

Technology Pivot into Gesture Recognition – *A Possible Future*



Annual General Meeting
Peat Resources Limited
4 May 2016

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Peat Board of Directors

> Patricia G. Mannard, BA (Hons)

Chairman of the Board, Interim Chief Executive Officer, Acting Chief Financial Officer, Secretary. Officer of Peat since 1991 and a Director since 2004. Worked in the junior resource sector for over 25 years. Founding officer of **Darnley Bay Resources Limited**, a publicly traded company listed on the TSX Venture Exchange since 1993, becoming a Director in 2002.

> John P. Allen, PhD

Director. Interim Chief Executive Officer until October 2014. John has a general practice, with a focus on business law and estate planning. John became a lawyer in 1991. He clerked with the **Ontario Superior Court**, and joined **Allen & Allen** in 1992. John has a B.A., B.Sc., LL.B. And LL.M. in securities law.

Peat Board of Directors

> Michael Cachia, CA, CPA

Director. Michael is a licensed public accountant and a partner in **Edmund Cachia & Co. LLP**. Michael has extensive experience in providing both consulting and audit based services to public companies.

> Scott Allen, MSc, PhD

Director. Scott is a theoretical physicist with over sixteen years of experience in quantitative financial risk modeling and management in start-up ventures and with **Credit Suisse** in London. He was recently appointed Director, Head of Model Validation (APAC) at **Standard and Poor's** based in Hong Kong.

Peat Board of Directors

> Samuel Peralta, PhD

Director. 35-year veteran of high-technology industry. Also currently Chair, Windrift Bay; Director, Organization of Canadian Nuclear Industries; Director, Noble Mineral Exploration.

Director of **POET Technologies** from inception to 2014 – Founding Director c/o merger of OPEL and Tandem Resources. Also previously Director of **OPEL Solar, Axiom NDT, Envergence, Qvadis.**

Experience with M&A/Due Diligence – *RuggedCom/Siemens, Texas Instruments Solar/Ontario Hydro, Spherical Solar/ATS, ESG/Tyco, many others*

Note: The following is a summary of the recommendations currently being made to the Board of Directors of Peat Resources Limited by its special technology consultant Dr. Samuel Peralta. Peat is investigating new opportunities to include a possible technology pivot. Peat has not yet made a decision to pursue this technology. An entry into the technology sector will be subject to regulatory compliance, to include shareholder approval.

POET Technology Pivot – A Case Study

> Then



June 17, 2005 15:30 ET

Tandem Resources Ltd. Announces Merger

TORONTO, ONTARIO--(CCNMatthews - June 17, 2005) - Tandem Resources Ltd. (TSX VENTURE:TDM) ("Tandem" or the "Company") reports that it has signed a Letter of Intent to merge with a U.S. based private company called OPEL Inc. ("OPEL"). OPEL is developing a revolutionary new micro chip which may be applied to a wide range of electronic devices, including computers, cell phones, NASA instrumentation, Air Force and defence applications.

The new chip is to be made of gallium arsenide and input to the chip may be electrical or optical. It will have very low power dissipation and will be disruptively lower in price than present offerings.

The new chip and the process through which it is being developed is being managed by Dr. Geoffrey Taylor. Dr. Taylor, a Canadian formerly with Bell Canada, has been expended on the development of the chip.

FINANCIAL ADVISORY SERVICES FROM

IBK Capital Corp.

connecticut by a team headed by Dr. Geoffrey Taylor. Since that time, over USD\$10.0 million has

> Now



- > Raised \$43M in financing over several tranches
- > Market cap now \$350M with 3rd-party valuation at \$2B; recently acquired DenseLight Semiconductors
- > POET positioned for value enhancement through disruptive growth or as acquisition target

POET Value from Disruptive Growth

Data Comms  POET's FOCUS	Consumer 	Automotive & Military 	Industrial 	Mobility 
<ul style="list-style-type: none"> > Data Centers > Servers / Routers > FPGA Optical IO > High Speed Data Comms (AOC) > LAN / SAN 	<ul style="list-style-type: none"> > USB 3.0/4.0 > HDMI > High Speed Short Range Communications 	<ul style="list-style-type: none"> > LWIR / MWIR Detectors > IR Camera Illumination (850 nm VCSEL arrays) 	<ul style="list-style-type: none"> > Industrial Heating > Commercial Print > Cosmetics and Health Care > Pump Lasers > Switch LEDs 	<ul style="list-style-type: none"> > Gesture Recognition > Non Contact Navigation > Depth Imaging - 3D Vision > Smart Pixel Arrays
\$35.3 billion	\$103.7 billion	\$23.7 billion	\$17.0 billion	\$107.4 billion

