including interest		-		(3,044)
		-		5,105,999
Net operating results from discontinued operations, net of taxes		-		(4,488,271)
Loss on divestiture of Opel Solar Asia Company Limited, net of taxes (3)		-		(197,178)
Loss from discontinued operation, attributable to equity shareholders	$	-	$	(4,685,449)
(1) Cost of goods sold includes inventory write-down of	$	-	$	1,143,011
(2) General and administration includes the following:				
Impairment of long lived assets		-		414,570
Uncollectible accounts receivable		-		195,774
Prepaid expenses		-		127,602

(3) The Company divested itself of its interest in Opel Solar Asia Company Limited because it was unable to identify a buyer for this investment. The Company therefore recorded a loss on divestiture of $197,178.

Explanation of Material Variations by Quarter for the Last Eight Quarters

In the quarter ended December 31, 2013, professional fees increased over the previous quarter by approximately $185,329. The increase was due to the additional legal and accounting fees incurred in preparing the Company's registration statement – Form 20-F for filing with the SEC. The filing of the Form 20-F was the first step in the Company's plan to register the Company's securities on a U.S. exchange. If successful, it is anticipated that this would result in more liquidity for the Company's shares, access to other capital markets and greater visibility to prospective partners during the process of monetization. There can be no assurances that the Company's shares will be registered on a U.S. exchange. Additional legal and other professional costs are required to be incurred to execute on these changes.

Research and development increased by approximately $86,000 over the three month period ended September 30, 2013. The Company reached its milestone 6 and is focusing on milestones 5 and 7. The costs incurred in reaching those milestones are accounted for as incurred. Some of the Q4 2013 research and development costs are related to achieving future milestones.

In the quarter ended September 30, 2013, the Company had a significant increase in stock option compensation expense. The expense was $1,332,554 as compared to $993,179 in the quarter ended June 30, 2013. The Company granted 3,380,000 stock options in the quarter versus only 2,250,000 in the quarter ended June 30, 2013. Research and development costs increased from $256,914 in Q2 2013 to $352,486 in Q4 2013. The Company increased its R&D expenses by $95,572 in an effort to quickly and sustainably monetize POET. The increase in R&D costs has enabled to Company to reach a number of goals.

In the quarter ending June 30, 2013, the Company disposed of its remaining assets available for sale to a third party in consideration for the assumption of the associated disposal group liabilities relating to its discontinued solar segment. No gain or loss was recorded on the disposal. Stock option expenses increased by $258,464 in the quarter over the previous quarter. Substantially all of the new option grants were to new Board members and to advisors to the SSC which was subsequently dissolved after presenting its report.

In the quarter ending March 31, 2013, the Company's professional fees and general and administrative expenses were cumulatively $725,121. This amount is $288,466 greater than the previous quarter ended December 31, 2012. The increase was a result of professional fees relating to discontinuing the solar operations, the hiring of a new investor relations firm and salaries and benefits paid to new technical staff engaged to drive the technical development of POET and severance payments related to redundant staff. Professional fees are expected to be reduced over the coming quarters.

In the quarter ending December 31, 2012, the Company divested itself of a portion of its solar segment. The assets were sold to an third party for $1,000,000. No gain or loss was recorded on the disposition of these assets.

In the quarter ending September 30, 2012, PTI's results showed a profit of $382,666 included in discontinued operations through the negotiation of lower payments on some of its accounts payable and the completion of some final sales commitments to customers. These were the final billings associated with the discontinued solar business.

In the quarter ending June 30, 2012, PTI made the decision not to continue the solar related side of its business. All assets and operations were reviewed and the Company posted a loss on discontinued operations of $3,480,717. By the end of the year, all losses associated with discontinuing the solar division totaled $4,685,449. All eight quarters in the table above have been retroactively restated to show the effects of the discontinuation of PTI's solar business.

Segment Disclosure

The Company and its subsidiary operates in a single segment; the design of semi-conductor products for military and industrial applications. In prior years, the Company had two operating segments, however, in 2012, management made a decision to discontinue one segment. The Company's operating and reporting segment reflects the management reporting structure of the organization and the manner in which the chief operating decision maker regularly assesses information for decision making purposes, including the allocation of resources. A summary of the Company's operating segment is below:

ODIS Inc. ("ODIS")

ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs and potentially telecom for Fibre to The Home. ODIS' technology also provides the opportunity for higher speed computing capabilities.

Segment information for the years ended December 31, 2013 and December 31, 2012 are as follows:

		2013			2012	
	Opel Solar Inc.	**ODIS**	**Total**	Opel Solar Inc.	ODIS	Total
Other income	**$ -**	**$ 342,874**	**$ 342,874**	$ -	$ 238,806	$ 238,806
Interest income	**-**	**18,371**	**18,371**	-	-	-
Operating expenses	**-**	**3,422,646**	**3,422,646**	-	1,586,327	1,586,327
Amortization	**-**	**4,193**	**4,193**	-	4,357	4,357
Loss from discontinued operations	**-**	**-**	**-**	4,685,449	-	4,685,449
Segment loss	**-**	**2,800,186**	**2,800,186**	4,685,449	1,351,878	6,037,327
Corporate operations			**5,103,150**			2,531,074
Net loss			**$ 7,903,336**			$ 8,568,401

Assets and capital expenditures at December 31,

	2013			2012		
	Opel Solar Inc. (1)	**ODIS**	**Total**	Opel Solar Inc.	ODIS	Total
Total assets	**$ 592,254**	**$ 990,866**	**$ 1,583,120**	$ 1,368,226	$ 672,862	$ 2,041,088
Capital expenditures	**$ -**	**$ 937,860**	**$ 937,860**	$ -	$ 28,352	$ 28,352

(1) Includes cash of $488,841, other current assets of $100,000 and equipment of $3,413.
(2) The Company has assets of $2,887,838 with its parent, PTI. not included above in 2013 (2012 - $326,172).
(3) Included in 2013 capital expenditures is $55,000 in deposits that were paid in 2012 and allocated as capital costs in 2013.

The Company operates geographically in the United States and Canada. Geographical information is as follows:

2013

As of December 31,	**U.S.**	**Canada**	**Consolidated**
Current assets	**$ 640,538**	**$ 2,887,838**	**$ 3,528,376**
Property and equipment	**903,792**	**-**	**903,792**
Patents and licenses	**38,790**	**-**	**38,790**
	$ 1,583,120	**$ 2,887,838**	**$ 4,470,958**

	U.S.	**Canada**	**Consolidated**
Year ended December 31,			
General and administration	**$ 1,235,457**	**$ 5,103,150**	**$ 6,338,607**
Research and development	**1,925,974**	**-**	**1,925,974**
Investment income	**(18,371)**	**-**	**(18,371)**
Other income	**(342,874)**	**-**	**(342,874)**
	$ 2,800,186	**$ 5,103,150**	**$ 7,903,336**

2012

As of December 31,	U.S.	Canada	Consolidated
Current assets	$ 1,971,435	$ 326,172	$ 2,297,607
Property and equipment	26,670	-	26,670
Patents and licenses	42,983	-	42,983
	$ 2,041,088	$ 326,172	$ 2,367,260

	U.S.	Canada	Consolidated
For the Year ended December 31,			
General and administration	$ 561,430	$ 2,466,330	$ 3,027,760
Research and development	1,093,998	-	1,093,998
Other income	(238,806)	-	(238,806)
	$ 1,416,622	$ 2,466,330	$ 3,882,952

Liquidity and Capital Resources

The Company had working capital of $3,272,349 on December 31, 2013 compared to $1,433,392 on December 31, 2012. The increase and maintenance of the higher working capital was due to the $7.2 million dollars of financing completed on February 14, 2013 in addition to the $5.4 million dollars raised in the second half of 2012. The Company used a portion of the funds raised in 2012 to settle the high accounts payable balances and its credit facility that it carried during 2012. Additionally, $900,236 has been spent in 2013 and 2012 procuring vital machinery and equipment.

