

## Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

### Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
KWESST Micro Systems Inc.		98-1650180	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Investor Relations	(587) 225-2599	investors@kwest.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
155 Terence Matthews Crescent		Ottawa, Ontario K2M 2A8, Canada	
8 Date of action	9 Classification and description		
April 23, 2025	Common Shares		
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
501506802	N/A	TSXV: KWE; NASDAQ: KWE	N/A

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► See Attachment.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► See Attachment.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See Attachment.

**Part II** Organizational Action (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► See Attachment.

**18** Can any resulting loss be recognized? ► See Attachment.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► See Attachment.

**Sign  
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ► Jennifer Welsh

Date ► 6/5/2025

Print your name ► Jennifer Welsh

Title ► CFO

**Paid  
Preparer  
Use Only**

Print/Type preparer's name

Kendall R. Fisher

Preparer's signature

[Signature]

Date

6/5/2025

Check ☐ if  
self-employed

PTIN

P01980923

Firm's name ► Dorsey & Whitney LLP

Firm's EIN ►

41-0223337

Firm's address ► Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, WA 98104

Phone no.

(206) 903-8793

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

KWESST Micro Systems Inc.

Attachment to Form 8937 – Part II

Report of Organizational Actions Affecting Basis of Securities (the Reverse Stock Split)

**Consult your own tax advisor:** The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “**Code**”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Reverse Stock Split (as defined below) on the tax basis of common shares of KWESST Micro Systems Inc. (“**KWESST**” or the “**Company**”), a corporation incorporated under the laws of the Province of British Columbia, Canada, in the hands of holders of common shares of the Company (“**Company Shares**”) who are U.S. taxpayers (“**U.S. Shareholders**”). This discussion does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. KWESST does not provide tax advice to its shareholders. You should consult your own tax advisors regarding the particular consequences of the Reverse Stock Split to you, including the applicability and effect of all U.S. federal, state and local tax laws as well as non-U.S. tax laws.

For additional information on the Reverse Stock Split, please read the press release of KWESST dated as of April 21, 2025 (the “**Release**”), which is available at [kwesst.com/press-releases/](https://www.kwesst.com/press-releases/).

**Part II Item 14. (Description of organizational action)**

On April 23, 2025, KWESST effected a reverse stock split whereby it consolidated every twenty-one (21) Company Shares into one (1) new Company Share (the “**Reverse Stock Split**”). No shareholder received a fractional Company Share pursuant to the Reverse Stock Split, as each fractional Company Share was rounded up to the nearest whole number if such fractional Company Share represented at least half of a Company Share. Fractional Company Shares representing less than one-half of a Company Share were rounded down to the nearest whole number. No cash was received by any shareholder in lieu of a fractional Company Share pursuant to the Reverse Stock Split.

U.S. Shareholders should review the Release and consult with their own tax advisors regarding the tax consequences of the Reverse Stock Split to them in light of their own particular circumstances.

**Part II Item 15. (Description of the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer)**

KWESST intends that the deemed exchange by U.S. Shareholders of their existing Company Shares for new Company Shares pursuant to the Reverse Stock Split be treated for U.S. federal income tax purposes as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization under Code Section 368(a)(1)(E), but KWESST provides no assurances in this regard. Provided the Reverse Stock Split qualifies as a tax-deferred exchange under Code Section 1036 and/or Code Section 368(a)(1)(E), a U.S. Shareholder should have the same tax basis and holding period in such shareholder's post-Reverse Stock Split Company Shares as such shareholder had in its pre-Reverse Stock Split Company Shares exchanged therefor pursuant to the Reverse Stock Split, as adjusted for any whole Company Shares received in lieu of a fractional Company Share or any fractional Company Share that was rounded down to the nearest whole Company Share, as applicable. However, U.S. Shareholders will be required to allocate the aggregate tax basis of each block of their Company Shares held immediately prior to the Reverse Stock Split among the Company Shares held immediately after the Reverse Stock Split, as adjusted for any whole Company Share received in lieu of a fractional Company Share or any fractional Company Share that was rounded down to the nearest whole Company Share, as applicable, such that the per-share tax basis in each post-Reverse Stock Split Company Share is equal to 2100% of the tax basis in a pre-Reverse Stock Split Company Share, as adjusted for any whole Company Share received in lieu of a fractional Company Share or any fractional Company Share that was rounded down to the nearest whole Company Share, as applicable.

