

Zentek responds to naysayers and asks “What’s all the fuss about?”

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The dreaded “short report” is an article or research report that focusses on anything and everything negative about a company and tries to make it sound like the most inept or corrupt organization on the planet, typically for the benefit of the author and their acquaintances. Granted in some instances analysis of this type is warranted, but in many cases it’s more of an attempt to make a mountain out of a mole hill and take advantage of “weak” shareholders. By that I mean investors who don’t read each quarterly MD&A, the latest corporate presentation, or Annual Information Form and who could get spooked by what sounds like a legitimate negative case without fully understanding the positive case which led them to invest in the first place. I will give short report authors credit as they typically have done plenty of homework and likely know a lot more about what’s going on in a company than the average long investor, but it isn’t always the fairest representation of a company.

[Zentek Ltd.](#) (TSXV: ZEN | OTC: ZENYF) was recently on the receiving end of one of these critical reviews. As a reminder, Zentek (formerly known as ZEN Graphene Solutions Ltd.) is an IP development and commercialization company that uses expertise in nanomaterials and strategic partnerships to break through the barriers of molecular science and uncover new possibilities in healthcare and beyond. The Company is focused on next-gen healthcare solutions in the areas of prevention, detection and treatment.

[The report](#) in question was posted on Seeking Alpha early last week and led to a pretty wild day of trading with a 36% price swing from high to low, although the stock ultimately closed higher than the day before the report was published. I've read through the Seeking Alpha report and there's some speculation in there that challenges the imagination a bit. Other parts are simply portraying the glass as half empty, so to speak, versus half full. However, the key issue that caused the frothy trading on March 8th, in my opinion, is related to a lawsuit filed against Zentek over a year ago that the Company hadn't disclosed anywhere. They addressed the issue in press releases on [March 8th](#) and further on [March 9th](#).

Critically, Zentek states "As disclosed March 8, 2022, ZEN received a statement of claim from Graphene Composites Ltd. ("GC") on January 29, 2021, for breach of confidentiality. The Company maintains that this claim is frivolous based on the fact the information shared by GC was already in the public domain. This position is supported by the public examiner's response to Graphene Composites patent application #3,097,636 on April 27, 2021, where the examiner rejected 107 out of 108 claims made by Graphene Composites." To me it's a bit of a misstep to not get out in front of this from the get go and control the narrative. If they had press released the above quote in April, 2021 (regardless of whether it was thought to be frivolous or immaterial) instead of last week then perhaps all of this uncertainty could have been avoided. Hopefully, the lesson has been learned going forward.

The report of which we are speaking goes on to challenge the production and sales projections of ZenGUARD™ coated masks, especially in light of more recent developments where many major jurisdictions around the world are either reducing or eliminating mask mandates. The author is entitled to their

opinion on this but arguably the world has changed somewhat over the last year, and all shareholders can make their own assessment on this topic. To me this is an example of focusing on the glass half empty. Perhaps the Company has over-promised and/or under-delivered with respect to ZenGUARD™ in the past but as I've noted, the last year has been the epitome of a moving target. It's easy to criticize in hindsight.

Regardless of what I think or say, or the opinion of the Seeking Alpha report, as an investor you have to look forward and decide if the stock price today is warranted and if there is upside in the future. Despite the recent disclosure of a year old legal proceeding, the Company has addressed this issue to my satisfaction, so it is a non-issue to me going forward. It raised C\$33 M in January and has a quarterly cash burn rate of roughly C\$2-C\$2.5 M per quarter (and no debt), so they are fine for available working capital. They have several business segments being pursued, of which ZenGUARD™ actually started generating revenue in the final quarter of 2021. Now the onus is on you as an investor to decide if Zentek is worth its C\$292 M market cap.