The Company continues to attract the interest of investors who have financially supported the Company and its efforts. Subsequent to the year end, the Company raised an additional $5 million in equity financing through a private placement and $2.8 million through the exercise of warrants. The prestigious University of Connecticut has recently agreed to restructure the payment provisions of the License Agreement by reducing royalty payments to three percent

(3%) of amounts received from unaffiliated third parties in respect of the exploitation of the Intellectual Property defined in the License Agreement, in consideration for 2,000,000 common shares of the Company, subject to the execution of the formal amendment to the License Agreement.

The Company's balance sheet currently has assets with a book value of $4,470,958 (2012 - $2,367,260) of which 79% (2012 - 97%) or $3,528,376 (2012 - $2,297,607) is current and primarily cash and accounts receivable of $3,260,967 (2012 - $1,532,511). This liquid and unencumbered balance sheet has allowed a flurry of activity already undertaken and further expected in 2014, including but not limited to achieving technical and operational milestones, acquiring new and more modern semi-conductor fabrication equipment and engaging critical commercial and technical staff.

With the addition of the $5 million dollars raised subsequent to the year end and the proceeds of the warrant exercises, the Company is expects to have sufficient liquidity to support its operations and technological programs over the next 18 months.

The Company is embarking on an aggressive plan of attempting to monetize POET while simultaneously improving shareholder value. The focus therefore is to remain sufficiently capitalized through lean operations.

Related Party Transactions

Compensation to key management personnel were as follows:

		2013		2012
Salaries	**$**	**867,231**	$	452,615
Share-based payments (1)		**1,481,517**		1,116,124
Total	**$**	**2,348,748**	$	1,568,739

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the year.

Included in prepaid and other assets is an advance of $100,000 to the CEO of the Company. The advance is non-interest bearing and short-term in nature. The amount was settled subsequent to the year end.

During the year, the Company paid a cumulative total of $351,708 (2012 - $193,692) in consulting fees to two executive directors of the Company.

The Company paid $91,316 to a director for legal services rendered to the Company for the year ended December 31, 2013 (2012 - $202,252).

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

Subsequent Events

a) Financing

On February 13, 2014, the Company completed a CAD $5,000,000 private placement financing. The financing consisted of 7,692,307 Units at a price of CAD $0.65 per unit. Each unit comprises one common share and one common share purchase warrant. One full warrant allows the holder to acquire one common share of the Company at an exercise price of CAD $1.00 per share for a period of 2 years. No commission was payable with respect to this financing.

Subsequent to the year end, the Company received CAD $2,834,513.16 from the exercise of 7,761,863 warrants

b) License Agreement Restructure

Subsequent to the year end, the Company entered into a term sheet with the University of Connecticut ("the University") to restructure its license agreement of April 8, 2003 (the "License Agreement"). The parties agreed to restructure the payment provisions of the License Agreement by reducing the royalty payment to three percent (3%) of amounts received from unaffiliated third parties in respect of the exploitation of the Intellectual Property defined in the License Agreement.

In consideration for the favorable restructuring of the royalty terms, the Company will provide the University 2,000,000 common shares. Trading of these shares is restricted until May 31, 2016. The restructuring is subject to the final execution of the formal amendment to the License Agreement.

c) Changes to the Board and Executive Team

On February 11, 2014, the Company made the following changes to the Executive Team and the Board:

- Peter Copetti has been named Executive Chairman and interim CEO.
- Leon M. Pierhal has stepped aside as CEO and will continue his role as President and member of the Board.
- Mark Benadiba has stepped down as Executive Chairman of the Board and will remain a member of the Board, as Vice Chairman

Other Events

On July 23, 2013, the Company changed its name to POET Technologies Inc. and started trading on the TSX Venture under the new name and stock symbol on July 25, 2013. The purpose of the name change was to better reflect the Company's business and highlight the POET platform.

Critical Accounting Estimates

Stock-based Compensation

Stock options and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided, whichever is considered more reliable. Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Other stock-based payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued or service provided, whichever is more reliable.

Cumulative Translation Adjustment

IFRS requires certain gains and losses such as certain exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation to be included in comprehensive income.

Recent Accounting Pronouncements

The Company has considered all other recently issued accounting pronouncements and does not believe the adopting of such pronouncements will have a material impact on its consolidated financial statements. Please see note 3 of the financial statements for additional information.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash, accounts receivable, marketable securities, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that the fair value of these instruments approximate the carrying values due to their short term nature.

Exchange Rate Risk

The Company is exposed to foreign currency risk with the Canadian dollar. A 10% change in the Canadian dollar would increase or decrease other comprehensive income by $268,996. Since the Company's operations predominantly transact their sales and purchases in their respective domestic currencies, the exposure is reduced. Therefore, the Company typically does not hedge accounts receivable and accounts payable that are denominated in a foreign currency.

Interest Rate Risk

Short-term investments bear interest at fixed rates, and as such, are subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates. The Company does not depend on interest from its investments to fund its operations.

World Economic Risk

Like many other companies, the world economic climate has impacted PTI's business and the business of many of its current and prospective customers. The difficult economic climate has led to U.S. Government cutbacks in funding the SBIR's that are used to support ODIS' R&D activities. However, lower interest rates, a lower value of the dollar and rising global liquidity have helped to counterbalance some of these global economic challenges which may lead to the release of some Government funding. Additionally, the Company has made a strategic decision to eliminate its use of SBIR grants.

Liquidity Risk

PTI predominately relies on equity funding for liquidity to meet current and foreseeable financial requirements. Additionally, ODIS has a history of Governmental funding of some of its projects through SBIR grants but recent Federal budget issues have reduced availability to smaller companies like ODIS.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments.

Strategy and Outlook

During 2014, there are a number of projects planned which will address the short-term and long-term growth plans of the Company including, but not limited to the following:

- Continue to expand and develop the POET technology platform.
- Expand the ODIS engineering team with placement of additional team members at the ODIS' R&D facility.
- Procure additional equipment which may be required for the continuing development and expansion of the POET platform.
- Continue to develop and expand the IP patent portfolio.
- Facilitate the adoption of the POET process into mainstream products by providing ease of access to the platform with initiatives such as the documentation of the TDK's.
- Actively search out opportunities to monetize POET, bringing maximum value to shareholders.

