

INDICATIVE TERM SHEET

KWESST MICRO SYSTEMS INC. PUBLIC OFFERING OF UNITS

September 12, 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 preliminary 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.
- OFFERING SIZE:** Aggregate gross proceeds of USD\$3 million (the "**Offering Size**").
- CONSOLIDATION:** In connection with its US IPO, and immediately prior to Closing, the Company will consolidate all of its issued and outstanding common shares on the basis of an assumed ratio, as of the date hereof, of 40 pre-consolidated common shares for 1 post-consolidated common share. All references to the Company's common shares, the number of Units and the Issue Price herein assume completion of the Consolidation. The Consolidation is subject to the approvals of the shareholders of the Company and of the TSXV.
- 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 for the US IPO exercises its over-allotment option in full) for:
- working capital (including commercial roll-out of PARA OPS in the US);
 - repayment of outstanding loans; and
 - other general corporate purposes.
- 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 TFSAs, subject to customary qualifications.

CLOSING DATE: On or about September 29, 2022 or such other date as the Underwriter and the Company may agree.