

FORM 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of these securities.

Convertible Debentures (each, a “**Debenture**”)

KWG Resources Inc. (the “**Issuer**”)
141 Adelaide Street West, Suite 240
Toronto, Ontario M5H 3L5

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Frank Smeenck (the “**Acquiror**”)
25 Leaves Terrace
Toronto, Ontario M8Y 4H4

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

Effective as of October 22, 2021, the Acquiror acquired ownership of an aggregate of \$805,000 of Debentures through a private placement offered by the Issuer (the “**Private Placement**”). The Debentures are convertible into units (each a “**Unit**”) with a deemed value of \$15 per Unit (i) at the holder’s option at any time or (ii) at the option of the Issuer after September 29, 2022. The Debentures mature on June 30, 2023 and bear interest at 12% per annum, accruing daily, compounding annually and payable concurrently with the payment of principal at the earliest of maturity, redemption or conversion, such payment to be made either (i) at the Issuer’s option on 30 days’ notice, by payment in cash (other than in the event of a conversion) or (ii) by the issuance of Units at a deemed value of \$15.00 per Unit. Each Unit will be comprised of two (2) multiple voting shares of the Issuer (as such shares are presently constituted; or six multiple voting shares if the proposed subdivision of multiple voting shares is implemented) (each, a “**Multiple Voting Share**”) and one (1) Multiple Voting Share purchase warrant (a “**Warrant**”) enabling its holder to acquire one further Multiple Voting Share (as such shares are presently constituted; or to acquire three Multiple Voting Shares if the proposed subdivision of Multiple Voting Shares is implemented) from treasury upon payment of \$9.60 (for each such share as presently constituted; or \$3.20 for each Multiple Voting Share if the proposed subdivision of Multiple Voting Shares is implemented) exercisable at any time on or before December 15, 2023.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

Pursuant to the Private Placement, the Acquiror acquired ownership of an aggregate of \$805,000 of Debentures convertible into an aggregate of 53,666 Units comprising of 107,332 Multiple Voting Shares and 53,666 Warrants or an aggregate of 48,299,400 subordinate voting shares of the Issuer (each, a “**Subordinate Voting Share**”) calculated on the basis of the conversion of the principal of the Acquiror's Debenture into Multiple Voting Shares and Warrants, the exercise of all such Warrants and the conversion of the Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1.

Prior to acquiring the Debentures, the Acquiror owned the following securities of the Issuer:

- a) 9,423,446 Subordinate Voting Shares and 473,702 Multiple Voting Shares (or an aggregate of 151,534,046 Subordinate Voting Shares calculated on the basis of conversion of all of the Acquiror's Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1) representing approximately 10.29% of the issued and outstanding Subordinate Voting Shares (calculated on the basis of conversion of all outstanding Multiple Voting Shares of the Issuer into Subordinate Voting Shares on a ratio of 300:1);
- b) 14,123,796 Subordinate Voting Share purchase warrants and 464,402 Multiple Voting Share purchase warrants (or an aggregate of 153,444,396 warrants to purchase Subordinate Voting Shares calculated on the basis of conversion of all such Multiple Voting Share purchase warrants into Subordinate Voting Share purchase warrants on a ratio of 300:1) that, if exercised would have represented approximately 9.44% of the issued and outstanding Subordinate Voting Shares (calculated on a partially diluted basis assuming that all such warrants held by the Acquiror are exercised and assuming the conversion of all outstanding Multiple Voting Shares of the Issuer into Subordinate Voting Shares on a ratio of 300:1); and
- c) 8,500,000 options to purchase Subordinate Voting Shares and 35,001 options to purchase Multiple Voting Shares (or an aggregate of 10,500,300 options to purchase Subordinate Voting Shares calculated on the basis of conversion of all such options to purchase Multiple Voting Shares into options to purchase Subordinate Voting Shares on a ratio of 300:1) that, if exercised, would have represented approximately 0.71% of the issued and outstanding Subordinate Voting Shares (calculated on a partially diluted basis assuming that all such options held by the Acquiror are exercised and assuming the conversion of all outstanding Multiple Voting Shares of the Issuer into Subordinate Voting Shares on a ratio of 300:1).