Outstanding Share Data

Common Shares

As of December 31, 2013 and April 3, 2014, there were 132,676,115 and 148,160,985 respectively, outstanding common shares of the Company.

Stock Options and Warrants

As at December 31, 2013 and April 3, 2014, the Company had 42,478,569 and 45,727120 respectively, warrants and compensation warrants outstanding to purchase common shares at exercise prices ranging from $0.22 – $1.00

Total stock options outstanding as at December 31, 2013 and April 3, 2014 were 23,732,750 and 23,557,750, priced between $0.22 and $0.76 per common share.

Additional detailed share data information is available the Company's Notes to Consolidated Financial Statement.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Key Business Risks and Uncertainties

Dependence Upon Key Personnel – PTI depends on its senior management and technical staff. If PTI is unable to attract and retain key personnel, it may have a material adverse effect on the Company. In an effort to manage this risk, the Company has established a competitive compensation grid for all staff that includes certain benefits and stock options. The Company frequently compares its rates of pay to its competitors and the compensation package that would normally be offered to such senior individuals both inside and outside the industry.

Technology Development – Delays in either technology development or the transition to large scale application of the technology may cause a material adverse effect to the Company. Technology development in PTI follows a strict path of concept, research, business analysis, design, beta testing and technical implementation. These milestones are reviewed regularly with the head of technology development to ensure timely completion the technological milestones.

Financial Liquidity –The Company has not earned profits, so its ability to finance operations is chiefly dependent on equity financings. Since June 2012, the Company has raised over 12 million dollars in equity financing in support of the POET initiative.

Governmental Incentives – Projects that PTI might participate in directly or through ODIS may not be funded due to reductions, changes in timing, and/or the removal of government incentives. The Company has made a strategic decision to eliminate its use of SBIR grants.

Ability to Reach Profitability – PTI has no history of profitability and may not be able to monetize POET.

Market Acceptance of New Products – ODIS' POET technology is a new technology which currently does not have an installed base and may not be embraced for use by the semiconductor industry. Branding is a key to creating market acceptance. There is no assurance that these risks can be mitigated through public announcements, demonstrations and advertisements about the competitive advantage of the Company's high efficiency technology..

Technology Changes – PTI's technology is highly reliant upon keeping pace with technological changes. PTI's products are complex and rely on state-of-the-art design methodologies to optimize them for market. If PTI cannot afford to keep pace with these changes, it may have a material adverse effect on the Company. Retaining qualified engineers and scientists has been identified as a KSD for the Company. Qualified personnel will continue to ensure that the Company is not only keeping in touch with technological developments but is also implementing these new developments. Compensation is key in hiring and retaining these individuals.

Major Competitors – PTI may face several competitors before or after it brings its technology to market which could result in the lack of acceptance thereby having a material adverse effect on the Company. Through research and competitive data, PTI feels that these markets are ready for a new entrant especially with the efficiency of the ODIS technology. Staying ahead of the curve with R&D, and consistency in new product development will be key to keeping, developing and maintaining market share.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the
Board of Directors and Shareholders
of **POET Technologies Inc.**

We have audited the accompanying consolidated financial statements of POET Technologies Inc. (formerly Opel Technologies Inc.), which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of POET Technologies Inc. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with IFRS.

Emphasis of matter

As described in Note 2, the Company determined that proceeds from government grants should be classified as other income. The 2012 Statement of Operations has been corrected. Our report is not modified with respect to this matter.

Marcum LLP

Hartford, CT
April 4, 2014

MARCUMGROUP
MEMBER

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POET TECHNOLOGIES INC. (FORMERLY OPEL TECHNOLOGIES INC.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in US Dollars)

December 31,	**2013**	2012
Assets		
Current		
Cash and cash equivalents	**$ 3,260,967**	$ 1,435,762
Accounts receivable	**-**	96,749
Prepaids and other current assets	**267,012**	158,257
Marketable securities (Note 4)	**397**	426
Assets available for sale (Note 18)	**-**	606,413
	3,528,376	2,297,607
Property and equipment (Note 5)	**903,792**	26,670
Patents and licenses (Note 6)	**38,790**	42,983
	$ 4,470,958	$ 2,367,260
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7)	**$ 256,027**	$ 231,903
Product warranty (Note 2 and 21)	**-**	25,899
Disposal group liabilities (Note 18)	**-**	606,413
	256,027	864,215
Shareholders' Equity		
Share capital (Note 8(b))	**42,911,455**	40,225,401
Special voting share (Note 9)	**-**	100
Warrants (Note 10)	**8,135,590**	3,850,685
Contributed surplus (Note 11)	**20,261,067**	16,361,282
Accumulated other comprehensive loss	**(11,593)**	243,829
Deficit	**(67,081,588)**	(59,178,252)
	4,214,931	1,503,045
	$ 4,470,958	$ 2,367,260

Commitments and contingencies (Note 13)

On behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

POET TECHNOLOGIES INC. (FORMERLY OPEL TECHNOLOGIES INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in US Dollars)

For the Years Ended December 31	2013	2012
Costs and expenses		
General and administration (Note 22)	**$ 6,338,607**	$ 3,027,760
Research and development (Note 22)	**1,925,974**	1,093,998
Investment income, including interest	**(18,371)**	-
Loss before the following	**8,246,210**	4,121,758
Other income (Note 2)	**342,874**	238,806
Net loss from continuing operations	**(7,903,336)**	(3,882,952)
Loss from discontinued operations, net of taxes (Note 18)	**-**	(4,685,449)
Net loss	**(7,903,336)**	(8,568,401)
Deficit, beginning of year	**(59,178,252)**	(50,470,735)
Divestiture of non-controlling interest	**-**	(139,116)
Net loss	**(7,903,336)**	(8,568,401)
Deficit, end of year	**$(67,081,588)**	$(59,178,252)
Basic and diluted loss per share (Note 12)	**$ (0.06)**	$ (0.08)
Basic and diluted loss per share, continuing operations	**$ (0.06)**	$ (0.04)
Basic and diluted loss per share, discontinued operations	**$ -**	$ (0.04)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

December 31,	2013	2012
Net loss	**$ (7,903,336)**	$ (8,568,401)
Other comprehensive (loss) income - net of income taxes		
Exchange differences on translating foreign operations	**(255,422)**	(34,434)
Comprehensive loss	**$ (8,158,758)**	$ (8,602,835)

The accompanying notes are an integral part of these consolidated financial statements.