Source: IC Insights, POET Technologies

POET Value as an Acquisition Target

- > Avago acquires Broadcom \$37 billion
- > Intel acquires Altera \$16.7 billion
- > NXP acquires Freescale \$11.8 billion
- > Avago acquires CyOptics \$400 million
- > Cisco acquires Lightwire \$271 million

Active consolidation in semiconductor industry as a pre-emptive competitive move by major players

Peat Technology Pivot – A Proposal

> Part 1



- > Identify potential partner in target technology vertical – e.g. a hypothetical Gesture Recognition Co. (GRCO) above
- > Work towards signing a Letter of Intent (LOI) to complete a qualified transaction, contingent on fulfilling specific financial conditions
- > Complete approved transaction between *Peat* & GRCO to create *PEAT 2.0*



> Part 2

> *PEAT 2.0*

- > Initial raise to build revenue generation capacity
- > Potential relationships with POET include co-development, licensing, device procurement
- > Position *PEAT 2.0* for value enhancement through disruptive growth or as acquisition target



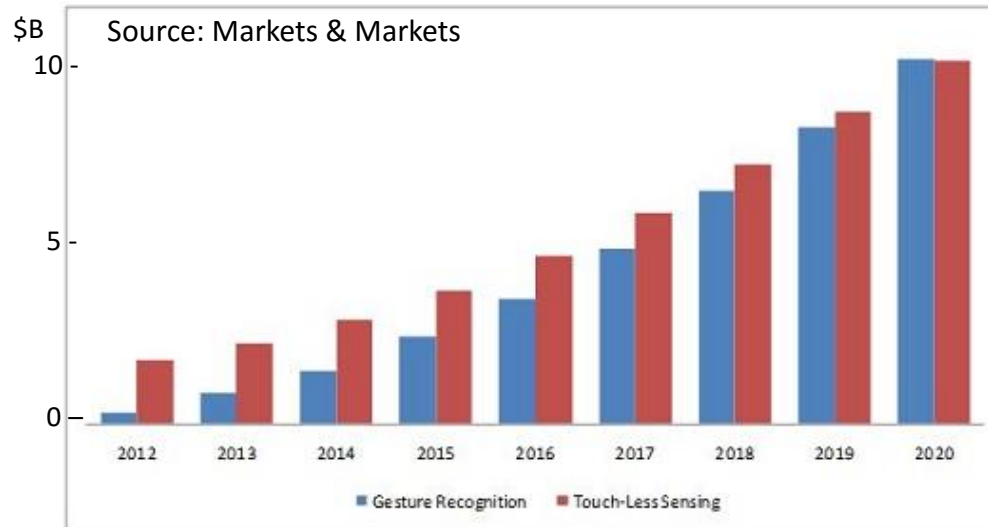
What is Gesture Recognition?

- > Gesture recognition is the interpretation of a human motion by a computing device
 - *Sensing of the motion is done via an optical **hardware** device*
 - *Interpretation of the motion is done via **software** algorithms*



- > Gesture recognition technology may be generalized to and include
 - *Voice or lip movement recognition,*
 - *Facial recognition,*
 - *Eye tracking, and other body motion sensing*

Why Target Gesture Recognition?



- > Gesture Recognition / Touchless Sensing sub-vertical expected to reach **\$23B by 2020**
- > Leverages into the POET Mobility vertical of **\$107.4B**
 - > *Motion sensing, image sensing, depth imaging, 3D vision*
 - > *Gesture/pattern recognition algorithms are basis for machine intelligence*
- > Opportunity for value creation by **disruption** or positioning for **acquisition**

PEAT 2.0 Value Creation by Enhancement

- > Many players, no dominant player in the GR industry



- > *GR hardware* may be disrupted by *integrated optoelectronics*
- > *GR software* may be disrupted by *pattern recognition and machine learning*
- > **GR business will be enhanced by the application of the above advances**

A company able to enhance GR applications as above will have entrance to a mobility market opportunity of \$107.B

PEAT 2.0 Value from Disruptive Growth

Gaming



- > Active Body Tracking Games
- > Virtual Reality and 3D Object Manipulation

Consumer & Retail



- > Smart TV Controls
- > Interactive Digital Signage
- > Home Automation

Automotive & Transit



- > Non Contact Navigation
- > Passenger Entertainment Controls
- > Lane Sensors
- > Vehicle Proximity Sensors

