

INDICATIVE TERM SHEET

KWESST MICRO SYSTEMS INC. PUBLIC OFFERING OF UNITS

November 7, 2022

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States"), and may not be offered or sold within the United States, or to, or for the account or benefit of a U.S. Person (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act) or a person in the United States, except in transactions exempt from registration under the U.S. Securities Act and applicable U.S. state securities laws.

A final short form base PREP prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces of Canada, except Québec. Copies of the preliminary base PREP prospectus may be obtained from PI Financial Corp.'s Director of Equity Capital Markets, Jennifer Leung, at 666 Burrard Street, 19th Floor, Vancouver, BC, V6C 3N1, or by email at jleung@pifinancial.com. This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the supplemented PREP prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

- ISSUER:** KWESST Micro Systems Inc. ("**KWESST**" or the "**Company**")
- OFFERING:** That number of units (the "**Units**") of the Company (the "**Offering**") from treasury which shall be the Offering Size divided by the Offering Price. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a "**Warrant**"). Each Warrant entitles its holder to purchase one common share at the Offering Price, for a period of five (5) years following the Closing Date.
- ISSUE PRICE:** USD\$●. To be priced same as the price per common unit offered under the Company's US IPO, previously announced by press release on August 16, 2022 (the "**Offering Price**").
- OFFERING SIZE:** Aggregate gross proceeds of USD\$3 million (the "**Offering Size**").
- USE OF PROCEEDS:** The Company intends to use the net proceeds from this offering and the concurrent US IPO (USD\$9.5 million in net proceeds from the sale of securities offered by the US IPO, or approximately USD\$11.1 million if the underwriter exercises its over-allotment option in full) to fund principally current negative working capital and anticipated negative cash flow from operating activities over the next 12 months. Excluding any potential sales from the commercialization of the PARA OPS product line and other prospective customer contracts anticipated in Fiscal 2023, KWESST has estimated approximately \$4.7million of negative cash flow from operating activities over the next 12 months to meet its business objectives and all non-discretionary operating expenditures to be funded from the net proceeds from the offerings.
- UNDERWRITER:** PI Financial Corp. ("**PI Financial**" or the "**Underwriter**") acting as sole underwriter and book-runner.
- COMMISSION:** The Company will pay a cash commission of 7% of the gross proceeds of the Offering on the closing of the Offering to the Underwriter.
- In addition, the Company shall issue to the Underwriter on the closing of the Offering, non-transferable compensation options (the "**Compensation Options**") equal in number to 7% of the aggregate number of Units sold under the Offering, with each Compensation Option entitling the Underwriter to purchase one Unit at the Offering Price. The Compensation Options may be exercised at any time and from time to time for a period of twenty-four (24) months following the Closing Date.
- OFFERING BASIS:** Public offering in all of the provinces of Canada (other than Québec) by way of short form prospectus, including internationally as permitted pursuant to private placement exemptions under local securities laws.

ELIGIBILITY: The Units will be qualified investments for RRSPs, RRIFs, DPSPs, RESPs and TFSA's, subject to customary qualifications.

CLOSING DATE: On or about ●, 2022 or such other date as the Underwriter and the Company may agree.