POET TECHNOLOGIES INC. (FORMERLY OPEL TECHNOLOGIES INC.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

For the Year Ended December 31,	2013	2012
Share Capital		
Beginning balance	$ 40,225,401	$ 38,507,720
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	-	27,521
Funds from the exercise of warrants	37,111	93,012
Funds from the exercise of stock options	152,502	52,700
Value assigned to stock options	121,368	39,794
Funds from private placements	7,189,200	5,428,644
Share issue costs	(529,222)	(502,965)
Fair value of warrants and compensation warrants exercised	23,387	37,458
Fair value of warrants and compensation warrants issued	(4,308,292)	(3,608,483)
Common shares issued as finance costs	-	150,000
December 31,	42,911,455	40,225,401
Special Voting Share		
Beginning balance	100	100
Cancellation of special voting share	(100)	-
December 31,	-	100
Shares to be Issued		
Deferred share issue costs	-	27,521
Exchangeable Shares exchanged into common shares	-	(27,521)
December 31,	-	-
Warrants		
Beginning balance	3,850,685	1,813,729
Fair value of warrants and compensation warrants issued	4,308,292	3,608,483
Fair value of warrants and compensation warrants exercised	(23,387)	(37,458)
Fair value of expired warrants	-	(1,534,069)
December 31,	8,135,590	3,850,685
Contributed Surplus		
Beginning balance	16,361,282	13,162,981
Stock-based compensation	4,021,153	1,704,026
Fair value of stock options exercised	(121,368)	(39,794)
Fair value of expired warrants	-	1,534,069
December 31,	20,261,067	16,361,282
Accumulated Other comprehensive income		
Beginning balance	243,829	278,263
Other comprehensive loss attributable to common shareholders - translation adjustment	(255,422)	(34,434)
December 31,	(11,593)	243,829
Deficit		
Beginning balance	(59,178,252)	(50,470,735)
Divestiture of non-controlling interest	-	(139,116)
Net loss attributable to common shareholders	(7,903,336)	(8,568,401)
December 31,	(67,081,588)	(59,178,252)
Total shareholders' equity	$ 4,214,931	$ 1,503,045
Non-controlling interest		
Beginning balance	$ -	$ (139,116)
Divestiture of non-controlling interest	-	139,116
Ending balance	$ -	$ -
Total equity	$ 4,214,931	$ 1,503,045

The accompanying notes are an integral part of these consolidated financial statements.

POET TECHNOLOGIES INC. (FORMERLY OPEL TECHNOLOGIES INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars)

For the Year Ended December 31,	**2013**	2012
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	**$ (7,903,336)**	$ (8,568,401)
Adjustments for:		
Depreciation of property and equipment	**60,738**	3,165
Amortization of patents and licenses	**4,193**	4,193
Product warranty reserve	**(25,999)**	-
Stock-based compensation (Note 11)	**4,021,153**	1,704,026
Discontinued operations, net of tax	**-**	4,685,449
Financing fees	**-**	150,000
	(3,843,251)	(2,021,568)
Net change in non-cash working capital accounts:		
Accounts receivable	**96,749**	(13,686)
Prepaid and other current assets	**(163,726)**	(58,094)
Accounts payable and accrued liabilities	**24,124**	(80,958)
Cash flows from operating activities, continuing operations	**(3,886,104)**	(2,174,306)
Cash flows from operating activities, discontinued operations	**-**	(3,728,678)
	(3,886,104)	(5,902,984)
INVESTING ACTIVITIES		
Purchase of property and equipment (Note 5)	**(882,860)**	(28,352)
Cash flow from investing activities, continuing operations	**(882,860)**	(28,352)
Cash flow from investing activities, discontinued operations	**-**	1,000,000
	(882,860)	971,648
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**6,849,591**	5,071,391
Cash flow from financing activities, continuing operations	**6,849,591**	5,071,391
Cash flow from financing activities, discontinued operations	-	-
	6,849,591	5,071,391
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(255,422)**	(34,434)
NET CHANGE IN CASH, continuing operations	**1,825,205**	2,834,299
NET CHANGE IN CASH , discontinued operations	**-**	(2,728,678)
CASH AND CASH EQUIVALENTS, beginning of year	**1,435,762**	1,330,141
CASH AND CASH EQUIVALENTS, end of year	**$ 3,260,967**	$ 1,435,762

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in US Dollars)

1. DESCRIPTION OF BUSINESS

POET Technologies Inc. is incorporated in the Province of Ontario. POET Technologies Inc. and ODIS Inc. ("ODIS"), a subsidiary of Opel Solar Inc., (collectively, the "Company") develops and markets semi-conductor devices using planar “opto” electronic technology ("POET"). Opel Solar Inc. is a wholly owned subsidiary of POET Technologies Inc. The Company continues to develop the process to produce a gallium arsenide microchip. The Company's head office is located at 121 Richmond Street West, Suite 501, Toronto, Ontario, Canada M5H 2K1. These consolidated financial statements of the Company were approved by the Board of Directors of the Company on April 3, 2014.

The Company has working capital of $3,272,349 as of December 31, 2013 compared to working capital of $1,433,392 as of December 31, 2012. Subsequent to December 31, 2013, the Company successfully completed an equity financing of $5,000,000. Additionally, the Company received $2,834,513 from the exercise of warrants. The Company is in a favorable cash position to cover its operating and investing activities and settle its outstanding obligations as they come due over the next twelve to eighteen months (see Note 23).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Basis of presentation

These consolidated financial statements include the accounts of POET Technologies Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Foreign currency translation

These consolidated financial statements are presented in U.S. dollars ("USD"), which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of operations and deficit.

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated into the presentation currency at the year end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive loss in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments
Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables, fair value through profit or loss; available-for-sale or other financial liabilities.

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities. The Company designated its cash as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable and accrued liabilities as other financial liabilities.

Fair value through profit or loss financial assets are measured at fair value with gains and losses recognized in operations. Financial assets, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive loss.

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of a financial instrument that is quoted in active markets is based on the bid price for a financial asset held and the offer price for a financial liability. When an independent price is not available, fair value is determined by using a valuation methodology which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price exists, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If no reliable estimate can be made, the Company measures the financial instrument at cost less impairment as a last resort.

Marketable securities
Marketable securities are classified as available for sale and are carried at fair value. Unrealized holding gains and losses are recognized in other comprehensive income.

Property and equipment
Property and equipment are recorded at cost. Depreciation is calculated based on the estimated useful life of the asset using the following rates:

Machinery and equipment	Straight Line, 5 years
Office equipment	Straight Line, 5 years

Patents and licenses
Patents and licenses are recorded at cost and amortized on a straight line basis over their estimated useful lives. Ongoing maintenance and patent registration costs are expensed as incurred. The expiry of the patents and licenses range from 6 - 12 years.

Product warranty
A product warranty is recognized when present obligations as a result of a sale of products will probably lead to an outflow of economic resources from the Company and the amounts can be estimated reliably. The timing or the amount of the outflow may still be uncertain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product warranty is measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Product warranties are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company discontinued its Solar operations in 2012 and disposed of its remaining solar assets and liabilities on April 5, 2013, as a result, the Company no longer has a reserve for product warranty (2012 - $25,899). The Company is liable for warranty claims on sales previously recognized on a discontinued operation. Management believes the Company's exposure on these warranty claims is not material as of December 31, 2013. Any warranty claims settled by the Company will be classified as adjustments to discontinued operations.

Impairment of long-lived assets

The Company's tangible and intangible assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An assessment is made at each reporting date whether there is any indication that an asset may be impaired.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the year. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. During 2012, the Company discontinued its solar operations. In 2013 the Company did not record an impairment loss on long-lived assets (2012 - $414,570).

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are provided on differences between the financial reporting and income tax bases of assets and liabilities and on income tax losses available to be carried forward to future years for tax purposes. Deferred income taxes are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Valuation allowances are provided to reduce deferred income tax assets to the amount expected to be realized.

