

MATERIAL CHANGE REPORT
Form 51-102F3
Section 7.1 of National Instrument 51-102

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

October 22, 2021

Item 3 News Release

News release was issued via Newsfile Corp. on October 22, 2021.

Item 4 Summary of Material Change

The Company completed on October 22, 2021 the third tranche of its previously announced private placement (the “**Private Placement**”) of convertible debentures by issuing of an aggregate of \$3,642,800 of debentures, bringing the total principal amount of debentures issued under all three tranches of the Private Placement to \$7,404,117.08.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The Company completed on October 22, 2021, the third tranche of the Private Placement by issuing of an aggregate of \$3,642,800 of debentures, bringing the total principal amount of debentures issued under all three tranches of the Private Placement to \$7,404,117.08.

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 KWG 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 Company’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 KWG.A multiple-voting shares (as such KWG.A shares are presently constituted; or six KWG.A multiple-voting shares if the proposed subdivision of KWG.A multiple-voting shares is implemented) and one multiple-voting share purchase warrant enabling its holder to acquire one further KWG.A multiple-voting share (as such KWG.A shares are presently constituted; or to acquire three KWG.A multiple-voting shares if the proposed subdivision of KWG.A multiple-voting shares is implemented) from treasury upon payment of \$9.60 (for each such KWG.A share as presently constituted; or \$3.20 for each KWG.A multiple voting share if the proposed subdivision of KWG.A multiple-voting shares is implemented) exercisable at any time on or before December 15, 2023.

The following officers and directors of the Corporation (the “**Insiders**”) participated in this third tranche of the Private Placement for an aggregate of \$1,397,800 of debentures to settle

debts owed by the Corporation to such Insiders. The underlying securities into which the debentures issued to these Insiders represent the equivalent of 4.38% of the Company's issued and outstanding subordinate voting shares (calculated on the basis of conversion of all outstanding multiple voting shares of the Corporation into subordinate voting shares on a ratio of 300:1) on a partially diluted basis following closing of this third tranche of the Private Placement and conversion of the principal of all of the debentures issued under this Private Placement into multiple voting shares and warrants, the exercise of those warrants and the conversion of all such multiple voting shares into subordinate voting shares:

Name and Position with the Corporation	Principal amount of debentures issued on the third tranche	No. of Subordinate Voting Shares held (and % of shares outstanding) prior to third tranche of the Private Placement	No. of Subordinate Voting Shares issuable on conversion of principal and on exercise of warrants (and % of this tranche)	No. of Subordinate Voting Shares held (and % of shares outstanding) following completion of third tranche of the Private Placement and conversion of principal and exercise of warrants
Frank Smeenk <i>Director and Officer</i>	\$805,000	151,534,046 (8.92%)	48,299,400 (22.10%)	199,833,446 (10.43%)
Bruce Hodgman <i>Officer</i>	\$300,000	9,041,100 (0.53%)	18,000,000 (8.25%)	27,041,100 (1.41%)
Douglas Flett <i>Director</i>	\$112,000	8,394,900 (0.49%)	6,719,400 (3.07%)	15,114,300 (0.79%)
Thomas Masters <i>Officer</i>	\$180,800	17,410,071 (1.02%)	10,847,700 (4.96%)	28,257,771 (1.47%)

The foregoing does not include any consideration of shares issuable for interest as that number cannot be calculated at this time as the amount of interest will depend on the length of time the debentures are outstanding.

The cash proceeds received by the Corporation from the third tranche (cash proceeds of \$2,110,000) of the Private Placement will be used for the costs and fees associated with the Private Placement, for general corporate overhead expenses including repaying current debts and liabilities and for payment of exploration and other operating expenses. The issuance of debentures in settlement of debts owed by the Corporation (debts of \$1,532,800 in the third tranche of the Private Placement) will reduce accounts payable and accrued liabilities. As a result of the cash proceeds and the satisfaction of these debts, the working capital deficiency and balance sheet of the Corporation will be improved, which should facilitate future financings or other transactions.

All of the securities to be issued pursuant to this tranche of the Private Placement are subject to a four (4) month hold period.

The part of the Private Placement in respect of the issuance of debentures to Insiders constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). A formal valuation was not required under MI 61-101 because the Corporation's securities are not listed on any of the stock exchanges specified in MI 61-101 and the fair market value of the consideration for the

transaction involving the Insiders does not exceed 25% of the Corporation's market capitalization as of the date of the material change, which is approximately \$49 million. Minority shareholder approval was also not required under MI 61-101 because the fair market value of the consideration for the transaction involving the Insiders does not exceed 25 percent of the Corporation's capitalization as of the date of the material change.

The Insiders who participated in this third tranche of the Private Placement were planning to participate in the Corporation's proposed offering of flow-through securities. When the Corporation determined on or about October 15, 2021 not to proceed with that proposed offering of flow-through securities, various insiders then considered participating in the third tranche of the Private Placement and these Insiders only made their decisions to do so shortly before the closing of the third tranche of the Private Placement. Given the uncertainty as to whether insiders would participate in this third tranche of the Private Placement, which insiders would participate and to what extent insiders would participate, the Corporation did not have the opportunity to announce this related party transaction 21 days in advance of closing.

5.2 Disclosure for Restructuring Transactions

Not applicable

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Inquiries in respect of the material change referred to herein may be made to:

Frank Smeenk, Chief Executive Officer
tel: (416) 642-3575

Item 9 Date of Report

This report is dated the 29th day of October, 2021.