Healthcare



- > Exercise Motion Tracking
- > Rehabilitation Assistance
- > Interactive Imaging
- > Operating Room Controls

Defense



- > 3D Vision and Depth Imaging
- > Facial Recognition
- > Security and Surveillance
- > Aerospace

Potential to focus on one GR vertical, then expand to others – similar to POET platform strategy

Source: Markets and Markets

PEAT 2.0 Value as an Acquisition Target

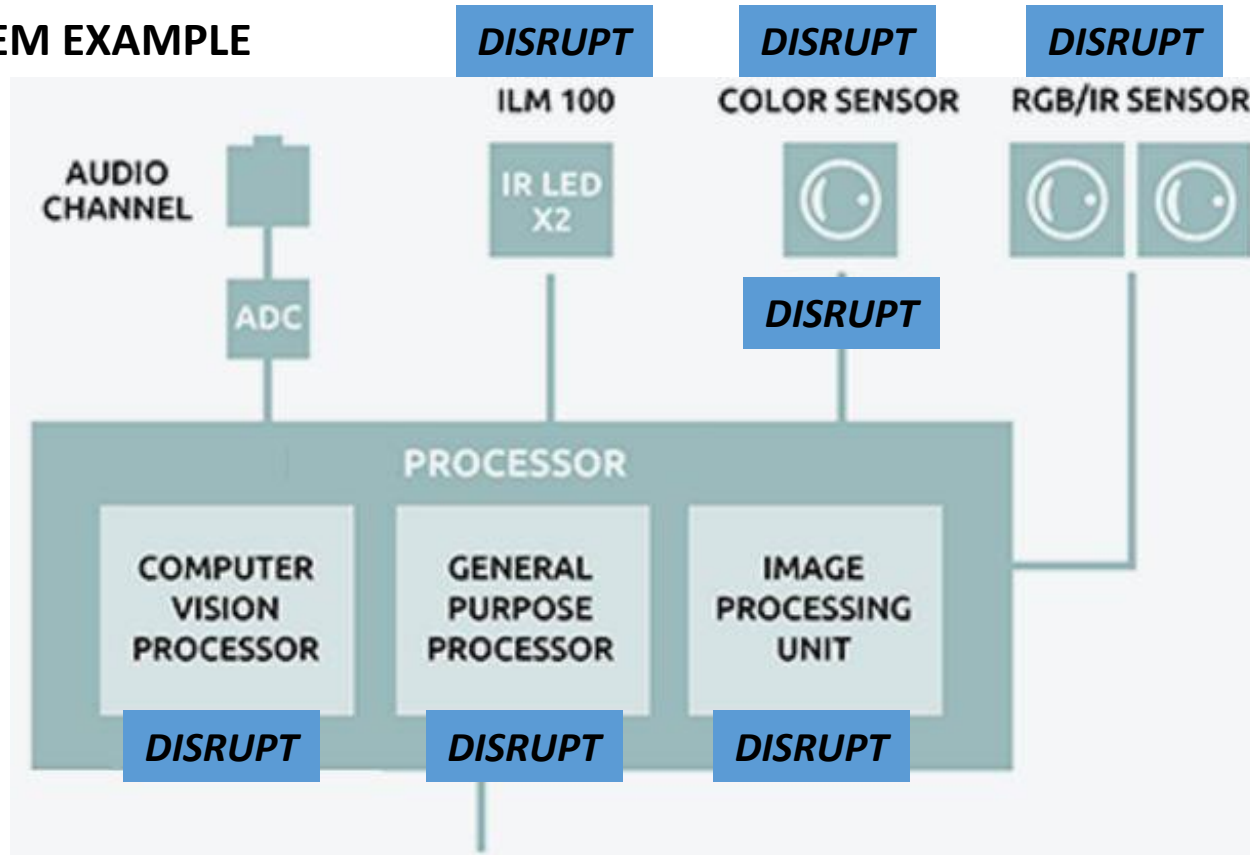
- > Apple acquires Emotient undisclosed
- > Sony acquires SoftKinetic undisclosed
- > Factset acquires Portware \$265 million
- > Twitter acquires TellApart \$532 million
- > Apple acquires PrimeSense \$345 million
- > Oculus acquires NimbleVR,
Surreal Vision, Pebble Interfaces ~\$200 million