Government grants

Government grants received exclusively from the Department of Defense of the United States of America and NASA, relating to research and development, are recognized as other income, net, based on the agreed upon milestones of the projects. Government grants in 2013 were $342,874 (2012 - $238,806).

In 2012, grant income was presented as revenue. Upon application of IAS 20 relating to grant income, $238,806 was reclassified to other income in the accompanying statements. This change represents a correction of an error. IFRS does not permit the reporting of this type of income as revenue.

Interest income

Interest income on cash and short-term investments classified as fair value through profit or loss is recognized as earned using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

Research costs are expensed in the year incurred. Development costs are also expensed in the year incurred unless the Company believes a development project meets IFRS criteria as set out in IAS 38, *Intangible Assets*, for deferral and amortization. The Company has not met the the criteria set out in IAS 38, therefore no deferral has been recognized.

Stock-based compensation

Stock options and warrants awarded to non employees are accounted for using the fair value of the instrument awarded or service provided whichever is considered more reliable. Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments. The dilutive effect of stock options and warrants is determined using the treasury stock method.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following is a summary of recent accounting pronouncements that may affect the Company.

(i) Financial instruments

IFRS 9, *Financial Instruments,* replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual years beginning on or after January 1, 2015.

(ii) Financial instruments

IAS 32, *Financial Instruments; Offsetting Financial Assets and Financial Liabilities*

The amendment provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the financial statements effective from January 1, 2014. The Company has not yet evaluated the impact on the financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adopting of such pronouncements will have a material impact on its consolidated financial statements.

4. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of $397 as of December 31, 2013 and $426 as of December 31, 2012.

5. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture and fixture	Office equipment	Leasehold improvements	Solar installations	Construction in progress/committed assets	Total
Cost							
Balance, January 1, 2012	$ 1,171,936	$ 138,028	$ 78,203	$ 44,761	$ 1,567,018	$ 1,501,692	$ 4,501,638
Additions	27,500	-	852	-	-	-	28,352
Reclassification/impairment	(1,171,936)	(138,028)	(76,720)	(44,761)	(1,567,018)	(1,501,692)	(4,500,155)
Balance, December 31, 2012	27,500	-	2,335	-	-	-	29,835
Additions	931,449	-	6,411	-	-	-	937,860
Balance, December 31, 2013	958,949	-	8,746	-	-	-	967,695
Accumulated Depreciation							
Balance, January 1, 2012	781,014	95,491	55,527	5,339	263,796	1,501,692	2,702,859
Depreciation / impairment for the year	(778,264)	(95,491)	(55,112)	(5,339)	(263,796)	(1,501,692)	(2,699,694)
Balance, December 31, 2012	2,750	-	415	-	-	-	3,165
Depreciation for the period	59,250	-	1,488	-	-	-	60,738
Balance, December 31, 2013	62,000	-	1,903	-	-	-	63,903
Carrying Amounts							
At December 31, 2012	$ 24,750	$ -	$ 1,920	$ -	$ -	$ -	$ 26,670
At December 31, 2013	$ 896,949	$ -	$ 6,843	$ -	$ -	$ -	$ 903,792

Included in 2013 additions is $55,000 in deposits that were paid in 2012 and included in prepaids and other current assets.

6. PATENTS AND LICENSES

	Patents	Licenses	Total
Cost			
Balance, January 1, 2012	$ 224,444	$ 136,725	$ 361,169
Additions	-	-	-
Reclassifications	(224,444)	(73,825)	(298,269)
Balance, December 31, 2012 and 2013	-	62,900	62,900
Accumulated Depreciation			
Balance, January 1, 2012	124,538	66,660	191,198
Amortization/impairment	(124,538)	(46,743)	(171,281)
Balance, December 31, 2012	-	19,917	19,917
Amortization	-	4,193	4,193
Balance, December 31, 2013	-	24,110	24,110
Carrying Amounts			
At December 31, 2012	$ -	$ 42,983	$ 42,983
At December 31, 2013	$ -	$ 38,790	$ 38,790

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Trade payable	$ **94,824**	$ 86,689
Payroll related liabilities	**89,243**	60,567
Accrued liabilities	**71,960**	84,647
	$ **256,027**	$ 231,903

8. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

One special voting share

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, December 31, 2011	93,025,421	$ 38,507,720
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	135,000	27,521
Shares issued on the exercise of stock options	185,000	52,700
Fair value of stock options exercised	-	39,794
Shares issued on private placement	23,412,479	5,428,644
Fair value of warrants and compensation warrants issued	-	(3,608,483)
Share issue costs	-	(502,965)
Shares issued as finance costs	500,000	150,000
Shares issued on the exercise of warrants	270,715	93,012
Fair value of warrants exercised	-	37,458
Balance, December 31, 2012	117,528,615	40,225,401
Shares issued on the exercise of warrants and compensation warrants	140,000	37,111
Fair value of warrants and compensation warrants exercised	-	23,387
Shares issued on the exercise of stock options	607,500	152,502
Fair value of stock options exercised	-	121,368
Shares issued on private placements	14,400,000	7,189,200
Fair value of warrants and compensation warrants issued	-	(4,308,292)
Share issue costs	-	(529,222)
Balance, December 31, 2013	132,676,115	$ 42,911,455

During 2012, the Company completed various brokered private placement financings for gross proceeds aggregating $5,428,644 ($5,384,870 CAD). IBK Capital Corp. acted as agent in respect of the issuance and sale of 23,412,479 units, at a price of $0.225 ($0.23 CAD) per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.34 ($0.35 CAD) per share for a period of three years. The agent received cash commissions in the aggregate of $371,862 ($368,941 CAD) and 2,341,247 compensation warrants in connection with these private placements. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.225 ($0.23 CAD) per share for a period of four years. Additional issue costs amounted to $131,103 ($132,144 CAD).

8. SHARE CAPITAL (Continued)

The fair value of the warrants and compensation warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, interest rate of 1.08% and 1.17%, volatility of 109% and 120.55% and estimated life of 3 and 4 years. The estimated fair value assigned to the warrants and compensation warrants was $3,186,039 ($3,160,685 CAD) and $422,444 ($419,083 CAD) respectively.

On February 14, 2013, the Company completed a brokered private placement financing for gross proceeds aggregating $7,189,200 ($7,200,000 CAD). The Company issued 14,400,000 units, at a price of $0.499 ($0.50 CAD) per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.748 ($0.75 CAD) per share for a period of two years. The agents received cash commissions in the aggregate of $503,244 ($504,000 CAD) and 1,440,000 compensation warrants in connection with the private placement. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.499 ($0.50 CAD) per share for a period of three years. Additional issue costs amounted to $25,978 ($26,017 CAD).

The fair value of the warrants and compensation warrants was estimated using the Black-scholes option pricing model with the following assumptions: dividend yield of 0%, interest rate of 1.16% and 1.24%, volatility of 121% and 111.35% and estimated life of 2 and 3 years. The estimated fair value assigned to the warrants and compensation warrants was $3,825,178 ($3,844,400 CAD) and $483,114 ($483,840 CAD) respectively.

