

November 2, 2017

Safe-T Group Ltd.

(hereafter – “the Company”)

To
Israel Securities Authority
www.magna.isa.gov.il

To
Tel Aviv Stock Exchange Ltd.
www.maya.tase.co.il

Re: Immediate Report on the Convening of a General Meeting of the Holders of Series 2 Warrants of the Company for the Purpose of Approving a Settlement for the Change of the Terms of the Company’s Series 2 Warrants Pursuant to Section 350 to the Companies Law, 1999

Pursuant to the resolution of the Tel Aviv Jaffa District Court of November 1, 2017 (Liquidations (TA) 45745-10-17) and further to the Company’s immediate reports of October 24, 2017 and November 1, 2017 (reference numbers 2017-01-093478 and 2017-01-103761), respectively, which are incorporated in this report by way of reference) (hereafter: “**the Company’s immediate reports regarding the proposed settlement**”), and in accordance with the Securities Law, 1968 (hereafter – “**the Securities Law**”), the Securities Regulations (Periodic and Immediate Reports), 1970 (hereafter - “**Reports Regulations**”), the Securities Regulation (Voting in Writing and Proving Ownership of Warrants For Purposes of Voting in Meetings of Holders of Warrants), 2014 (hereafter – “**the Warrants Regulations**”) and the Companies Regulations (Application for Compromise or Settlement) , 2002 (hereafter – “**the Settlement Regulations**”), notice is hereby given of the publication of an immediate report and the convening of a General Meeting of holders of the Company’s Series 2 Warrants (hereafter – “**the Immediate Report**” and “**the General Meeting**”, respectively) to be held on November 16, 2017 at 15:30 o’clock at the Company’s offices at 8 Abba Even St., Herzliya, Entrance A, Floor 1.

1. Items on the agenda of the general meeting:

1.1 Approval of the extension of the exercise period and the reduction of the exercise price of the Company’s Series 2 warrants, by way of settlement pursuant to Section 350 to the Companies Law

Further to the Company’s immediate reports with regard to the proposed settlement and pursuant to the resolution of the Tel Aviv Jaffa District Court of November 1, 2017, it is hereby suggested to approve a settlement pursuant to Section 350 to the Companies Law regarding the extension of the exercise period and the reduction of the exercise price of the Company’s Series 2 warrants (hereafter – “**the Warrants**”).

1.1.1 Description of the pain points of the proposed settlement

- a. On October 18, 2017, the Company’s Board of Directors approved the extension of the exercise period and the reduction of the exercise price of the Warrants, in accordance with the settlement set out below:
 - (1) The exercise period of the Warrants shall be extended by two months, such that the Warrants shall be exercisable through February 9, 2018, instead of through December 9, 2017 (hereafter – “**the Extension of the Exercise Period**”; and
 - (2) The exercise price of the Warrants shall be reduced to 6.5 ILS per Warrant, instead of 7.5 ILS per Warrant (hereafter – “**the Reduction of the Exercise Price**”).

It should be noted that all other terms of the Warrants shall remain unchanged.

- b. On October 24, 2017, the Company filed to the Tel Aviv Jaffa District Court an urgent application pursuant to Section 350 to the Companies Law, to issue an order to convene separate general meetings of the holders of Warrants and of the Company’s shareholders for the purpose of changing the terms of the Warrants as described above (hereafter –

“the Settlement Application”). On November 1, 2017, the Tel Aviv District Court has granted the Company’s application and ordered the convening of separate general meetings as described in the application (hereafter – **“the Resolution to Convene Meetings”**). For further details regarding the Settlement Application and the Resolution to Convene Meetings, see the Company’s immediate reports regarding the offered settlement.

