

Form 51-102F3
Material Change Report

1. Name and Address of Company

KWESST Micro Systems Inc. (“KWESST” or the “Company”)
155 Terence Matthews Crescent, Unit #1
Kanata, ON, K2M 2A8

2. Date of Material Change

October 26, 2022

3. News Release

A news release disclosing the material change was released by KWESST through NewsFile Corp. on October 26, 2022, and a copy was subsequently filed under the Company’s profile on SEDAR at www.sedar.com.

4. Summary of Material Change

KWESST announced that, subject to the final approval of TSX Venture Exchange (the “**TSXV**”), the consolidation of its common shares on the basis of one post-consolidation common share for every seventy pre-consolidation common shares issued and outstanding effective as of 12:01 am on October 28, 2022 (the “**Share Consolidation**”). The common shares are expected to begin trading on a consolidated basis on the TSXV on Friday, October 28, 2022.

5. Full Description of Material Change

5.1. Full Description of Material Change

On October 26, 2022, KWESST announced the Share Consolidation.

The share consolidation is being completed in connection with the Company’s listing application on Nasdaq Capital Market (“**Nasdaq**”) the requirements for which include, among others, a minimum bid price of US\$4.00 per share. See news release dated August 16, 2022, for more details on the Nasdaq listing and concurrent financing in the United States.

As required by the policies of the TSXV, the share consolidation was approved by written consent of KWESST’s shareholders holding in aggregate greater than 50% of the Company’s issued and outstanding common shares.

KWESST shareholders will therefore receive one post-consolidation common share for every seventy pre-consolidation common shares held by them. Any fractional common share from the consolidation will be rounded to the nearest whole number of post-consolidation common shares, with any fractional interest representing 0.5 or more common shares entitling holders thereof to receive one whole post-consolidation common share. In the event that a shareholder holds such

number of pre-consolidation common shares that, taking into effect the rounding of fractional common shares entitlements, would result in them being entitled to less than one post-consolidation common share, the consolidation will result in such holder having no post-consolidation common shares without consideration payable to the shareholder.

The consolidation affects all the Company's common shares outstanding as of the close of business on October 27, 2022. As a result, the number of issued and outstanding shares will be reduced to 778,806 from 54,516,387, subject to treatment of fractional shares. Each shareholder's percentage ownership in the Company and proportional voting power will remain unchanged, except for minor adjustments resulting from the treatment of fractional shares. The new CUSIP number for the post-consolidation common shares is 501506604 and the new ISIN number is CA5015066049.

The consolidation will not have any effect on the number of issued and outstanding common share purchase warrants of the Company, which trade on the TSXV under the symbol "KWE.WT". However, as a result of the consolidation, the number of shares issuable upon the exercise of each warrant will be reduced and the exercise price increased, the whole in accordance with the terms of the indenture governing the warrants. Following the share consolidation, the exercise of seventy warrants will be required to purchase one post-consolidation common share, and the exercise price will be C\$122.50 per share. No fractional common share will be issued upon exercise of any warrants. The warrants will continue to trade on the TSXV under their existing CUSIP number.

The exercise or conversion price of outstanding compensation options, options, restricted share units, deferred share units, performance share units and stock appreciation rights and the number of Common Shares issuable thereunder will also be proportionately adjusted upon the completion of the Consolidation.

5.2. Disclosure for Restructuring Transactions

Not applicable

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable

7. Omitted Information

Not applicable

8. Executive Officer

For further information, please contact Steve Archambault, Chief Financial Officer at (613) 319-0537 extension 116.

9. Date of Report

October 28, 2022