

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Spectra7 Microsystems Inc. (the “**Company**”)
110 Cochrane Drive, Suite 202
Markham, Ontario
L3R 9S1

Item 2 **Date of Material Change**

December 14, 2017 and December 20, 2017.

Item 3 **News Release**

A press release disclosing the material change was disseminated on each of December 14, 2017 through Canada NewsWire and December 20, 2017 through Marketwired.

Item 4 **Summary of Material Change**

On December 14, 2017, the Company announced that it had entered into an agreement with Canaccord Genuity Corp. (the “**Underwriter**”) pursuant to which the Underwriter agreed to purchase, on a bought deal basis, 15,000 units (“**Units**”) of the Company at a price of \$1,000 per Unit (the “**Offering Price**”) for gross proceeds of \$15 million (the “**Public Offering**”).

Each Unit will be comprised of one 7.0% senior unsecured convertible debenture in the principal amount of \$1,000 (each, a “**Convertible Debenture**”) and 1,425 common share purchase warrants of the Company (each, a “**Warrant**”). The Convertible Debentures shall mature three (3) years from the date of issuance (the “**Maturity Date**”). The principal amount of each Convertible Debenture will be convertible into common shares of the Company (each, a “**Common Share**”) at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date, at a conversion price of \$0.35 per common share.

Each Warrant will entitle the holder to acquire one Common Share at a price of \$0.50 per Common Share for a period of three (3) years following the closing of the Public Offering (“**Closing**”), subject to adjustment upon certain customary events.

The Company will grant the Underwriters an option to acquire up to an additional 15% of the total number of Units sold under the Public Offering for over-allotment and market stabilization purposes, which option is exercisable in whole or in part at the discretion of the Underwriters for a period of 30 days from and including Closing.

The Public Offering will be made by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada (except Quebec), pursuant to National Instrument 44-101 *Short Form Prospectus Distributions*.

Closing of the Public Offering is scheduled to occur on or about January 9, 2018, subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange and the securities regulatory authorities, and the satisfaction of other customary closing conditions.

The net proceeds from the Public Offering will be used for the repayment of all secured indebtedness of the Company and for working capital to drive existing business, to develop blockchain, data centres, and AR/VR solutions.

On December 20, 2017, the Company also announced that it had entered into a limited waiver (the “**Waiver**”) to its US\$6,500,000 senior secured term loan facility with MidCap Financial (the “**Loan Facility**”). The Waiver, among other things, (i) waives the applicable prepayment fee of 5% pursuant to the Loan Facility, and (ii) reduces the applicable exit fee in relation to the Loan Facility. In consideration for entering into the Waiver, the lender under Loan Facility agreed to surrender to the Company for cancellation outstanding warrants to purchase up to 1,605,010 Common Shares and the Company has agreed to issue new warrants to purchase up to 2,205,010 Common Shares (the “**Waiver Warrants**”) with each Waiver Warrant being exercisable until February 24, 2022 into one Common Share at an exercise price based on the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the 5 days preceding the issue date of the Waiver. The issuance of the Waiver Warrants is subject to the approval of the Toronto Stock Exchange.

Item 5 **Full Description of Material Change**

See the press release dated December 14, 2017, attached hereto as Schedule “A”, and the press release dated December 20, 2017, attached hereto as Schedule “B”.

Item 6 **Reliance on subsection 7.1(2) of National Instrument 51-102**

Confidentiality is not requested.

Item 7 **Omitted Information**

No information has been omitted in respect of the material change.

Item 8 **Executive Officer**

Darren Ma, the Chief Financial Officer of the Issuer, is knowledgeable about the material change disclosed in this report and can be contacted by telephone at 669-284-3170.

Item 9 **Date of Report**

December 22, 2017

Schedule “A”



Spectra7 Announces \$15 Million Bought Deal Financing

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR RELEASE, PUBLICATION, DISTRIBUTION OR DISSEMINATION DIRECTLY, OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES

December 14, 2017 – Toronto, ON (TSX:SEV) Spectra7 Microsystems Inc. (“**Spectra7**” or the “**Company**”), a leading provider of high-performance analog semiconductor products for broadband connectivity markets, is pleased to announce that it has entered into an agreement with Canaccord Genuity Corp. (the “**Underwriter**”) pursuant to which the Underwriter has agreed to purchase, on a bought deal basis, 15,000 units (“**Units**”) of Spectra7, each Unit being comprised of one \$1,000 principal amount 7.0% senior unsecured convertible debenture (each, a “**Convertible Debenture**”) and 1,425 common share purchase warrants of the Company (each, a “**Warrant**”), at a price of \$1,000 per Unit for aggregate gross proceeds of \$15,000,000 (the “**Offering**”).