1.1.2 Summary of the Board of Directors’ reasons for asking the extension of the exercise period of the Warrants and the reduction of the exercise price of the Warrants:

- a. The average price of the Company’s share on the Tel Aviv Stock Exchange Ltd. (hereafter – **“the Stock Exchange”**) during the 30 trading days that preceded the filing of the Settlement Application was 4,67 ILS. The current exercise period of the Warrants ends on December 9, 2017. A comparison between the current exercise price of the Warrants (7.5 ILS) and the price of the Company’s share on the Stock Exchange shows that as of the date of publication of this report, the exercise of the Warrants will not be financially worthwhile for Warrant holders and it can be reasonably assumed that this will also be the case when the current exercise period of the Warrants ends.
- b. Extending the exercise period of the Warrants and reducing their exercise price shall give the holders of Warrants an opportunity to exercise the Warrants over additional period, during which it may be financially worthwhile for them to exercise the Warrants.
- c. The exercise of the Company’s Warrants shall inject further capital into the Company, without it actually incurring any additional costs; this will enhance the Company’s capital base.
- d. The capital that will be injected into the Company as a result of the exercise of the Warrants (should the Warrants be exercised) is expected to be used mainly for the purpose of funding the activities of the subsidiary Safe-T Data A.R Ltd. (**“Safe-T Data”**).
- e. The review report of the Company’s auditor, which was included in its financial statements as of June 30, 2017, notes that there are considerable doubts as to the ability of the Company and Safe-T data to continue functioning as “going concerns”. It is therefore clear that the injection of further capital is very important for the continued activities of the Company and its subsidiary, particularly bearing in mind that the subsidiary – Safe-T Data - is a young technology company, whose continued operations is conditional upon its raising further funds until it reaches profitability. The Company also believes that raising capital by way of exercise of the Warrants is the cheapest and most worthwhile capital raising option currently available to the Company.
- f. The Company estimates that if the exercise period is not extended and the exercise price is not reduced, bearing in mind that it is not very likely that the Warrants will be exercised through the current expiry date in view of the current exercise price, the Warrants will expire on the current expiry date and the Company will be unable to raise any funds through those Warrants. This will mean that the Company will be forced to fund its continued activities (and the activities of Safe-T Data) through other, more complex and more expensive ways.
- g. The Company is of the opinion that the proposed settlement constitutes a benefit for the holders of the Company’s Warrants and does not injure the Company’s shareholders and/or its creditors. Furthermore, increasing the chances that further capital will be injected into the Company and thereby funding its continued operations by extending the exercise period of the Warrants and reducing their exercise price is in the best interest of the Company; it is also a shared interest of all Company shareholders, its creditors and the holders of the Warrants.

1.1.3 Additional information regarding the proposed settlement:

- a. Subject to the approval of the proposed settlement by the separate general meetings of the holders of the Warrants and the Company's shareholders, and subject to the approval of the proposed settlement by the court and to the actual exercise of the Warrants, the Company shall pay a shareholder of the Company – Shrem Zilberman Group Ltd. (hereafter – “the Financial Advisor”) a commission of 5% out of the total capital that will be injected into the Company as a result of the exercise of the Warrants.
- b. It should be clarified that in view of what is described in this section, the Financial Advisor or anyone on his behalf, shall be classified as a party that has excess personal interest in the various meetings (for a definition of “excess personal interest”, see section 2.6 below).
- c. The Company's Board of Directors approved the payment of the commission on July 18, 2017 for the reason that the Financial Advisor is expected to invest considerable efforts in convincing the holders of the Warrants to exercise those warrants. Those efforts are expected to bring about the injection into the Company of capital which is essential for its continued operations.

2. **Convening the General Meeting**

2.1 Place and date of the general meeting

The general meeting shall convene on November 16, 2017, at 15:30 o'clock at the Company's offices, 8 Abba Even St., Herzliya, Entrance A, Floor 1.

2.2 The record date, the entitlement to vote in the meeting and the manner of voting

The record date fixed for determining the right of a warrant holder regarding entitlement to vote at a general meeting is the end of the trading day of the Company's securities on November 8, 2017 (hereafter – “**the record date**”).

