



NASDAQ and TSX.V: KWE

NEXT-GENERATION TACTICAL TECHNOLOGIES FOR MILITARY AND PUBLIC SAFETY

INVESTOR UPDATE

JUNE 26, 2023



Disclaimer

Non-Reliance

This presentation does not provide full disclosure of all material facts relating to KWESST Micro Systems Inc., or its securities, and is not subject to liability for misrepresentations under applicable securities legislation.

General

This presentation is property of KWESST Micro Systems Inc. (the “Company”, “KWESST”, “us” or “we”) and is strictly confidential. It cannot be circulated or forwarded without our consent. Any graphs, tables or other information demonstrating our historical performance or that of any other entity contained in this presentation are intended only to illustrate past performance and are not necessarily indicative of our or such entities’ future performance. The information contained in this presentation is accurate only as of the date of this presentation or the date indicated. No securities regulatory authority has expressed an opinion about the securities described herein and it is an offence to claim otherwise.

Cautionary Note Regarding Forward-Looking Information

This presentation contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, expected future financial results – including revenue expectations and planned volume production as stated herein, plans and objectives. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information.

Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to execute our growth strategies; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management’s expectations.

When relying on forward-looking information to make decisions, we caution readers not to place undue reliance on these statements, as forward-looking information involves significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in statements containing forward-looking information, including KWESST’s limited financial history, including a history of losses, the early stage of the business, operating in an industry populated with significantly larger competitors, dependence on management, rapid technology changes, and infringement of intellectual property rights.

All forward-looking information in this presentation is made as of the date hereof. Except as expressly required by applicable law, we assume no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

All of the forward-looking information contained in this presentation is expressly qualified by the foregoing cautionary statements.

Non-IFRS Measures and Industry Metrics

This presentation may make reference to non-IFRS measures, which are financial and operating metrics used in our industry. These non-IFRS measures and industry metrics do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. This is used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

United States Disclaimer

Investors should carefully read the Company’s Registration Statement on Form F-1 (File No. 333-266897), and the amendments and supplements thereto relating to the securities offered hereby, especially the risk factors relating to the securities offered, before making an investment decision. The securities being offered have not been approved or disapproved by the United States Securities and Exchange Commission, any securities commission or regulatory authority in the United States, nor have any of the foregoing commissions or authorities passed upon or endorsed the merits of the offering of the securities nor have they approved this presentation or confirmed the accuracy or adequacy of the information contained in this presentation. Any representation to the contrary is a criminal offense.

This document does not provide full disclosure of all material facts relating to the issuer, the securities to be issued or the offering and is not subject to liability for misrepresentation under applicable securities laws. Investors should read the preliminary prospectus, the final prospectus and any amendment or supplement thereto for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

Focused on three **high-growth** niche global market segments.

DIGITIZATION

Real-time situational awareness
for ground forces and responders.



COUNTER-THREAT

Protection against lasers, electronic
detection and hostile drones.



NON-LETHAL

New breakthrough technology for public
safety and realistic training.



In each segment *KWESST* has a **technology** advantage, deep **experience**
and a history of **engagement** with customers and industry partners.



Jeff MacLeod

Founder, President, CEO and Board Member

Jeff MacLeod is a former Canadian RCME officer and served as Systems Engineer for three major Army Crown Projects before moving to the private sector. For almost twenty years he was General Manager of Diemaco/Colt Canada. He is an expert in the Small Arms and Soldier Systems field as well as all aspects of manufacturing. He formed KWESST in 2017 to pursue opportunities in the networking and digitization of legacy and future weapons systems.



David E. Luxton

Executive Chairman

David Luxton is a recognized entrepreneur in the defense and security industry. He was an infantry officer and senior official with the Canadian and British governments before leading the global build-out of successive companies, including *Simunition*, the world leader in simulated munitions for close quarters combat training. He led the build-out of *Allen-Vanguard*, which became a world leader in Counter-IED solutions and remained Chairman until Oct 2021. He is former Chairman and CEO of *United Tactical Systems*, a world leader in non-lethal munitions.