The principal amount of each Convertible Debenture will be convertible into common shares of the Company (each, a “**Debenture Share**”) at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date (as defined herein), at a conversion price of \$0.35 per common share, subject to adjustment upon certain customary events. The Convertible Debentures shall mature on the date that is three (3) years from the date of issuance (the “**Maturity Date**”). Holders converting their Convertible Debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

Each Warrant will entitle the holder to acquire one common share of the Company at a price of \$0.50 per common share for a period of three (3) years following the Closing Date (as defined herein), subject to adjustment upon certain customary events.

The Company will grant the Underwriter an option to acquire up to an additional 15% of the total number of Units sold under the Offering for over-allotment and market stabilization purposes, which option is exercisable in whole or in part at the discretion of the Underwriter for a period of 30 days from and including the Closing Date.

The net proceeds from the Offering will be used for the repayment of all secured indebtedness of the Company and working capital to drive existing business, to develop blockchain, data centres, and AR/VR solutions.

The Units will be offered by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada (except Quebec), pursuant to National Instrument 44-101 *Short Form Prospectus Distributions*, and in those jurisdictions where the Offering can lawfully be made including in the United States on a

private placement basis pursuant to exemptions from the registration requirements of the United States Securities Act of 1933, as amended.

The closing of the Offering is scheduled to occur on or about January 9, 2018 (the “**Closing Date**”), and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange and the securities regulatory authorities, and the satisfaction of other customary closing conditions.

*This press release shall not constitute an offer to sell or the solicitation of an offer to buy the securities in the United States nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**1933 Act**”), or any state securities laws and may not be offered or sold in the United States unless registered under the 1933 Act and any applicable securities laws of any state of the United States or an applicable exemption from the registration requirements is available.*

ABOUT SPECTRA7 MICROSYSTEMS INC.

Spectra7 Microsystems Inc. is a high performance analog semiconductor company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading electronics manufacturers in virtual reality, augmented reality, mixed reality, data centers and other connectivity markets. Spectra7 is based in San Jose, California with design centers in Markham, Ontario, Cork, Ireland, and Little Rock, Arkansas. For more information, please visit www.spectra7.com.

CAUTIONARY NOTES

Certain statements contained in this press release constitute “forward-looking statements”. All statements other than statements of historical fact contained in this press release, including, without limitation, those regarding the completion of the Offering, the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to the risk factors discussed in the Company's annual MD&A for the year ended December 31, 2016. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

For more information, please contact:

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Spectra7 Microsystems Inc.
Darren Ma
Chief Financial Officer
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Schedule “B”

**Spectra7 Announces Limited Waiver of Loan Facility**

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December 20, 2017 – Toronto, ON (TSX:SEV) Spectra7 Microsystems Inc. (“**Spectra7**” or the “**Company**”), a leading provider of high-performance analog semiconductor products for broadband connectivity markets announced today that it has entered into a limited waiver (the “**Waiver**”) to its US\$6,500,000 senior secured term loan facility with MidCap Financial (the “**Loan Facility**”). The Waiver, among other things and subject to the satisfaction of certain conditions set forth therein, (i) waives the applicable prepayment fee of 5% pursuant to the Loan Facility, and (ii) reduces the applicable exit fee in relation to the Loan Facility.

In consideration for entering into the Waiver, the lender under the Loan Facility has agreed, subject to the conditions set forth in the Waiver, to surrender to the Company for cancellation outstanding warrants to purchase up to 1,605,010 common shares in the capital of the Company (“**Common Shares**”) and the Company has agreed to issue new warrants to purchase up to 2,205,010 Common Shares (the “**Waiver Warrants**”) with each Waiver Warrant being exercisable until February 24, 2022 into one Common Share at an exercise price equal to the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the 5 days preceding the issue date of the Waiver. The transactions contemplated by the Waiver are expected to occur on closing of the Offering (as defined below), and are subject to the approval of the Toronto Stock Exchange and the other conditions set forth therein.

The Company intends to use a portion of the net proceeds from the \$15,000,000 bought deal public offering of units (the “**Offering**”), as previously announced on December 14, 2017, for the repayment of the Loan Facility. The closing of the Offering is scheduled to occur on or about January 9, 2018.

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operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to the risk factors discussed in the Company’s annual MD&A for the year ended December 31, 2016. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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