Acquisition of GR companies by large companies is an emergent trend

- > Potential premium over the above if *PEAT 2.0* develops unique IP in machine learning, neural networks, pattern recognition, or similar

Technology Disruption Strategy

GR SYSTEM EXAMPLE



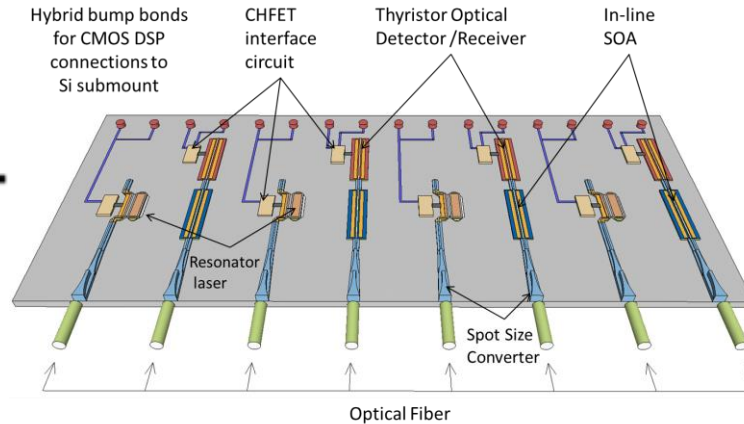
HARDWARE
Note POET just achieved IR sensor 20x more responsive than others

SOFTWARE
PEAT is actively evaluating potentially disruptive technologies

There already exist potentially disruptive software and hardware, including POET's announced VCSEL and IR sensor

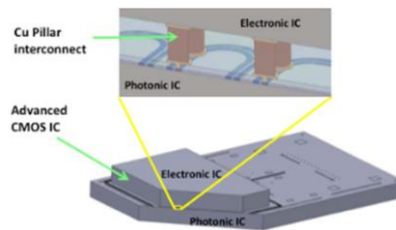
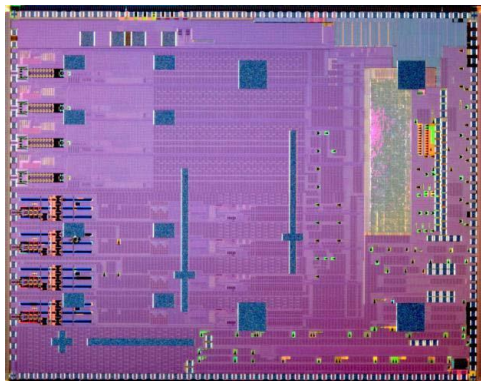
Approaches to Hardware Disruption