Notwithstanding the foregoing, the U.S. federal income tax consequences of the receipt of an additional fraction of a Company Share are not clear. A U.S. Shareholder who receives one whole Company Share in lieu of a fractional Company Share may nevertheless recognize income or gain in an amount not to exceed the excess of the fair market value of such Company Share over the fair market value of the fractional Company Share to which such U.S. Shareholder was otherwise entitled.

Further, the U.S. federal income tax consequences are also not clear with respect to a fractional Company Share that has been rounded down to the nearest whole Company Share. Each U.S. Shareholder that would have received a fractional Company Share had such fractional Company Share not otherwise been rounded down to the nearest whole Company Share pursuant to the Reverse Stock Split should consult its own tax advisors regarding whether to allocate such U.S. Shareholder's aggregate tax basis in its Company Shares immediately prior to the Reverse Stock Split entirely to its Company Shares

immediately after the Reverse Stock Split or, alternatively, whether such U.S. Shareholder should allocate a portion of such aggregate tax basis to the fractional Company Share which it would have received had its Company Shares not been rounded down to the nearest whole Company Share pursuant to the Reverse Stock Split and recognize a loss on such fractional Company Share equal to the tax basis so allocated.

If a U.S. Shareholder held different blocks of Company Shares (i.e., Company Shares acquired at different times or at different prices) at the time of the Reverse Stock Split, such holder should consult its own tax advisor with respect to the determination of the tax bases of particular Company Shares held following the Reverse Stock Split.

If the Company was a “passive foreign investment company” (“**PFIC**”), as defined under Code Section 1297, for any tax year during which a U.S. Shareholder held its Company Shares, certain special PFIC rules may apply to the Reverse Stock Split subject to certain proposed Treasury Regulations that, if finalized in their current form, would apply to transactions on or after April 1, 1992 and that have not been adopted in final form (or withdrawn). U.S. Shareholders should review the Release and consult with their own tax advisors regarding the potential application of the PFIC rules including the potential application of the proposed PFIC Treasury Regulations.

#### **Part II Item 16. (Description of the calculation of the change in basis)**

Provided the Reverse Stock Split qualifies as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization under Code Section 368(a)(1)(E), and subject to the discussion above regarding fractional Company Shares, while the per-share tax basis is impacted, the tax basis of each shareholder's total investment should generally remain the same. The post-Reverse Stock Split per-share tax basis should be equal to the pre-Reverse Stock Split aggregate tax basis in each twenty-one (21) Company Shares held, as adjusted for any whole Company Share received in lieu of a fractional Company Share or any fractional Company Share that was rounded down to the nearest whole Company Share, as applicable. This results in an increased per-share tax basis for the fewer number of Company Shares held, as adjusted for any whole Company Share received in lieu of a fractional Company Share or any fractional Company Share that was rounded down to the nearest whole Company Share, as applicable.

#### **Part II Item 17. (List of applicable Code sections)**

Provided the Reverse Stock Split qualifies as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization under Code Section 368(a)(1)(E), the U.S. federal income tax consequences for U.S. Shareholders should be determined under Code Sections 305(a), 307(a), 354, 358, 368(a)(1)(E), 1036 and 1223.

In addition, if the Company was a PFIC at any time during the period that a U.S. Shareholder held Company Shares, then Code Sections 1291-1297 would be applicable to such U.S. Shareholder for purposes of the Reverse Stock Split.

**Part II Item 18. (Recognition of loss)**

Provided the Reverse Stock Split qualifies as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization under Code Section 368(a)(1)(E), and subject to the discussion above regarding fractional Company Shares, U.S. Shareholders should generally not recognize any loss pursuant to the Reverse Stock Split.

**Part II Item 19. (Other information)**

The Reverse Stock Split was effective on April 23, 2025. For a U.S. Shareholder which participated in the Reverse Stock Split whose taxable year is a calendar year, the reportable tax year is 2025.