In accordance with the Warrants Regulations, a holder of Warrants in whose name a Warrant is registered with a member of the stock exchange and the same Warrant is included among the Warrants listed in the register of Warrants' holders under the name of a nominee company (hereafter “**an unregistered warrant holder**”), is entitled to provide the Company with evidence from the member of the Stock Exchange with respect to his ownership in the Warrant at the record date, for the purpose of voting in the general meeting.

An unregistered warrant holder is entitled to receive the proof of ownership from the member of the Stock Exchange through whom he holds his Warrants, at a branch of the member of the Stock Exchange or delivered by post to his residential address for just the postage fee, at his request, as long as the request in this case is submitted in advance to a specific securities account. Pursuant to Regulation 4 of the Warrants Regulations, proof of ownership will not be given to those whose Warrants have been lent for trading on the Stock Exchange as of the record date. An unregistered warrant holder may issue an instruction asking that his proof of ownership shall be delivered to the Company via the electronic voting system.

Under the provisions of Regulation 6 to the Warrants Regulations, an approved electronic message according to section 44k5 of the Securities Law, concerning user data in the electronic voting system is equivalent to proof of ownership of a Warrant with regards to any warrant holder included therein.

A Company warrant holder on the record date may participate and vote in the general meeting, either in person or by written voting ballot (as described in section 2.3 below) or by proxy, after an appointment letter is deposited at the Company's offices at least 72 hours before the date of convening of the general meeting (hereafter – "**appointment letter**"). The appointment letter shall be drawn up in writing and will be signed by the appointing person or by the person authorized to do so; if the appointing warrant holder is a corporation, the appointment letter shall be drawn up in writing and signed in a manner that binds the corporation. Furthermore, an unregistered warrant holder, who is a warrant holder of the Company as of the record date, shall also be entitled to vote by electronic ballot (as described in section 2.4 below).

2.3 Voting by a written voting ballot

A warrant holder may vote in the general meeting in connection with the approval of the resolution on the agenda, by the written voting ballot, which is attached to this immediate report. Voting by voting ballot shall be done using the second part of the said written voting ballot. The voting ballot for the said meeting can be found on the distribution website of the Israel Securities Authority at: www.magna.isa.gov.il (hereafter – "**the distribution website of the Securities Authority**") and on the website of the Tel-Aviv Stock Exchange Ltd. at maya.tase.co.il (hereafter – "**the website of the stock exchange**").

A warrant holder is entitled to directly contact the Company and receive from it, without consideration, the text of the voting ballot, or if he agrees to this method of delivery – a link to the text of the ballot at the distribution website.

A warrant holder who is not listed on the register of warrant holders and who wishes to vote by ballot shall specify his method of voting on the second part of the voting ballot and will deliver it to the Company in accordance with the details specified on the voting ballot together with proof of ownership, such that the voting ballot shall arrive at the registered office of the Company up to four (4) hours before the time of convening of the general meeting.

A warrant holder who is listed on the register of warrant holders and who wishes to vote in writing shall specify his method of voting on the voting ballot and will deliver it to the Company's registered office, together with a photocopy of his Israeli identity card or a photocopy of his passport or a photocopy of the certificate of incorporation, whichever is applicable, such that the voting ballot shall arrive at the registered office of the Company no later than six (6) hours before the time of convening of the general meeting.

2.4 Voting by an electronic voting system

In addition to the above, an unregistered warrant holder may also vote in connection with the resolution on the agenda by means of a voting ballot conveyed by the electronic voting system as defined in the Warrant Regulations (hereafter - "**the electronic voting system**").

The Member of the Stock Exchange will enter into the electronic voting system a list of all details required pursuant to Section 44k4(a)(3) to the Securities Law, regarding each of the unregistered warrant holders, who hold securities through him on record date (hereafter – "**list of warrant holders entitled to vote**"). However, the Member of the Stock Exchange shall not include in the list of warrant holders entitled to vote any warrant holders, who delivered him by noon (12:00) of the record date, a notice to the effect that he/she does not wish to be included in the list of warrant holders entitled to vote through the electronic voting system, pursuant to Regulation 9(2) to the Warrants Regulations.