POET

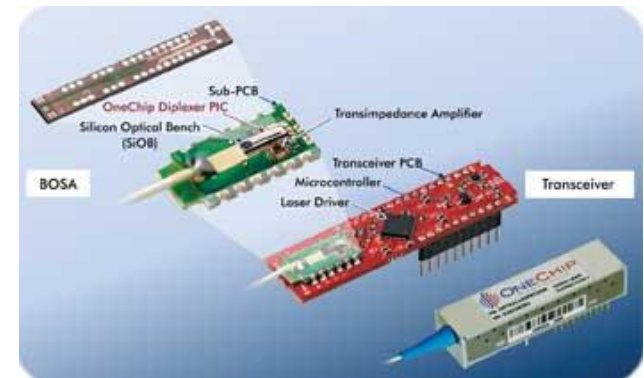


Integrated III-V Optoelectronics

- > *cheapest solution*
- > *no limit to integration*



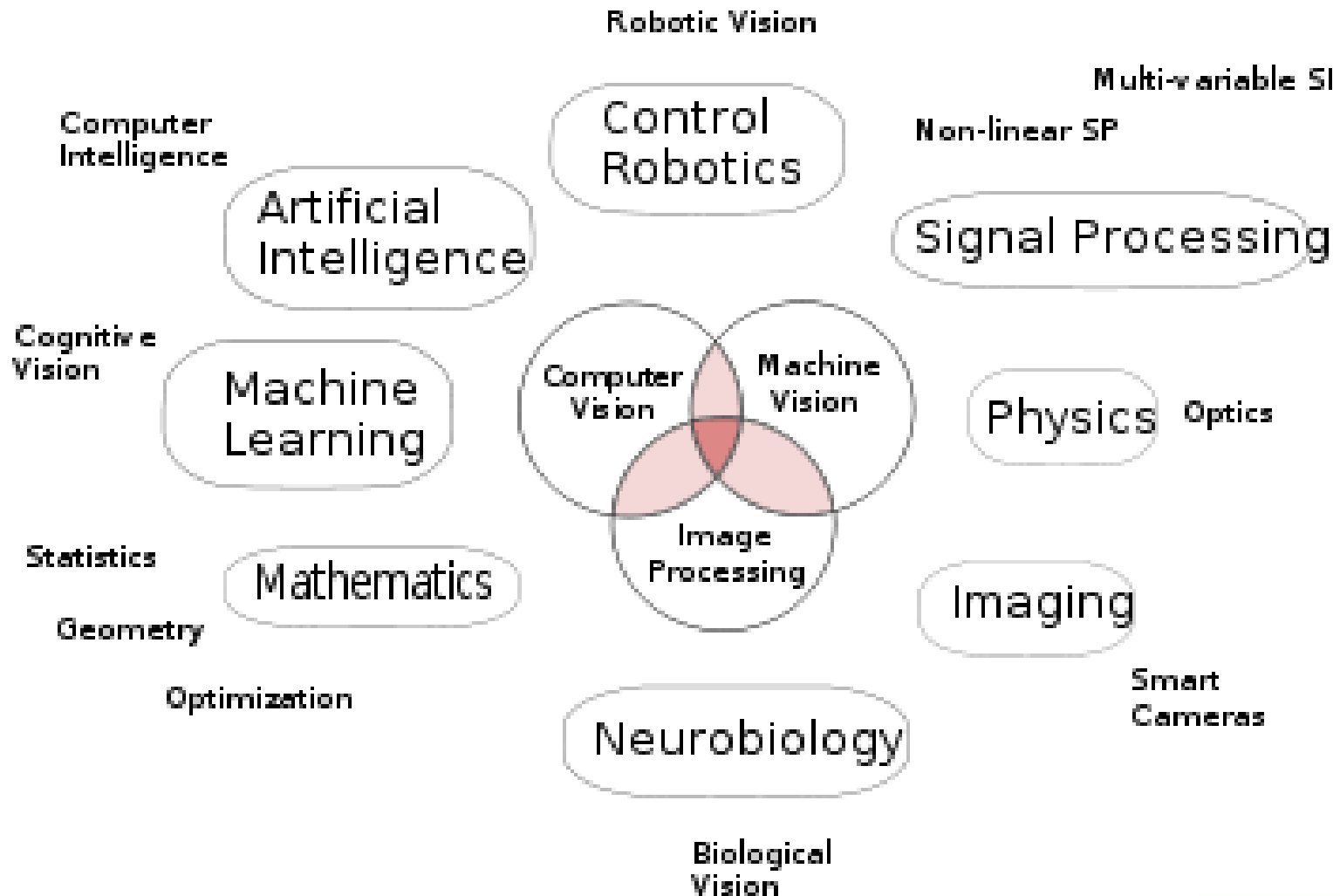
> *alternative approaches*



Silicon Photonics

III-V Hybrid Photonic IC

Approaches to Software Disruption



Strategy Evaluation Process



- > Identified **requirements** for a potential transaction with one or more GRCOs
 - > *Best-in-class leadership and staff*
 - > *Intellectual property (preferably both hardware and software)*
 - > *Defined product with current or near-term revenue and growth potential*
- > Proceeding with **evaluations** of candidate GRCOs
 - > *Preliminary surveys completed on 25 GRCOs*
 - > *Follow-up discussions and/or site visits completed with 10 GRCOs*
 - > *This has been narrowed down to a handful of GRCOs*
 - > *Several NDAs signed & GRCO business plans being analysed*

Summary

- > *Peat* is considering a technology pivot into the \$107.4B Mobility vertical, with a focus on the \$23B Gesture Recognition market
- > The strategy promises current or near-term revenue
- > The strategy calls for innovation at the hardware and/or software level to create enhanced value through disruptive growth or positioning for acquisition
- > *Peat* is in the process of evaluating strategies, potential partners, and business plans to help validate the proposed pivot for its shareholders
- > *Peat* will provide updates as appropriate in the process

Note: Peat is investigating new opportunities to include a possible technology pivot. Peat has not entered into this business. An entry into the technology sector will be subject to regulatory compliance to include shareholder approval.

Process Timeline

> Anticipate accelerated timetable – potential partners engaged



Thank You

- > **Board of Directors**
Peat Resources Limited
(TSX-V: PET)

- > **Download a copy of this presentation at:**
www.peatresources.net