Sean Homuth

Chief Financial Officer and Chief Compliance Officer

Sean Homuth is a senior financial executive with more than 20 years of experience working with both Canadian and U.S. public companies across a broad range of industries. He has experience with a variety of financing (equity, debt, royalty) and M&A transactions. Since 2008, he has spent the majority of his time in various senior executive roles with emerging companies. He leads KWESST's accounting and controllership, tax planning, financial planning and analysis, investor relations, treasury, human resources and IT functions at KWESST. He also serves as the Company's Chief Compliance Officer. Mr. Homuth is a Chartered Professional Accountant (CPA, CA Ontario) and a Certified Public Accountant (Illinois).



Francis Bleeker

Vice President, International Business Development

Francis Bleeker is a senior industry executive with more than 30 years of experience in international markets as well as government. He was formerly Chief Operating Officer with Robotics Centre active in overseas markets. He also sits on the Defence Procurement Team of Hill & Knowlton, a WPP plc division, where he advises on defense procurement matters and industrial participation. Previously, Francis was Commercial Head for the Abu Dhabi-based defense company Caracal International, providing strategic advice to the company's CEO on international business development and developing strategic alliances with defense companies in the UK, US, Germany and Indonesia.

Key customer engagement, go-to-market partners, and operating model



THALES

AKKODIS



MISSION-CRITICAL
INTERCONNECT
SOLUTIONS



GENERAL DYNAMICS
Mission Systems–Canada

GENERAL DYNAMICS
Land Systems



PERSISTENT SYSTEMS

Portable, outsourced manufacturing model. ITAR free*.

- International Traffic in Arms Regulations is a United States regulatory regime to restrict and control the export of defense and military related technologies to safeguard U.S. national security and further U.S. foreign policy objectives.

DIGITIZATION

Next-generation **shared, real-time situational awareness** technologies for military and public safety agencies.

Real-time situational awareness for military and public safety agencies



A NATO priority to close “the digital divide” and modernize the soldier on the ground with a networked common operating picture to reduce combat casualties and enable greater operational readiness.

Public safety agencies have an equivalent requirement for improved incident management and responder safety.

A high-growth/high-value business segment for KWESST leveraging its deep domain knowledge, proprietary sensor-software integration, algorithms and electronic circuitry.

- KWESST demonstrated its ability to extend this networked capability to soldiers' weapons systems like mortars in a \$1 million contract for the **U.S. Marine Corps**.
- **General Dynamics Mission Systems-Canada** subsequently engaged KWESST's digitization **Center of Excellence** to help develop a showcase next-generation digitized soldier system for the Canadian Army, first demonstrated at CANSEC 2022.
- Awarded contract July 2022 to digitize national Ground Search And Rescue (GSAR) capabilities for **Public Safety Canada**.



GENERAL DYNAMICS
Mission Systems-Canada



Plan is to embed KWESST strategically in the emerging military and Homeland Security digital eco-system.

Globally, the public safety and security market was USD\$435 billion in 2021 and is expected to reach USD\$868 billion by 2028, growing at a CAGR of 10.4%, according to Fortune Business Insights.





- Military “**Joint Fires**” programs throughout NATO entail networked digital fire control systems on legacy weapon platforms, and on new ones.
- Above – KWESST’s digital fire control system on **81mm mortar for USMC**, converts many legacy weapons into modern precision-fire weapons with no modification to weapon or ammunition.
- Integrated into **ATAK** (Android Team Awareness Kit), a U.S. standard being adopted by other allied nations.
- Keeps soldiers **safer**, and makes them **more operationally effective**.