9. SPECIAL VOTING SHARE

On June 5, 2007, one (1) special voting share was issued in conjunction with a Support and Trust Agreement entered into amongst POET Technologies Inc, OPEL Solar Inc ("OSI"). and TMX Equity Transfer Services. The special voting share was returned to treasury and cancelled on June 21, 2013.

10. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
Balance, December 31, 2011	$ 0.45	11,839,560	$ 1,813,729
Warrants issued	0.34	23,412,479	3,186,039
Compensation warrants issued	0.23	2,341,247	422,444
Expired	0.48	(10,544,002)	(1,534,069)
Exercised	0.34	(270,715)	(37,458)
Balance, December 31, 2012	0.33	26,778,569	3,850,685
Warrants issued	0.75	14,400,000	3,825,178
Compensation warrants issued	0.50	1,440,000	483,114
Exercised	0.17	(140,000)	(23,387)
Balance, December 31, 2013	$ 0.48	42,478,569	$ 8,135,590

10. WARRANTS (Continued)

As at December 31, 2013 the following warrants were outstanding:

	Number of Warrants	Historical Fair Value ($)	Exercise Price ($)	Expiry Date
Warrants	1,295,558	279,660	0.29	July 21, 2014
Warrants	2,157,348	284,635	0.34	June 8, 2015
Warrants	2,770,044	365,143	0.34	June 22, 2015
Warrants	1,554,000	208,972	0.34	July 31, 2015
Warrants	6,272,087	856,893	0.34	September 7, 2015
Warrants	5,369,000	744,240	0.34	September 13, 2015
Warrants	5,000,000	687,082	0.35	September 27, 2015
Warrants	14,400,000	3,825,178	0.75	February 14, 2015
Compensation warrants	220,734	38,642	0.22	June 8, 2016
Compensation warrants	285,289	49,943	0.22	June 22, 2016
Compensation warrants	155,400	27,708	0.22	July 31, 2016
Compensation warrants	522,209	94,597	0.22	September 7, 2016
Compensation warrants	536,900	98,681	0.22	September 13, 2016
Compensation warrants	500,000	91,102	0.22	September 27, 2016
Compensation warrants	1,440,000	483,114	0.50	February 14, 2016
	42,478,569	$ 8,135,590	$0.48	

These warrants were issued in Canadian dollars and are exercisable at prices ranging from $0.23 CAD and $0.75 CAD.

11. STOCK OPTIONS AND CONTRIBUTED SURPLUS

Stock Options

On June 21, 2013, shareholders of the Company approved amendments to the Company's fixed 20% stock option plan (as amended, referred to as the "2013 Plan"). Under the 2013 Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The 2013 Plan provides that the number of common shares issuable pursuant to options granted under the 2013 Plan and pursuant to other previously granted options is limited to 26,475,000 (the “Number Reserved”). Any subsequent increase in the Number Reserved must be approved by shareholders of the Company and cannot exceed 20% of the number of issued and outstanding shares. Options granted under the 2013 Plan generally vest 25% immediately and 25% every six months from the date of issue, however, the directors may, at their discretion, specify a different vesting period.

11. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Stock option transactions and the number of stock options outstanding were as follows:

	Number of Options	Weighted average Exercise Price
Balance, December 31, 2011	9,532,750	$ 0.63
Expired/cancelled	(6,875,000)	0.68
Exercised	(185,000)	0.28
Granted	15,130,000	0.27
Balance, December 31, 2012	17,602,750	0.35
Expired/cancelled	(572,500)	0.53
Exercised	(607,500)	0.25
Granted	7,310,000	0.46
Balance, December 31, 2013	23,732,750	$ 0.38

During the year, the Company granted 7,310,000 (2012 - 15,130,000) stock options to officers, employees and consultants of the Company to purchase common shares at an average price of $0.46 (2012 - $0.27) per share.

During the year, the Company recorded stock-based compensation of $4,021,153 (2012 - $1,704,026) relating to vested stock options.

The stock options granted during 2013 and 2012 were valued on the date of the grant using the Black-Scholes option pricing model using the following assumptions:

	2013	2012
Weighted average exercise price	**$ 0.46**	$ 0.27
Weighted average risk-free interest rate	**1.75%**	1.41%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**113%**	116%
Weighted average estimated life	**5 years**	5.75 years

Share price on the various grant dates were:

	2013	2012
First grant	$ 0.53	$ 0.22
Second grant	0.50	0.23
Third grant	0.44	0.28
Fourth grant	0.46	0.43
Fifth grant	0.47	0.45
Sixth grant	0.42	-
Seventh grant	0.43	-

The underlying expected volatility was determined by reference to the Company's historical share price movements, its dividend policy and dividend yield and past experience relating to the expected life of granted stock options.

11. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2013 are as follows:

Options Outstanding					Options Exercisable		
Exercise Range	Number Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable		Weighted Average Exercise Price
$0.11 - $0.25	6,730,000	$	0.22	4.08	6,730,000	$	0.22
$0.28 - $0.31	736,250	$	0.27	4.46	611,250	$	0.27
$0.34 - $0.37	892,500	$	0.33	6.63	892,500	$	0.33
$0.38 - $0.86	15,174,000	$	0.45	4.41	10,116,500	$	0.45
$0.87 - $1.21	200,000	$	1.20	7.36	200,000	$	1.20
	23,732,750	$	0.38	4.43	18,550,250	$	0.35

Contributed Surplus

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 1, 2012	$ 13,162,981
Stock-based compensation	1,704,026
Fair value of stock options exercised	(39,794)
Fair value of expired warrants	1,534,069
Balance, December 31, 2012	16,361,282
Stock-based compensation	4,021,153
Fair value of stock options exercised	(121,368)
Balance, December 31, 2013	$ 20,261,067

12. LOSS PER SHARE

	2013	2012
Numerator		
Net loss from continuing operations	**$ (7,903,336)**	$ (3,882,952)
Net loss from discontinued operations	**$ -**	$ (4,685,449)
Net loss	**$ (7,903,336)**	$ (8,568,401)
Denominator		
Weighted average number of common shares outstanding	**130,743,149**	101,912,576
Weighted average number of common shares outstanding - diluted	**130,743,149**	101,912,576
Basic and diluted loss per share, continuing operations	**$ (0.06)**	$ (0.04)
Basic and diluted loss per share, discontinued operations	**$ -**	$ (0.04)
Basic and diluted loss per share	**$ (0.06)**	$ (0.08)

The effect of common share purchase options, warrants, compensation warrants and shares to be issued on the net loss in 2013 and 2012 is not reflected as they are anti-dilutive.

13. COMMITMENTS AND CONTINGENCIES

The Company has an operating lease for office and research facilities expiring March 31, 2015. In 2012, the Company terminated a lease agreement for office space that was used by its discontinued operation.

Rent expense under these leases was $118,068 for the year ended December 31, 2013 (2012 - $245,739).

Remaining minimum annual rental payments to the lease expiration dates are as follows:

2014	$ 128,904
2015	32,897
	$ 161,801

14. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

	2013	2012
Salaries	$ 867,231	$ 452,615
Share-based payments (1)	1,481,517	1,116,124
Total	$ 2,348,748	$ 1,568,739

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the year as calculated using the Black-Scholes model.

