



Dear Fellow Shareholder:

The Board of Directors (the “**Board**”) of Magnet Forensics Inc. (the “**Company**” or “**Magnet**”) is pleased to invite you to participate in a special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of subordinate voting shares (“**SV Shares**”) and multiple voting shares (“**MV Shares**”, and together with the SV Shares, the “**Shares**”) of Magnet to be held virtually via live audio webcast on March 23, 2023 at 2:00 p.m. (Toronto time).

The Meeting is being called for you to consider a special resolution approving a statutory plan of arrangement (the “**Arrangement**”) under which Morpheus Purchaser Inc. (the “**Purchaser**”), a newly created corporation, which is an affiliate of Thoma Bravo Discover Fund III, L.P., a Delaware limited partnership, and Thoma Bravo Discover Fund IV, L.P., a Delaware limited partnership, all of which are affiliated with Thoma Bravo, L.P. (“**Thoma Bravo**”), will acquire:

- (i) all of the issued and outstanding SV Shares, other than certain SV Shares held by Messrs. Jad Saliba, Director, President and Chief Technology Officer of the Company, and Adam Belsher, Director and Chief Executive Officer of the Company, and associates and affiliates thereof (collectively, with Mr. Jim Balsillie, Chair of the Board, and his associates and affiliates, the “**Rolling Shareholders**”), at a price of C\$44.25 in cash per SV Share;
- (ii) all of the issued and outstanding Shares held or controlled by the Rolling Shareholders at a price of C\$39.00 in cash per Share, other than an aggregate of approximately 15.9 million MV Shares and approximately 0.2 million SV Shares (collectively, the “**Rollover Shares**”); and
- (iii) all of the Rollover Shares which will be exchanged for the consideration payable to the respective Rolling Shareholder in accordance with the terms of their rollover agreement at an implied value of C\$39.00 per Rollover Share, as provided for in an Arrangement Agreement dated January 20, 2023 between Magnet and the Purchaser (the “**Arrangement Agreement**”).

In making its recommendation to the Board that Shareholders (other than the Rolling Shareholders) vote FOR the Arrangement, a special committee (the “**Special Committee**”) of independent directors of the Company considered a number of benefits to the Arrangement including, but not limited to, the following:

- **Special Committee and Board Oversight.** The Arrangement and the Arrangement Agreement are the result of a robust negotiation process that was undertaken at arm’s length with the oversight and participation of the Special Committee as advised by independent and highly qualified legal and financial advisors, which resulted in an agreement with terms and conditions that provide the Shareholders with significant, immediate and certain value, on terms that are reasonable in the judgment of the Special Committee and the Board.
- **Market Check and Increased Offer.** The Company, with the assistance of Morgan Stanley & Co. LLC (“**Morgan Stanley**”), conducted a comprehensive market check subsequent to the receipt of the initial proposal from Thoma Bravo to determine the potential interest of other parties in an alternative transaction with the Company and increase competitive tension in any negotiations with Thoma Bravo. During the market check, Morgan Stanley had discussions with eight potential strategic and financial purchasers, other than Thoma Bravo, which the Special Committee had determined represented the most synergistic, highest ability to pay buyers. Three such potential purchasers entered into non-disclosure agreements and all three such potential purchasers participated in a presentation with management of the Company. Subsequently, one financial sponsor engaged in subsequent due diligence. All potential purchasers, including Thoma Bravo, were managed on the same timeline, and of those that executed non-disclosure agreements, received equal access to the Company’s management and due diligence information. Each of CIBC World Markets Inc. and Morgan Stanley were provided with access to the same financial and other information. The Company continued to have discussions with Thoma Bravo over the course of the market check. The market check did not result in any proposal that was superior to the offer from the Purchaser.

During the course of the market check, the initial offer received from the Purchaser was increased by C\$6.00 per Share to C\$40.00 per Share, as compared to the initial proposal from Thoma Bravo of C\$34.00 per Share, and following additional negotiations with the Purchaser and the Rolling Shareholders was increased by a further C\$4.25 per SV

Share to the final offer price of C\$44.25 per SV Share (other than with respect to the SV Shares held by the Rolling Shareholders), representing an increase of approximately 30% to the initial proposal of Thoma Bravo. This was obtained, in part, by requesting that the Rolling Shareholders agree to accept a purchase price of C\$39.00 per Share, which was C\$5.25 per Share, or approximately 11.9%, less than that offered to other holders of SV Shares. The final offer price of C\$44.25 per SV Share (other than with respect to the SV Shares held by the Rolling Shareholders) is well above the mid-point of the fair market value range of C\$36.50 to C\$48.75 per Share set forth in the CIBC Formal Valuation and Fairness Opinion (as defined below).

