KWESST Signs Exclusive Counter-Drone Technology License Agreement

Amended license with AerialX Drone Solutions Inc. provides for exclusive rights to U.S. and Canadian militaries

Ottawa, Ontario--(Newsfile Corp. - April 6, 2021) - KWESST Micro Systems Inc. (TSXV: KWE) (OTCQB: KWEMF) ("KWESST" or "the Company") today announced that it has signed an Amended and Restated License Agreement (the "Agreement") with AerialX Drone Solutions Inc. ("AerialX") for counter-drone technology. In October 2019 KWESST signed a non-exclusive worldwide license with AerialX and has now gained *exclusive* rights to the technology for U.S. and Canadian militaries. The product which is based on the licensed technology is being marketed under the name GreyGhost™ and is an autonomous soldier-portable micro drone missile system that defends against small hostile drones including swarms using high-speed kinetic impact.

The dramatic growth of small unmanned aircraft systems (sUAS), commonly called drones, creates new threats and challenges for NATO countries including the US Department of Defense (DoD) and Canada's Department of National Defence (DND). Recent technology trends have enabled state actors, non-state actors, terrorist organizations and criminals to easily convert legitimate applications of sUAS into efficient weapons. These small drones provide NATO adversaries with a low-cost means of conducting intelligence, surveillance, and reconnaissance missions or direct attack of NATO forces.

"This is a timely development as the U.S. and other NATO military agencies have expressed interest in our GreyGhost™ counter-sUAS drone missile and view it as a serious candidate solution to the growing threat of suspicious or hostile drones," said David Luxton, KWESST's Executive Chairman. "Our GreyGhost™ counter-sUAS drone missile has been down-selected by key agencies from among dozens of contenders for upcoming demonstrations and trials because of its unique ability to track and hunt hostile drones and neutralize them with kinetic impact."

"The Pentagon last year established the Army-led Joint Counter-Small Unmanned Aircraft Systems Office, or JCO, and approved a set of requirements to help counter the threat posed by small drones and formalized requirements for how technology developed by industry players can seamlessly plug into a single command-and-control system. Evaluation of industry counter drone systems are expected to be ongoing throughout 2021," said Jeff MacLeod, KWESST's President and CEO. "In the U.S. and in 2021 alone, DoD plans to spend at least USD $404 million on counter-UAS (c-UAS) research and development and at least $83 million on c-UAS procurement[(1)]."

The counter drone market has grown considerably in recent years, with both major defense contractors and small technology companies actively competing to gain market share in a market that by one estimate could be worth $5.4 billion by 2028[(2)].

Under the Agreement announced today, KWESST's also retains its non-exclusive worldwide rights. KWESST has agreed to issue AerialX 100,000 shares of KWESST in consideration of the new exclusive rights and an additional 100,000 shares of KWESST upon AerialX meeting certain technological milestones.

(1) https://fas.org/sgp/crs/weapons/IF11426.pdf

(2) https://www.c4isrnet.com/unmanned/2019/12/11/pentagon-wants-to-streamline-its-counterdrone-focus/

About KWESST

KWESST develops and commercializes high-value ultra-miniaturized technology applications that make a critical difference to the safety and operational effectiveness of personnel in the defence and security industries. The company's current portfolio of unique proprietary offerings include: its signature TASCS™ (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; the autonomous GreyGhost™ 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 Phantom™ electronic battlefield decoy system to mask the electromagnetic signature of friendly forces with decoy signatures at false locations to deceive and confuse adversaries. All systems can operate stand-alone or integrate seamlessly with OEM products and battlefield management systems including Frontline, Edge, Killswitch and ATAK (Android Tactical Assault Kit) among others. KWESST also has developmental "smart ordnance" projects including its "Shot Counter" system, which records the number and type of rounds fired, for optimized firearms maintenance and performance. 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. Forward-looking statements include, but are not limited to, statements with respect to the timing for the commencement of trading and the plans and operations of KWESST after giving effect to the Qualifying Transaction. 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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