Included in prepaid and other assets is an advance of $100,000 to the CEO of the Company. The advance is non-interest bearing and short-term in nature. The amount was settled subsequent to the year end.

During the year, the Company paid a cumulative total of $351,708 (2012 - $193,692) in consulting fees to two executive directors of the Company.

The Company paid $91,316 to a director for legal services rendered to the Company for the year ended December 31, 2013 (2012 - $202,252).

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

15. SEGMENT INFORMATION

The Company and its subsidiary operates in a single segment; the design of semi-conductor products for military and industrial applications. In prior years, the Company had two operating segments, however, in 2012, management made a decision to discontinue one segment. The Company’s operating and reporting segment reflects the management reporting structure of the organization and the manner in which the chief operating decision maker regularly assesses information for decision making purposes, including the allocation of resources. A summary of the Company's operating segment is below:

ODIS Inc. (“ODIS”)

ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs and potentially telecom for Fibre to The Home. ODIS' technology also provides the opportunity for higher speed computing capabilities.

Segment information for the years ended December 31, 2013 and December 31, 2012 are as follows:

	2013			2012		
	Opel Solar Inc.	ODIS	Total	Opel Solar Inc.	ODIS	Total
Interest income	$ -	$ 18,371	$ 18,371	$ -	$ -	$ -
Operating expenses	-	3,422,646	3,422,646	-	1,586,327	1,586,327
Amortization	-	4,193	4,193	-	4,357	4,357
Other income	-	342,874	342,874	-	238,806	238,806
Loss from discontinued operations	-	-	-	4,685,449	-	4,685,449
Segment loss	-	2,800,186	2,800,186	4,685,449	1,351,878	6,037,327
Corporate operations			5,103,150			2,531,074
Net loss			$ 7,903,336			$ 8,568,401

15. SEGMENT INFORMATION (Continued)

Assets and capital expenditures at December 31,

	2013 Opel Solar Inc. (1)	2013 ODIS	2013 Total	2012 Opel Solar Inc.	2012 ODIS	2012 Total
Total assets	**$ 592,254**	**$ 990,866**	**$ 1,583,120**	$ 1,368,226	$ 672,862	$ 2,041,088
Capital expenditures	**$ -**	**$ 937,860**	**$ 937,860**	$ -	$ 28,352	$ 28,352

(1) Includes cash of $488,841, other current assets of $100,000 and equipment of $3,413.
(2) The Company has assets of $2,887,838 at its corporate office not included above in 2013 (2012 - $326,172).
(3) Included in 2013 capital expenditures is $55,000 in deposits that were paid in 2012 and allocated as capital costs in 2013.

The Company operates geographically in the United States and Canada. Geographical information is as follows:

2013

As of December 31,	**US**	**Canada**	**Consolidated**
Current assets	**$ 640,538**	**$ 2,887,838**	**$ 3,528,376**
Property and equipment	**903,792**	**-**	**903,792**
Patents and licenses	**38,790**	**-**	**38,790**
	$ 1,583,120	**$ 2,887,838**	**$ 4,470,958**

	US	**Canada**	**Consolidated**
Year ended December 31,			
General and administration	**$ 1,235,457**	**$ 5,103,150**	**$ 6,338,607**
Research and development	**1,925,974**	**-**	**1,925,974**
Investment income	**(18,371)**	**-**	**(18,371)**
Other income	**(342,874)**	**-**	**(342,874)**
	$ 2,800,186	**$ 5,103,150**	**$ 7,903,336**

2012

As of December 31,	US	Canada	Consolidated
Current assets	$ 1,971,435	$ 326,172	$ 2,297,607
Property and equipment	26,670	-	26,670
Patents and licenses	42,983	-	42,983
	$ 2,041,088	$ 326,172	$ 2,367,260

	US	Canada	Consolidated
For the Year ended December 31,			
General and administration	$ 561,430	$ 2,466,330	$ 3,027,760
Research and development	1,093,998	-	1,093,998
Other income	(238,806)	-	(238,806)
	$ 1,416,622	$ 2,466,330	$ 3,882,952

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short-term investments, accounts and other receivable, marketable securities, accounts payable and accrued liabilities and customer deposits. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that the fair value of these instruments approximate the carrying values due to their short term nature.

The Company has classified financial assets as follows:

	December 31, 2013	December 31, 2012
Fair value through profit or loss, measured at fair value:		
Cash	**$ 3,260,967**	$ 1,435,762
Loans and receivable, measured at amortized cost:		
Accounts receivable	**-**	96,749
Available-for-sale, measured at fair value:		
Marketable securities	**397**	426
Assets available for sale	**-**	606,413
	$ 3,261,364	$ 2,139,350

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities were determined using level 1 inputs, assets available for sale were determined using a level 3 input. The level 3 input for the available for sale asset was based on negotiations with a third party interested in acquiring the assets.

Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. The Company has accounts receivable from both governmental and non-governmental agencies that are currently concentrated in North America. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case by case basis. The Company has not experienced any significant instances of non-payment from its customers.

Exchange Rate Risk
The functional currency of each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. The Company is exposed to a foreign currency risk with the Canadian dollar. A 10% change in the value of the Canadian dollar would increase or decrease other comprehensive (loss) income by $268,996 as of December 31, 2013.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk
The Company currently does not maintain credit facilities. The Company's existing cash and cash resources are considered sufficient to fund operating and investing activities over the next eighteen months.

Market Risk
Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, cash equivalents, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments.

17. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income, deficit and non controlling interest) and cash. The capital of the Company was $74,569,079 at December 31, 2013 The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value through organic growth and responding to changes in economic and/or market conditions; to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and to safeguard the Company’s ability to obtain financing should the need arise.

In maintaining its capital, the Company has a strict investment policy which includes investing its surplus capital only in highly liquid, highly rated financial instruments.

The Company reviews its capital management approach on an ongoing basis. There were no changes in the Company’s approach to capital management during the year.

18. DISCONTINUED OPERATIONS

On June 11, 2012, management committed to a plan to discontinue its solar related operations and to dispose of its solar related assets and liabilities. The decision was taken in line with the Company's strategy to focus on the Company's key competencies, being the development of the POET platform, which enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones. Consequently, all saleable assets and liabilities relating to the solar operations were classified as "assets available for sale" or "disposal group liabilities".

On December 12, 2012, the Company sold a portion of its assets available for sale to an arms length party. The sale resulted in the Company receiving $1,000,000 for those assets available for sale. No gain or loss was recorded on the sale of the assets as current accounting standards mandate that assets are evaluated for impairment prior to discontinued operations treatment. Both assets available for sale and disposal group liabilities were $606,413 as of December 31, 2012.

On April 5, 2013, the Company disposed of the remaining assets available for sale in consideration for the assumption of the disposal group liabilities to another arms length party. There was no gain or loss on the disposition of the assets or associated liabilities.