A Member of the Stock Exchange shall deliver all details required to vote through the electronic voting system, as close as possible to the receipt of approval from the electronic voting system of a list of warrant holders, who are entitled to vote through the electronic voting system (hereafter – “**approval of delivery of list**”), to each of the warrant holders listed in the list of warrant holders entitled to vote through the electronic system and who receive from the Member of the Stock Exchange notices via email or via the communication systems that are connected to the computer of the Member of the Stock Exchange.

A warrant holder, who is listed in the list of warrant holders who are entitled to vote through the electronic system, may enter his vote into the system and deliver it to the Company via the electronic voting system. Voting by means of the electronic voting system shall be permitted beginning from the time of delivery of the list and up until six (6) hours prior to the convening of the meeting (hereafter – “**time when the system is locked**”); the vote can be changed or cancelled until the time when the system is locked.

2.5 Legal quorum and adjourned meeting

According to the Company’s Articles of Association, two (2) or more warrant holders, present in person, by proxy or by voting ballot upon the opening of the general meeting, and holding at least twenty five percent (25%) of the total voting rights in a warrant holders’ meeting shall constitute a legal quorum for holding the general meeting. If within half an hour from the time appointed for the general meeting a quorum is not present, the general meeting shall stand adjourned to the same day the following week, at the same hour and place, and there will be no obligation to issue a notice to that effect to the warrant holders (hereafter – “**the adjourned meeting**”). The requisite quorum at an adjourned general meeting of the warrant holders shall be as follows: one or more warrant holders, regardless of the rate of his/her holdings in the Company’s warrants.

2.6 Requisite majority for resolutions at the general meeting

The requisite majority for the resolution on the agenda is the majority required pursuant to Section 350(i) to the Companies Law, which is most of those participating in the vote (excluding abstentions), who jointly have three fourth of the value represented at the vote.

It should be clarified that pursuant to Section 350(i) to the Companies Law, the approval of the proposed settlement is also subject to the approval of the meeting of the Company’s shareholders, which was convened at the same time this meeting was convened, and to the approval of the Tel Aviv Jaffa District Court.

Classification of a warrant holder as a party that has excess personal interest:

A participant in the Company’s warrant holders meeting, who also holds Company shares, shall be precluded from participating and voting in the general meeting in respect of the resolution on the agenda, if he/she holds Company shares at a rate which is higher than 70% of the rate of his/her holdings in Company’s warrants.

In that regard:

“**the rate of holdings in Company’s shares**” – the rate of holdings in the Company’s shares, out of all Company shares on the record date;

“**the rate of holdings in Warrants**” – the rate of warrant holder’s holdings in Warrants out of all Warrants on the record date;

A warrant holder who wishes to take part in the general meeting and cast his vote in connection with the resolution on the agenda, shall note on the space designated for that purpose on the voting ballot or as part of the electronic voting, or shall note upon the opening of the general meeting (if he opted to vote personally or by proxy), whether he holds or does not hold Company shares. If the warrant holder holds Company shares, he shall specify the number of Company shares held by him. **The vote of a warrant holder who will not note whether he holds or does not hold Company shares and/or will not specify the number of Company shares he holds, shall not be counted.**

2.7 Details of the Company's representatives who handle the immediate report

The Company's representatives who handle this immediate report are Mr. Eitan Shmueli (Adv.) and Mr. Ido Zaborof (Adv.) of Eitan, Mehulal & Sadot Advocates & Patent Attorneys of 10 Abba Even St. Herzliya, Ekershtein Towers, Building C, Seventh Floor, Tel: 09-9726000, Fax: 09-9726001.

2.8- Time and place for reading the report

Every warrant holder of the Company may read this immediate report and the documents referred to therein at the Company's offices at 8 Abba Even St., Herzliya, following prior arrangement with Mr. Shai Avnit, the Company's CFO, at: 09-8666110 prior to the convening of the general meeting. The report is also available on the website of the Israel Securities Authority and on the website of the Stock Exchange.

Sincerely,

Safe-T Group Ltd.

Signed by: Shai Avnit, CFO

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