

## Current Report No. 15/2019

**Date:** 2019-08-08

**Subject:** Update of information regarding the issue of securities by Silvair, Inc.

With reference to Current Report of Silvair, Inc. (the “**Company**”) No. 10 of 26 June 2019, the Company announces that on 8 August 2019 the Company’s Board of Directors adopted a resolution to approve incurring the liabilities up to the total nominal value of USD 5.5 million in the form of the issue of promissory notes convertible into the Company’s common shares of the new issue (the “**Convertible Notes**”) and to establish the main terms of the issue of the Convertible Notes.

Within the total maximum issue value approved by the Board of Directors, issues of the Convertible Notes are to be realized by way of private placements based on an exemption from the registration requirements under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and from the requirement to prepare any prospectus or offering document, in line with the Company’s capital requirements. The resolution of the Company’s Board of Directors does not specify any timetable or deadline of the issues of the Convertible Notes.

As decided by the Board of Directors, the Convertible Notes bear interest at a fixed rate. Holders of the Convertible Notes may request their redemption after the first year of their issue date (the “**Maturity Date**”). In addition, upon consent of holders of a majority of the unpaid principal amount of the Convertible Notes, the Company may prepay the Convertible Notes before their Maturity Date subject to the terms of the Convertible Notes. Notwithstanding the foregoing, the Convertible Notes are due and payable in the events specified in the terms of the Convertible Notes including, in particular, the filing of a petition in bankruptcy against the Company or a petition for any relief under the federal bankruptcy act or the appointment of a receiver or trustee to manage the assets of the Company.

The terms of the Convertible Notes provide for the mechanics of conversion of amounts due under the Convertible Notes, including the claim for payment of the principal and any accrued interest (the “**Conversion Amount**”) into newly issued common shares in the Company in the event of: (i) a new issue of shares being completed by the Company in a single transaction or a series of related transactions yielding gross proceeds to the Company of at least USD 5.0 million (the “**Next Equity Financing**”) or (ii) a change of control over the Company as defined in the terms of the Convertible Notes including, inter alia, a sale of all or substantially all of the Company’s assets, merger, consolidation, capital reorganization or other similar transaction, subject to the specific provisions of the terms of the Convertible Notes (the “**Change of Control**”). In the event of the Next Equity Financing or the Change of Control, the Company will issue to the holders of the Convertible Notes a number of common shares of the Company equal to the Conversion Amount divided by the lower of: (i) the price per share paid for majority of the Company’s shares sold to in lieu of cash in the Next Equity Financing multiplied by discount rate amounting to 80% (in case of the Next Equity Financing) or the price per common share in the Company paid at the Change of Control (in case of the Change of Control); or (ii) the amount of USD 37.0 million divided by the Company’s capitalization (within the meaning of the terms of the Convertible Notes).

The terms of the Convertible Notes provide for a lock-up regarding securities of the Company in the event of an initial public offering of the Company’s securities under the Securities Act.

The Convertible Notes are governed by the laws of the state of California.

On 8 August 2019, the Company issued the Convertible Notes in the total nominal value of USD 1.3 million. In case of completion of further issues of the Convertible Notes by the Company subject to the

terms approved by a resolution of the Board of Directors, information thereon will be published separately in performance of the Company's ongoing disclosure obligations under the EU Market Abuse Regulation. In addition, the Company continues preparations to obtain financing for the Company through a new issue of shares in the Company or other financial instruments in accordance with the information provided by the Company in its Current Report No. 10 of 26 June 2019.

**Legal basis:** Article 17 Section 1 of the MAR - inside information.

#### **Disclaimer**

This material constitutes fulfillment of disclosure obligations to which the Company is subject as a public company with shares listed on a regulated market in Poland and is not an offer for sale of securities in the United States of America or any other jurisdiction.

The securities referred to in this material, including the Convertible Notes and the Company's common shares issued upon conversion (collectively, the "**Securities**") have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. The Company does not intend to register any part of the offering in the United States. The Securities will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and hedging transactions involving the Securities may not be conducted unless in compliance with the Securities Act.

The material set forth herein is for information purposes only and is not an offer to sell, or the solicitation of an offer to buy, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful, and, in particular, is not for release, publication or distribution in or into the United States of America, Australia, Canada or Japan.

The publication of this information does not constitute the making available of information to promote the purchase or acquisition of any securities or an inducement of their purchase or acquisition within the meaning of Article 53 section 1 of the Polish Act of 29th July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (the "**Act on Public Offering**"), and does not constitute a promotional campaign within the meaning of Article 53 section 2 of the Act on Public Offering.

This material and the offer of securities may be restricted by law in certain jurisdictions and persons receiving this material or offer should inform themselves about and observe any such restrictions and must not under any circumstances forward this material to any other person. Failure to comply with such restrictions may violate securities laws of any such jurisdiction.

This material is only addressed to and directed to persons in member states of the European Economic Area who are 'qualified investors' within the meaning of relevant regulations. In addition, in the United Kingdom this material is being distributed to and is directed only at qualified investors who (i) are investment professionals falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("**Financial Promotion Order**"), (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order, and (iii) any other persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investments or investment activity to which these materials relate are available only to relevant persons in the United Kingdom and qualified investors in any member state of the European Economic Area other than the United Kingdom, and will only be engaged with such persons.