18. DISCONTINUED OPERATIONS (Continued)

Revenue and expenses, and gains and losses relating to the discontinued activity have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of comprehensive loss. The operating results of the discontinued operations can be analysed as follows:

For the Years Ended December 31,	2013	2012
Revenue	$ -	$ 617,728
Costs and expenses		
Cost of goods sold (1)	-	1,117,282
General and administration (2)	-	3,380,117
Research and development	-	611,644
Investment income, including interest	-	(3,044)
	-	5,105,999
Net operating results from discontinued operations, net of taxes	-	(4,488,271)
Loss on divestiture of Opel Solar Asia Company Limited, net of taxes (3)	-	(197,178)
Loss from discontinued operation, attributable to equity shareholders	$ -	$ (4,685,449)

(1) Cost of goods sold includes inventory write-down of	$ -	$ 1,143,011
(2) General and administration includes the following:		
Impairment of long lived assets	-	414,570
Uncollectible accounts receivable	-	195,774
Prepaid expenses	-	127,602

(3) The Company divested itself of its interest in Opel Solar Asia Company Limited because it was unable to identify a buyer for this investment. The Company therefore recorded a loss on divestiture of $197,178.

19. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 27% for 2013 (2012 - 27%) and United States statutory federal and state income tax rate of 43% for 2013 (2012 - 43%) to the amounts recognized in operations.

For the Year Ended December 31,	**2013**	2012
Net loss, continuing operations	**$ 7,903,336**	$ 3,882,952
Net loss, discontinued operations	**-**	4,685,449
Net loss	**7,903,336**	8,568,401
Expected income tax recovery at combined statutory rates:		
Continuing operations	**$ 2,555,600**	$ 1,249,000
Discontinued operations	**-**	2,050,440
	2,555,600	3,299,440
Changes from:		
Amounts not deductible for tax purposes	**(1,041,000)**	(737,000)
Other non-deductible items	**(18,400)**	108,273
Deductible share issuance costs	**99,000**	70,000
Effect of tax rate reduction	**-**	(28,713)
Change in valuation allowance	**(1,422,513)**	(2,894,000)
Foreign tax differential	**(172,687)**	182,000
Income tax recovery recognized	**$ -**	$ -

The following table reflects future income tax assets at December 31,:

	2013	2012
Resource assets	**$ 621,000**	$ 621,000
Share issue costs	**225,504**	184,000
Canadian non-capital losses	**1,002,309**	793,000
Canadian capital losses	**391,000**	391,000
US non-capital losses	**20,006,700**	18,835,000
	22,246,513	20,824,000
Valuation allowance	**(22,246,513)**	(20,824,000)
Future income tax assets recognized	**$ -**	$ -

In addition to capital losses of $3,064,000 and resource pools of $1,111,000 which have no expiry date, the Company had United States and Canadian tax loss carryforwards of $48,797,000 and $3,931,000 respectively, which will expire between 2014 and 2030 if not used.

20. SHARES TO BE ISSUED

	Number of Shares to be Issued	Historical Fair Value
Balance, January 1, 2012	135,000	$ 27,521
Exchangeable Shares exchanged into common shares	(135,000)	(27,521)
Balance, December 31, 2012 and December 31, 2013	-	$ -

21. PRODUCT WARRANTY

The provision for warranties relates to solar products sold by the Company's discontinued operations between 2007 and 2012. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company does not expect to incur any material product warranty charges in the next year.

Product warrant provisions are considered current. The carrying amounts may be analysed as follows:

	2013	2012
Opening balance	**$ 25,899**	$ 25,899
Additional provisions	**74,101**	-
Amount utilized	**-**	-
Reversals	**(100,000)**	-
Ending balance	**$ -**	$ 25,899

22. EXPENSES

Research and development costs can be analysed as follows:

	2013	2012
Wages and benefits	**$ 692,105**	$ 572,399
Subcontract fees	**558,073**	326,458
Stock-based compensation	**565,246**	64,744
Supplies	**110,550**	130,397
	$ 1,925,974	$ 1,093,998

General and administrative costs can be analysed as follows:

Stock-based compensation	**$ 3,455,907**	$ 1,639,282
Wages and benefits	**831,950**	420,572
Professional fees	**695,082**	175,332
Management and consulting fees	**581,203**	287,192
General expenses	**558,560**	222,466
Rent	**150,974**	275,558
Depreciation and amortization	**64,931**	7,358
	$ 6,338,607	$ 3,027,760

23. SUBSEQUENT EVENTS

Financing

On February 13, 2014, the Company completed a CAD $5,000,000 private placement financing. The financing consisted of 7,692,307 Units at a price of CAD $0.65 per unit. Each unit comprises one common share and one common share purchase warrant. One warrant allows the holder to acquire one common share of the Company at an exercise price of CAD $1.00 per share for a period of 2 years. No commission was payable with respect to this financing.

Subsequent to the year end, the Company received CAD $2,834,513 from the exercise of 7,761,863 warrants.

License Agreement Restructure

Subsequent to the year end, the Company entered into a term sheet with the University of Connecticut ("the University") to restructure its license agreement of April 8, 2003 (the "License Agreement"). The parties agreed to restructure the payment provisions of the License Agreement by reducing the royalty payment to three percent (3%) of amounts received from unaffiliated third parties in respect of the exploitation of the Intellectual Property defined in the License Agreement.

In consideration for the favorable restructuring of the royalty terms, the Company will provide the University 2,000,000 common shares. Trading of these shares is restricted until May 31, 2016. The restructuring is subject to the final execution of the formal amendment to the License Agreement.

CORPORATE INFORMATION

DIRECTORS:

Peter Copetti, *Executive Chairman & Interim CEO*
Mark Benadiba, *Vice Chairman*
Dr. Adam Chowaniec (2)
John F. O'Donnell (1) (2) (3)
Dr. Samuel Peralta (1) (2) (3)
Leon M. Pierhal
Dr. Geoff Taylor
Chris Tsiofas (1) (3)

(1) *current members of Audit Committee*
(2) *current members of Compensation Committee*
(3) *current member of Corporate Governance & Nominating Committee*

OFFICERS:

Peter Copetti
EXECUTIVE CHAIRMAN & INTERIM CEO

Leon M. Pierhal
PRESIDENT

Kevin Barnes
CHIEF FINANCIAL OFFICER & TREASURER

Stephane Gagnon
SENIOR VICE PRESIDENT, OPERATIONS

Lee Shepherd
VICE PRESIDENT, TECHNOLOGY

Michel J. Lafrance
SECRETARY

INVESTOR RELATIONS:

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Pierce Atwood LLP - Boston, MA

SHARES LISTED:

TSX Venture Exchange
Symbol: PTK

OTC QX
Symbol: POETF

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REGISTRAR AND TRANSFER AGENT:

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E-mail: info@equityfinancialtrust.com

INTERNET:

http://www.poet-technologies.com
E-mail: info@poet-technologies.com

SHARE CAPITAL (as at May 31, 2014):

Common Shares
Authorized: Unlimited
Issued: 159,436,709

Special Voting Shares
Authorized: 1
Issued: 0

ANNUAL MEETING:

The Annual General Meeting of POET Technologies Inc. will be held at 9:00 a.m. on Friday, August 12th, 2014, in Nathan Hale Inn and Conference Center located at 855 Bolton Road, Storrs, CT, USA 06268.

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