- **Attractive Premium to Shareholders.** The Consideration to be received by holders of SV Shares (other than the Rolling Shareholders) pursuant to the Arrangement represents a premium of approximately:
 - 15% to the closing price on the Toronto Stock Exchange (“TSX”) of the SV Shares on January 19, 2023, the last trading day prior to the announcement of the Arrangement;
 - 41% to the 90-trading day volume weighted average trading price per SV Share as of January 19, 2023;
 - 160% to the Company’s initial public offering price of the SV Shares of C\$17.00; and
 - 87% to the closing price on October 5, 2022, the last day prior to Thoma Bravo’s submission of its initial non-binding proposal for the acquisition of the Company.

Furthermore, the all-cash consideration of C\$44.25 per Share for holders of SV Shares (other than the Rolling Shareholders) exceeds the 52-week high closing price of the SV Shares on the TSX as of January 19, 2023, the day prior to announcement of the Arrangement.

- **Favourable Multiple Comparisons.** The Special Committee considered the highly favourable comparison of the following multiples implied by the Non-RS Consideration to be received by holders of SV Shares (other than the Rolling Shareholders) to the multiples implied by precedent transactions comparable to the Arrangement as well as multiples implied by the trading price of industry peers:
 - Aggregate Value for SV Shareholders / Revenue for SV Shareholders multiple of approximately 10x;
 - Aggregate Value for SV Shareholders / Adjusted EBITDA for SV Shareholders multiple of approximately 51x; and
 - Aggregate Value for SV Shareholders / Free Cash Flow for SV Shareholders multiple of approximately 56x,

with such estimates based on mean street consensus estimates from Thomson Reuters Estimates for both the Company and industry peers for 2023. Further detail on these multiples is disclosed under the headings “*Non-IFRS Measures*” and “*The Arrangement – Background to the Arrangement – Multiples Implied by the Non-RS Consideration*”.

- **All Cash Consideration.** The consideration to be received by the Shareholders (other than the Rolling Shareholders) pursuant to the Arrangement is all cash, which allows such Shareholders to crystalize the favourable valuation multiples discussed above while achieving certainty of value and liquidity without exposure to either the risks to which the Company is subject on a standalone basis, including those related to competition, industry consolidation, market conditions and the Company’s access to growth capital, or the risks, including integration risks, associated with the combination of Magnet and Grayshift, LLC. The consideration payable under the Arrangement will also allow each such Shareholder to dispose of their Shares without incurring brokerage fees or commissions.
- **Formal Valuation and Fairness Opinions.** The Formal Valuation and Fairness Opinions (as defined below), each of which, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications set forth therein, concluded that, as of the date of such Formal Valuation and Fairness Opinions, the Consideration (as defined in the Formal Valuation and Fairness Opinions) to be received by the holders of SV Shares (other than the Rolling Shareholders) pursuant to the Arrangement Agreement was fair, from a financial point of view, to such shareholders and, with respect to the CIBC Formal Valuation and Fairness Opinion, which concluded that, based upon and subject to the assumptions, limitations and qualifications set forth therein, the fair market value of the Shares as at January 20, 2023 was in the range of C\$36.50 to C\$48.75 per Share.
- **Alternatives to the Arrangement.** The Special Committee considered alternatives to the Arrangement, including the alternative of continuing to operate as a standalone company without having consummated a transaction such as the

Arrangement, and the potential effects on the Company, and the implications to the Company of not achieving capability in data extraction from mobile devices and determined that the Arrangement was in the best interests of the Company.

- **Limited Conditions to Closing.** The Arrangement is subject to only a limited number of customary closing conditions and is not subject to any due diligence or financing condition with the result that there is reasonable certainty of completion in a reasonable amount of time. If the Required Regulatory Approvals (as defined in the Circular) are obtained in a timely manner, it is anticipated that the Effective Date (as defined in the Circular) will occur by the second quarter of 2023.
- **Ability to respond to a Superior Proposal.** The terms and conditions of the Arrangement Agreement do not prevent a third party from making an unsolicited Acquisition Proposal (as defined in the Circular). Subject to compliance with the terms of the Arrangement Agreement, the Board is not precluded from considering and responding to an unsolicited Acquisition Proposal that constitutes, or could reasonably be expected to constitute or lead to, a Superior Proposal (as defined in the Circular) at any time prior to obtaining the Required Shareholder Approval (as defined in the Circular). In the event that a Superior Proposal is made and not matched by the Purchaser, the Arrangement Agreement may be terminated by the Company subject to the payment by the Company to the Purchaser of the Company Termination Fee (as defined in the Circular), and the Company may enter into a definitive agreement with respect to such Superior Proposal.

