

KWESST Closes Acquisition of Police Ordnance Company Inc. and Its ARWEN Less Lethal Product Line

Company also identifies global defence contractor for digitization program announced December 14, 2021

Ottawa, Ontario--(Newsfile Corp. - December 16, 2021) - **KWESST Micro Systems Inc. (TSXV: KWE) (OTCQB: KWEMF)** ("**KWESST**" or the "**Company**") is pleased to announce that it has completed the acquisition of Police Ordnance Company Inc. ("POC") and its ARWEN less-lethal product line (the "**Acquisition**").

Located in Bowmanville, Ontario, with ancillary operations in Florida, POC owns all of the patents and trademarks to the ARWEN product line of less-lethal launchers, and a proprietary line of 37 mm less-lethal cartridges designed for riot control and tactical teams. The company has law enforcement customers across Canada, the U.S. and abroad.

"ARWEN is a highly respected brand in the industry, with under-exploited potential for global expansion under KWESST ownership," said Jeff MacLeod, Founder, President and CEO of KWESST. "We look forward to expanding sales and customer supporter. Greg Sullivan and Glen Turpin, current executives at ARWEN are staying with the company to lead the expansion of that part of KWESST's business."

Terms of the transaction

In consideration for the Acquisition, KWESST issued to the vendors 277,576 common shares (the "**Shares**"), for an aggregate purchase price of \$458,000, along with the issuance of 200,000 common share purchase of warrants of KWESST ("**Warrants**") to the shareholders of POC. Each Warrant shall entitle the holders to acquire one common share of KWESST (the "**Warrant Shares**") for a period of 36 months at an exercise price of \$1.72 per common share.

Upon fulfilment of certain financial milestones, KWESST may issue an additional 62,500 common shares for maximum additional consideration of \$100,000. All of the Shares, Warrants and Warrant Shares, if issued, are subject to a four-month hold period from their date of issuance.

About ARWEN and POC

ARWEN is an acronym for "Anti Riot Weapon ENfield" and was originally developed by Royal Ordnance in the U.K before being eventually acquired by POC. ARWEN products are used by law enforcement across North America and internationally.

ARWEN is a 37mm less lethal system which is based off two firing platforms, a multi-shot launcher and a single shot launcher, both with multiple versions. ARWEN's full line of munitions cover the range from impact to chemical rounds and has proven highly effective in any dynamic situation to bring a safe conclusion to a potentially violent incident.

To learn more about Arwen, please watch this short video: <https://vimeo.com/537635456>

Update to December 14, 2021 announcement

On December 14, 2021 KWESST announced that a top global defence contractor signed a Master Professional Services Agreement ("**Master Agreement**") with KWESST to support the development of digitization solutions for future Canadian land C4ISR programs under [Strong, Secure, Engaged](#):

[Canada's Defence Policy](#), ⁽¹⁾, with government procurements estimated at \$3 billion to \$5 billion over five years. KWESST is pleased to confirm that the global defence contractor is General Dynamics Mission Systems - Canada.

"We are very pleased to have been selected by General Dynamics Mission Systems - Canada for this important project. It leverages our core expertise in the integration of tactical systems that enable operational and strategic fires and effects information to be shared through a digital network in near real-time."

(1) Source: <https://canadianarmytoday.com/land-c4isr-the-bridge-to-a-better-way-to-buy-high-tech/>

About KWESST

KWESST develops and commercializes breakthrough next-generation tactical systems that meet the requirements of security forces and personal defense for overmatch capability against adversaries. The company's current portfolio of unique proprietary offerings include its unique non-lethal Low Energy Cartridge (LEC) system with application across all segments of the non-lethal market, including law enforcement and personal defence. KWESST is also involved in the digitization of tactical forces for shared situational awareness and targeting with its signature TASCSTTM (Tactical Awareness and Situational Control System) for real-time awareness and targeting information from any source (including drones) streamed directly to users' smart devices and weapons. Other KWESST products include counter-measures against threats such as drones, lasers and electronic detection. These include the autonomous GreyGhostTM soldier-portable micro drone missile system that defends against small hostile drones including swarms using high-speed kinetic impact; a Ground Laser Defence system to counter the emerging threat of weaponized lasers against personnel and the PhantomTM electronic battlefield decoy system to mask the electromagnetic signature of friendly forces with decoy signatures at false locations to deceive and confuse adversaries. These systems can operate stand-alone or integrate seamlessly with OEM products and battlefield management systems. The Company is headquartered in Ottawa, Canada, with representative offices in Washington, DC, London, UK and Abu Dhabi, UAE. KWESST trades on the TSX Venture Exchange under the symbol KWE and on the U.S. OTCQB under the symbol KWEMF.

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For more information, please visit <https://kwesst.com/>

Cautionary Note Regarding Forward-Looking Statements

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation for the purpose of providing information about management's current expectations and plans relating to the future. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. KWESST disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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