

Spectra7 Microsystems Inc. Provides Update on Previously Announced Short Form Prospectus Offering and Concurrent Private Placement; Total Gross Proceeds of \$7.92 Million

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SAN JOSE, Calif.--(BUSINESS WIRE)--August 9, 2019--(TSX:SEV) Spectra7 Microsystems Inc. ("**Spectra7**" or the "**Company**") is pleased to announce that it has filed a final short form prospectus in connection with its previously announced best efforts prospectus offering of 65,255,480 units ("**Units**") at a price of \$0.05 per Unit for aggregate gross proceeds of \$3,262,774 (the "**Public Offering**"). The syndicate of agents (the "**Agents**") for the Public Offering is being led by Haywood Securities Inc., and includes Canaccord Genuity Corp. and Eight Capital.

The Company is also pleased to announce that it has received subscription agreements in connection with the private placement of Units previously announced on June 17, 2019 (the "**Private Placement**") and, together with the Public Offering, the "**Offerings**") in respect of 93,176,081 Units for additional gross proceeds of \$4,658,804.

Each Unit issued pursuant to the Offerings consists of one common share of the Company (a "**Common Share**") and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.08 per Common Share for a period of sixty months following the closing of the Offerings. The expiry date of the Warrants may be accelerated by the Company at any time if the volume weighted average trading price of the Common Shares on the facilities of the Toronto Stock Exchange (the "**TSX**") (or such other exchange on which the Common Shares trade) is greater than \$0.16 for any 10 consecutive trading days following the date that is four months and one day after the issuance of the Warrants. The securities issued pursuant to the Private Placement in Canada are subject to a statutory hold period of four months and one day in accordance with applicable Canadian securities law.

In consideration for the services provided by the Agents in connection with the Public Offering, the Company will pay the Agents a cash commission, a corporate finance fee, and issue an aggregate of 4,567,883 non-transferable compensation options (the "**Compensation Options**"). Each Compensation Option is exercisable into one Common Share at a price of \$0.05 for a period of sixty months from the date of closing of the Public Offering. In connection with the provision of certain financial advisory services, the Company will also pay Haywood Securities Inc. a cash advisory fee and issue an aggregate of 5,900,000 non-transferable advisory options (the "**Advisory Options**"). The Advisory Options will have the same terms as the Compensation Options.

The net proceeds from the Offerings will be used for research and development, interest payment on its outstanding convertible debentures and for working capital and general corporate purposes.

As the aggregate number of Common Shares issuable in connection with the Private Placement exceeds 25% of the currently issued and outstanding Common Shares, and since greater than 10% of the currently issued and outstanding Common Shares are issuable to insiders of the Company in connection with the Private Placement, the Company would ordinarily be required to obtain shareholder approval pursuant to Sections 607(g)(i) and (ii) of the TSX Company Manual (the “**Manual**”). The number of Common Shares issuable pursuant to the Private Placement (assuming the exercise of the Warrants) and issuable to insiders of the Company represent 58.4% and 13.2%, respectively, of the current issued and outstanding Common Shares. Pursuant to the provisions of Section 604(e) of the Manual, the Company has applied for an exemption from shareholder approval requirements of the TSX, on the basis that the Company is currently in financial difficulty and that the Private Placement is designed to improve the Company’s financial situation to meet its business objectives including its objectives in the growing data center market. If granted, the Company will avail itself of the shareholder approval exemption. The Company’s Board of Directors has carefully reviewed the terms of the Private Placement and has unanimously determined that completion of the Private Placement and reliance on the financial hardship exemption is reasonable, that completion of the Private Placement and the Public Offering will substantially improve the financial position of the Company and are in the best interest of the Company and its stakeholders. Pursuant to Section 604(e) of the Manual, the TSX cannot issue its conditional approval letter for the Private Placement until August 16, being five business days following the issue of this news release. There is no assurance that the TSX shall grant such conditional approval and the completion of the Public Offering and the Private Placement are subject to the TSX providing its approval to the Private Placement.

Assuming the TSX grants its conditional approval with respect to the Private Placement, the Company will be the subject of a remedial delisting review by the TSX. It is routine for the TSX to require any issuer utilizing the financial hardship exemption to be the subject of such review. Pursuant to this delisting review, the TSX will require that the Company demonstrate to the TSX that the Company complies with all of the TSX requirements for continued listing after completion of the Offerings. The Company expects that it will meet the TSX’s continued listing requirements and thus maintain its listing on the TSX.

The issuance of units to insiders of the Company in the Private Placement is considered to be a “related party transaction” as defined Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), however, the Company is relying on exemptions from the formal valuation and minority shareholder approval requirements provided under MI 61-101 on the basis that the aggregate value of the units issued to insiders does not exceed 25% of the fair market value of the Company’s market capitalization.

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 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 Company meeting the continued listing requirements of the TSX, 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, 2018. 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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