

Kwesst Announces Market Introduction and Progress of Phantom(TM) Electronic Decoy

- *Teaming in progress with global defense contractor for quantity requirement*
- *U.S. military selects Phantom™ for showcase demonstration*
- *Demonstrations, requests for pricing, underway with other NATO customers*
- *Growing suite of patents, strong IP protection*

Ottawa, Ontario--(Newsfile Corp. - October 4, 2021) - KWESST Micro Systems Inc. (TSXV: KWE) (OTCQB: KWEMF) ("KWESST" or "the Company") today announced several favorable developments regarding the introduction to market of its Phantom™ electronic battlefield decoy. Phantom™ is a programmable radio frequency ("RF") generator that can mimic the electronic communications of NATO forces, thus fooling adversaries as to their location.

Phantom™ also provides the ability to see radio frequency energy of both adversaries and friendly forces and gives the user a high-fidelity planning capability for optimal placement for maximum effectiveness. Finally, Phantom™ provides a training function that allows NATO forces to "practice" operating in Electronic Warfare ("EW") environments.

Requirement for Phantom™ on armored vehicles

As part of discussions with large defense contractors, the Company announced that it is in advanced negotiations with a global defense contractor to provide Phantom™ units as part of the contractor's tender for armored vehicles to a large NATO customer. Inclusion of an electronic battlefield decoy technology, like KWESST's Phantom™ on the vehicles was requested by the NATO customer as part of the tender. Should the defense contractor win the tender, it is expected that the accompanying requirement for Phantom™ will result in a contract worth more than USD \$40M for KWESST depending on the number of vehicles purchased, with initial revenue in the current fiscal year and ramping up in 2023 and 2024.

Showcase demonstration for U.S. military

The U.S. Department of Defense ("DoD") has requested a showcase demonstration of Phantom™ at its upcoming signature, invitation-only event "*Silent Swarm 22*" next summer for advanced Electro Magnetic Spectrum Operations ("EMSO"). In July 2021, Phantom™ was showcased by invitation-only to a U.S. Special Operations Command ("USSOCOM") technical exercise, where KWESST designers and engineers engaged with the Special Operations community in a collaborative environment. This led directly to discussions and negotiations with three large defense contractors regarding potential go-to-market partnerships across a variety of rapidly emerging requirements and programs for electronic decoys. The U.S. DoD also expressed interest in an additional, small, disposable version of Phantom™ for use by Special Forces, pursuant to which KWESST has developed a concept model (far right, below). Phantom™ is also fully integrated with ATAK (Android Team Awareness Kit, center, below).



To view an enhanced version of this graphic, please visit:

https://orders.newsfilecorp.com/files/7366/98406_f5a72fa2b4d13ad6_002full.jpg

An earlier prototype version of Phantom™ was procured and successfully trialed in U.S. military exercises prior to KWESST's acquisition of the technology as announced June 15, 2020. The latest version is more compact, with vastly greater capability, and is soldier-portable or can be deployed by Unmanned Aerial Systems ("UAVs" or "drones").

Demonstrations, pricing requests from other customers

The Company reported that demonstration units of Phantom™ are available and are being deployed in customer evaluations, with two additional U.S. military agencies already requesting pricing.

Pathways to market and potential

"Together, these developments mean significant growing interest in the Phantom™ product suite and multiple pathways to market," said Jeff MacLeod, KWESST's Founder, President and CEO, who added, "Initial sales are expected in the first quarter of our current fiscal year ending December 31st". Based on internal research and customer discussions, the Company estimates the market for a system like Phantom™ to be worth several hundred million dollars in the U.S. alone."

Intellectual property ("IP")

KWESST previously announced the award of two U.S. patents, both titled: *Programmable Multi-Waveform RF Generator for Use as Battlefield Decoy*. One patent focuses on the technological phenomenology (how it works) and the other focuses on methods of employment and concepts (how it is best used). The Company continues to expand its IP protection of Phantom™, with two additional patents currently pending. "We believe this constitutes strong IP protection, and the flexible system architecture allows for rapid configuration at any scale for any given customer or requirement," concluded MacLeod.

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 signature TASCST™ (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 all versions of the ATAK Tactical Awareness. 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, and a unique non-lethal Low Energy Cartridge (LEC) system with application across all segments of the non-lethal market. 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 expected size of the PhantomTM contract should the global defense contractor win the tender for the armored vehicles. 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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