As a result of the above-noted acquisition of \$805,000 of Debentures, the Acquiror now owns the following securities of the Issuer:

- a) Debentures in the principal amount of \$805,000 convertible into an aggregate of 53,666 Units comprised of 107,332 Multiple Voting Shares and 53,666 Warrants (or an aggregate of 48,299,400 Subordinate Voting Shares calculated on the basis of the exercise of all such Warrants and the conversion of all such Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1) representing approximately 2.87% of the issued and outstanding Subordinate Voting Shares (calculated on a partially diluted basis assuming that the principal of the Debentures owned by the Acquiror are converted into Units comprised of Multiple Voting Shares and Warrants, all such Warrants issued to the Acquiror are exercised, all Options and Warrants held by the Acquiror are exercised and all Multiple Voting Shares received by the Acquiror are converted into Subordinate Voting Shares on a ratio of 300:1 and assuming the conversion of all outstanding Multiple Voting Shares of the Issuer into Subordinate Voting Shares on a ratio of 300:1 (the “**Partially Diluted Basis**”));
- b) 9,423,446 Subordinate Voting Shares and 473,702 Multiple Voting Shares (or an aggregate of 151,534,046 Subordinate Voting Shares calculated on the basis of conversion of all of the Acquiror’s Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1) representing approximately 8.99% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis);
- c) 14,123,796 Subordinate Voting Share purchase warrants and 464,402 Multiple Voting Share purchase warrants (or an aggregate of 153,444,396 warrants to acquire Subordinate Voting Shares calculated on the basis of conversion of all such Multiple Voting Share purchase warrants into Subordinate Voting Share purchase warrants on a ratio of 300:1) that, if exercised would have represented approximately 9.11% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis); and
- d) 8,500,000 options to purchase Subordinate Voting Shares and 35,001 options to purchase Multiple Voting Shares (or an aggregate of 10,500,300 options to purchase Subordinate Voting Shares calculated on the basis of conversion of all such options to purchase Multiple Voting Shares into options to purchase Subordinate Voting Shares on a ratio of 300:1) that, if exercised, would have represented approximately 0.62% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis).

3.2 State whether the acquiror acquired or disposed of ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

The Acquiror acquired ownership of \$805,000 of Debentures, the principal of which is convertible into an aggregate of 53,666 Units comprised of an aggregate of 107,332 Multiple Voting Shares and 53,666 Warrants.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before

and after the transaction or other occurrence that triggered the requirement to file this report.

See Item 3.1 above.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

Following closing of the Private Placement, the Acquiror now owns the following securities of the Issuer:

- i. Debentures in the principal amount of \$805,000 convertible into an aggregate of 53,666 Units comprised of 107,332 Multiple Voting Shares and 53,666 Warrants (or an aggregate of 48,299,400 Subordinate Voting Shares calculated on the basis of the exercise of all such Warrants and the conversion of all such Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1) representing approximately 2.87% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis);
- ii. 9,423,446 Subordinate Voting Shares and 473,702 Multiple Voting Shares (or an aggregate of 151,534,046 Subordinate Voting Shares (calculated on the basis of conversion of all such Multiple Voting Shares into Subordinate Voting Shares on a ratio of 300:1) representing approximately 8.99% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis);
- iii. 14,123,796 Subordinate Voting Share purchase warrants and 464,402 Multiple Voting Share purchase warrants (or an aggregate of 153,444,396 warrants to purchase Subordinate Voting Shares calculated on the basis of conversion of all such Multiple Voting Share purchase warrants into Subordinate Voting Share purchase warrants on a ratio of 300:1) that, if exercised, would have represented approximately 9.11% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis); and
- iv. 8,500,000 options to purchase Subordinate Voting Shares and 35,001 options to purchase Multiple Voting Shares (or an aggregate of 10,500,300 options to purchase Subordinate Voting Shares calculated on the basis of conversion of all such options to purchase Multiple Voting Shares into options to purchase Subordinate Voting Shares on a ratio of 300:1) that, if exercised, would have represented approximately 0.62% of the issued and outstanding Subordinate Voting Shares (calculated on the Partially Diluted Basis).

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The consideration was \$805,000 representing the principal amount of the Debentures issued by the Issuer to settle debts owed by the Issuer to the Acquiror.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See Item 4.1 above.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer’s business or corporate structure;**
- (g) a change in the reporting issuer’s charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

The Debentures were issued by the Issuer to settle debts owed by the Issuer to the Acquiror. The Acquiror has no present intention of acquiring additional securities of the Issuer (other than with respect to the possible exercise of some or all of the Warrants, Options or Debentures). Depending upon his evaluation of the business, prospects and financial condition of the Issuer, the market for the Issuer’s securities, general economic and tax conditions and other factors, the Acquiror may acquire more or sell some or all of his securities of the Issuer.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer.

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

The transaction was a private placement of securities by the Issuer from treasury pursuant to the prospectus exemption provided in section 2.14 – *Securities for Debt* of National Instrument 45-106 – *Prospectus Exemptions*.

Item 9 – Certification

I, as the acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 26th day of October, 2021.

Signed: “*Frank Smeenk*”

Frank Smeenk