Lack of shared real-time information
the missing piece in **Critical Incident
Management.**



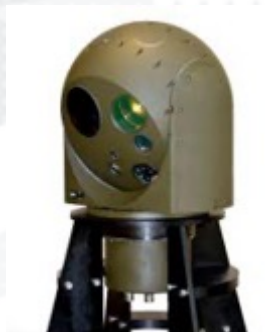
KWESST digitization system **connects all personnel and assets** to each other, integrated into **TAK** for **automatic interoperability within and between agencies.**

COUNTER-THREAT

Next-generation **counter-measures** against electro-optical threats in the modern battlefield



COUNTER-THREAT – Battlefield Laser Detection System (BLDS)



Modern armored vehicles typically carry an **electro optical pod** on the turret.

Above: KWESST compact vehicle mounted or tripod laser detection system:

- **Detects, discriminates and locates** battlefield lasers.
- Currently delivering first order to overseas **Special Forces NATO customer.**



At left: miniaturized, proprietary plug-and-play KWESST “BLaDE” module **retrofits into installed base of legacy armored vehicles of all kinds for upgraded counter-laser capability.** At right: body-worn variant on vest.





COUNTER-THREAT – Electro Magnetic Spectrum Operations (EMSO)

PhantomTM patented EMSO device



Version 1.0 portable electronic **decoy** and Electronic Warfare (EW) **trainer**.

Emulates Radio Frequency (RF) communications to spoof adversaries with "phantom" signals.

- Selected by *General Dynamics Land Systems* for next-generation armored vehicle submission to U.S. military customer.



Version 2.0 multi-function EMSO device.

- Backpackable and modular for scanning, jamming, spoofing or EW training at the tactical level.

Uses advanced AI algorithms

According to *Fortune Business Insights: Electronic Warfare*, June 2021, the global electronic warfare market size is projected to reach USD\$33.5 billion by 2028, a 5.24% CAGR from 2021.

NON-LETHAL

Breakthrough in new, proprietary
non-lethal munitions system for public safety
and close quarters combat simulation.



PARA OPS™ *NEW – launched at SHOT Show 2023, January, Las Vegas*

A universal non-lethal system for public safety and close-quarters combat simulation training.

A next-generation replacement for most less-lethal systems on the market today



A patent-pending (U.S. # 16/669,420) non-lethal low-energy cartridge-based system that fires from a dedicated device that can resemble a TV remote control, a flashlight or a replica firearm, depending on the mission.

- Unique cartridge/projectile design generates spin to stabilize a soft polymer projectile for accuracy over distance.



Firing platforms shoot only PARA OPS cartridges in three variants:

- Solid **polymer slug** for practice or pain compliance.
- Inert **colored powder** for practice or force-on-force training.
- A safe, **incapacitating pepper powder** for operational use.

Razor-razor blade model, book-and-ship business, for public safety agencies, military and gun owners.

Solves the problem of dated legacy systems on the market today that are either **high-energy** and **potentially lethal** or are **air-gun based** and can be **unreliable**.

High-Energy Cartridge Systems = Fatalities



Air Guns = High Maintenance and Unreliability

Complex pneumatic mechanism, with O-rings and seals that can burst or dry out causing complete failure.

Powered by CO2 cartridge, with high variability in pressure and performance, especially in cold weather.

Round ball projectiles, less accurate and less consistent than shaped projectiles.



Leveraging KWESST's deep **expertise, proprietary technology, industry knowledge and global distribution relationships** in non-lethal systems.

Current status

- Out-sourced production facilities in place, Youngsville, NC and Rochester, NY.
- Low Rate Initial Production (LRIP) underway for first firing platforms and ammunition.
- Law enforcement and government agency evaluations underway in U.S. and overseas through the summer of 2023.
- Full scale production planned for Fall 2023.
- Sales, revenue ramp-up expected to begin late 2023.



The global non-lethal weapons market was approximately US \$7.4 Billion in 2020 and is projected to reach US \$12.5 Billion in 2028 (a 7.4% compound annual growth rate), according to Allied Market Research: Non-Lethal Market, May 2021.