In the course of discharging its mandate, the Special Committee received the advice and assistance of management of the Company, its legal advisors and, as described in the accompanying management information circular of the Company (the “**Circular**”), certain financial advisors. The Special Committee considered, among other things, information concerning:

- alternatives to the Arrangement, including the alternative of continuing to operate as a standalone company without having consummated a transaction such as the Arrangement;
- the historical market prices of the SV Shares, the lack of liquidity in the public market for the SV Shares resulting in potential difficulty for holders of SV Shares to dispose of such SV Shares, and the degree of volatility in the market price and the capital markets in the past 12 months;
- the results of the comprehensive market check conducted by the Company, with the assistance of Morgan Stanley, subsequent to the receipt of the initial proposal from Thoma Bravo that did not result in any proposal that was superior to the offer from the Purchaser; and
- the Formal Valuation and Fairness Opinions.

In developing its recommendation to the Board, the Special Committee considered the transaction terms, procedural elements, benefits and risks discussed in the Circular, among other things. The Special Committee was formed and comprised of Carol Leaman (Chair) and Jerome Pickett, two of the three independent directors on the Board. Mr. Jim Balsillie, the third independent director on the Board, was not made a member of the Special Committee given his potential interest in the Arrangement.

The Arrangement has been unanimously recommended by the Special Committee. The Special Committee’s recommendation is based on consultation with its legal advisors and careful consideration of, among other things, the formal valuation of the Shares in accordance with the requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and fairness opinion prepared by CIBC World Markets Inc. (the “**CIBC Formal Valuation and Fairness Opinion**”) and the fairness opinion prepared by Morgan Stanley (the “**MS Fairness Opinion**” and together with the CIBC Formal Valuation and Fairness Opinion, the “**Formal Valuation and Fairness Opinions**”). Based upon and subject to the assumptions, qualifications and limitations set forth therein, the CIBC Formal Valuation and Fairness Opinion concluded, among other things, that as of the date of the CIBC Formal Valuation and Fairness Opinion, the Consideration (as defined in the CIBC Formal Valuation and Fairness Opinion) to be received by the holders of SV Shares (other than the Rolling Shareholders) pursuant to the Arrangement Agreement is fair, from a financial point of view, to such Shareholders. CIBC was paid a fixed fee for the CIBC Formal Valuation and Fairness Opinion. As of the date of the MS Fairness Opinion and based on and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the MS Fairness Opinion concluded that the Consideration (as defined in the MS Fairness Opinion) to be received by the holders of SV Shares (other than SVS Excluded Shares (as defined in the MS Fairness Opinion)) pursuant to the Arrangement Agreement was fair, from a financial point of view, to the holders of such Shares. The Special Committee having received the Formal Valuation and Fairness Opinions, and after receiving legal and financial advice and considering various other factors, unanimously recommended that the Board approve the Arrangement, including the execution, delivery and performance by the Company of the Arrangement Agreement and the voting support agreements entered into with the Purchaser

and directors and certain officers of the Company and that the Shareholders (other than the Rolling Shareholders) vote in favour of the special resolution approving the Arrangement.

The Meeting will be held via live audio webcast online at <https://meetnow.global/MZ6YJTX> on March 23, 2023 at 2:00 p.m. (Toronto time).

Shareholders should review the accompanying notice of special meeting of Shareholders and the Circular, which describes, among other things, the background to the Arrangement as well as the reasons for the determinations and recommendations of the Special Committee and the Board. The Circular contains a detailed description of the Arrangement, including certain risk factors relating to the completion of the Arrangement. **You should carefully consider all of the information in the Circular. If you require assistance, you are urged to consult your financial, legal, tax or other professional advisor.**

	Registered Shareholders <i>Shares held in own name and represented by a physical certificate or DRS and have a 15-digit control number.</i>	Non-Registered (Beneficial) Shareholders <i>Shares held with a broker, bank or other intermediary and have a 16-digit control number.</i>
 Internet	www.investorvote.com	www.proxyvote.com
 Telephone	1-866-732-8683	Call the applicable number listed on the voting instruction form.
 Mail	Return the form of proxy in the enclosed postage paid envelope.	Return the voting instruction form in the enclosed postage paid envelope.

Your vote is important regardless of the number of Shares you own, and we recommend that you vote FOR the Arrangement.

You are encouraged to vote well before the deadline of 2:00 p.m. (Toronto time) on March 21, 2023.

If you have any questions or need help voting, please contact:

Laurel Hill Advisory Group

Toll-free within North America: 1-877-452-7184
Collect outside of North America: 1-416-304-0211
Email: assistance@laurelhill.com

**Special Meeting of Shareholders – Live Audio Webcast
March 23, 2023 – 2:00 p.m. (Toronto time)
<https://meetnow.global/MZ6YJTX>**

On behalf of the Company and the Board, I would like to thank all Shareholders for their support of Magnet.

Yours very truly,

(signed) “Carol Leaman”

Director, Chair of the Special Committee
Magnet Forensics Inc.