CONTRACTS AND OUTLOOK

Transitioning from \$35M investment in technology development to commercialization, with revenue ramp-up this year and multi-year contracts in place by year-end (Sep 30) primarily from Digitization.

- ***\$136M 5-year contract with joint venture partners Thales Canada and Modis Canada for digitization software development for Canadian Department of Defence*** (“DSEF” contract), with 5 additional option years. KWESST’s component of the contract estimated at \$4M+ per year (awarded May, 2023, work expected to commence summer 2023). ***A strategic win that has catalyzed other opportunities.*** As press released May 2, 2023.
- ***Initial sub-\$100k contract for G7 Capital police force to TAK-enable surveillance equipment*** (in progress). As press released March 24, 2023.
- ***Initial \$500k contract for digitization of Ground Search And Rescue*** (GSAR) for national public safety agency (in progress). As press released July 7th, 2022
- ***Initial \$500k laser defense contract for overseas Special Forces NATO country*** (about to ship initial order, received November 2nd 2022).
- ***Next-generation digitization for mounted/dismounted vehicle systems with General Dynamics Mission Systems-Canada*** (ongoing since 2022).
- ***Phantom™ delivery to General Dynamics Land Systems*** for prototype armored vehicle submission to U.S. military customer (completed). As press released November 12th, 2021.
- ***\$1M US Marine Corps contract to demonstrate/evaluate 81MM mortars with digital fire control*** (successfully completed, 2021/22). As press released March 16th, 2021.



KEY OPPORTUNITY PURSUITS

Further to general business updates as press released December 12th, 2022 and April 3rd, 2023.

- **Teaming agreement signed with global prime defense contractor and tender submitted for contract similar to DSEF, for digital Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (“C4ISR”) for the army of a NATO nation.**
 - Outcome expected summer/fall, 2023
- **Teaming contract to upgrade digitization of armored vehicle fleet.**
 - Near-term opportunity, includes KWESST’s Battlefield Laser Defense System (“BLDS”), subject to customer approval.
- **Other major opportunities progressing to teaming agreement and contract negotiations with prime defense contractors and/or end-users.**
 - Including new digital Command and Control On The Move (“C2OTM”) systems for N. America and overseas military customers, all subject to customer approval.
- **Several additional digitization opportunities with metro police agencies**
 - To TAK-enable personnel and equipment for Critical Incident Management, subject to customer approval.

KWESST portion of DSEF contract alone estimated at \$20M over initial five-year period.

CAPITAL STRUCTURE

As at June 26th, 2023

**Shares listed on Nasdaq
and TSX Venture
Exchange, symbol KWE**

Warrants listed on Nasdaq,
symbol KWESW and on TSX
Venture Exchange, symbol
KWE.WT.U

CAPITALIZATION TABLE

Common Shares Outstanding	4,063,406
Options (WAEP US \$37.55)	99,930
Warrants (WAEP US \$24.25)	335,428
Warrants (US \$5.00)	3,226,392
Restricted stock, share appreciation rights, and performance stock units	42,022
Fully Diluted Shares Outstanding	7,767,178

Thank You

Contact

David Luxton, Executive Chairman
EMAIL: luxton@kwesst.com
PHONE: (613) 769-5353

Sean Homuth, Chief Financial Officer
EMAIL: homuth@kwesst.com
PHONE: (613) 863-1255

Locations

KWESST — NORTH AMERICA

HEAD OFFICE

155 Terence Matthews Cr., Ottawa, ON
Canada K2M 2A8

U.S.

2200 Pennsylvania Avenue NW, 4th Floor East,
Washington, DC 20037

KWESST — INTERNATIONAL

EUROPE

Rex House, 4th Floor, 4-12 Regent Street,
London SW1Y 4PE

MIDDLE EAST

Tamouh Tower 16th Floor, Abu Dhabi



NASDAQ & TSXV: KWE