

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**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**

September 1, 2022

**Item 3            News Release**

A press release describing the material change was disseminated by KWG on September 1, 2022 through Newsfile Corp. and was filed on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

**Item 4            Summary of Material Change**

The Company and Fancamp Exploration Ltd. (“**Fancamp**”) completed the sale (the “**Transaction**”) by Fancamp to KWG of all of the right, title and interests beneficially owned by Fancamp in and to the “Koper Lake-McFaulds” mineral properties, comprised of four (4) “legacy” mining claims (the “**Mining Claims**”) that cover approximately four (4) square kilometers, overlying the axis of the Ring of Fire intrusion, host to all the known chromite deposits located within the “Ring of Fire” in the Province of Ontario.

**Item 5            Full Description of Material Change**

**5.1            Full Description of Material Change**

KWG and Fancamp completed the sale by Fancamp to KWG of all of the right, title and interests beneficially owned by Fancamp in and to the Mining Claims.

The consideration paid by KWG to Fancamp for the purchase of the Mining Claims and the one-time payment by Fancamp to KWG of C\$1,500,000 consisted of: (a) the issuance by KWG to Fancamp of a secured convertible promissory note in the principal amount of C\$34.5 million (the “**Secured Convertible Promissory Note**”); (b) the issuance by KWG to Fancamp of warrants to purchase a total of 4,044,453 multiple voting shares of KWG (the “**Consideration Warrants**”); and (c) the grant by KWG to Fancamp of a 2.0% net smelter return royalty (“**Royalty**”) (one-quarter of which may be purchased by KWG at any time for C\$5 million and the next one-quarter of which is subject to a right of first refusal in favour of KWG) on any direct or indirect interest in the Mining Claims held by KWG on and after the closing date.

The Secured Convertible Promissory Note has a four-year term maturing on September 1, 2026, which maturity date may on certain conditions be extended by KWG on at least six months’ notice for an additional period of up to one year. The C\$34.5 million principal amount of the Secured Convertible Promissory Note is currently convertible by Fancamp at \$4.6916 per multiple voting share of KWG (each, a “**MVS**”) into 7,353,568 MVS (increasing to 7,703,816 MVS at \$4.4783 per MVS on September 1, 2023 and further increasing to 8,088,908 MVS at \$4.2651 per MVS (the “**Base Conversion Price**”) on September 1, 2024 (subject to further adjustment in certain circumstances)) and bearing interest in quarterly instalments at a rate of 6% per annum, payable at the option of KWG in cash or in MVS at the volume weighted average trading price for the five trading days prior to the interest payment date. KWG has the right to repay the principal amount in cash in whole or in part at any time on 30 days’ notice (subject to Fancamp’s right to convert into MVS at the Base Conversion Price during the notice period prior to payment in cash).

The Consideration Warrants are currently exercisable by Fancamp to purchase 4,044,453 MVS at \$4.6916 per share (decreasing to \$4.4783 per share on September 1, 2023 and to the Base Conversion Price of \$4.2651 per share on September 1, 2024 and for the rest of the term, subject to adjustment in certain

circumstances).

Other key terms of the transaction are as follows:

- On the closing date, Fancamp made a one-time payment to KWG of C\$1,500,000 (the “**Fancamp Closing Payment**”), the proceeds of which will be used by KWG for the advancement and development of the Mining Claims and for other general working capital purposes.
- The Secured Convertible Promissory Note bears interest at a rate of six percent (6%) per annum and will mature on the date which is the four (4) year anniversary of the closing date, namely on September 1, 2026, subject to extension for up to one additional year in accordance with the terms of the Secured Convertible Promissory Note (the “**Maturity Date**”). The interest payments under the Secured Convertible Promissory Note will be payable in cash or, at the option of KWG, in MVS at an issue price equal to the five (5) day volume-weighted average trading price ending on the trading day immediately prior to: (a) the day the accrued interest becomes payable; (b) the Maturity Date; or (c) such other applicable date referenced in the binding agreement relating to the Transaction.
- The Secured Convertible Promissory Note is convertible, in whole or in part, at the option of Fancamp, at any time following the closing date, up to and including the maturity date, into fully-paid MVS at a conversion price equal to a premium to the Base Conversion Price (as set out above) if converted anytime on or before the two year anniversary of the closing date, and at the Base Conversion Price if converted anytime thereafter (up to, and including, the Maturity Date), in each case, subject to adjustment in accordance with the terms of the Secured Convertible Promissory Note.
- The Secured Convertible Promissory Note is secured by a security interest over all of the assets of KWG and its subsidiaries (including all of its tangible and intangible personal property and all present and after-acquired personal property of KWG), subject to certain encumbrances (the “**KWG Encumbrances**”), and excluding KWG’s existing beneficial interests in the Mining Claims and certain other assets (the “**KWG Assets Collateral**”).
- Upon the delivery by KWG to Fancamp of certain documentation as set out in the Secured Convertible Promissory Note, the KWG Assets Collateral may be substituted for a security interest comprising all of the existing and hereinafter acquired interests of KWG in the Mining Claims (including the interests in the Mining Claims acquired by KWG pursuant to the Transaction). Upon the delivery by KWG of security over all of its interests in the Mining Claims in favour of Fancamp in a form acceptable to Fancamp, Fancamp will release its security interest over the KWG Assets Collateral.
- The security for the indebtedness represented by the Secured Convertible Promissory Note is senior and first ranking to all other indebtedness of KWG and its subsidiaries, but subject to the KWG Encumbrances.
- The Secured Convertible Promissory Note is subject to certain other customary terms and conditions, including negative covenants which provide, among other things, that KWG will be precluded from selling, transferring or taking any other actions vis-à-vis the Mining Claims or the KWG Assets Collateral unless the cash proceeds from any such transaction are irrevocably directed to and in favour of Fancamp in satisfaction of outstanding indebtedness under the Secured Convertible Promissory Note (with any remaining cash proceeds thereon, if any, to be for the benefit of KWG).
- The Consideration Warrants are evidenced by a warrants certificate (the “**Warrants Certificate**”) issued by KWG in favour of Fancamp) entitling Fancamp to receive one (1) MVS of KWG for each warrant exercised.
- The expiry date of the Consideration Warrants is September 1, 2027 (the “**Expiry Date**”).

- The Consideration Warrants have an exercise price equal to a premium to the Base Conversion Price (as described above) if exercised anytime on or before September 1, 2024 (as described above), and at the Base Conversion Price if exercised anytime thereafter (up to, and including, the Expiry Date), in each case, subject to adjustment in accordance with the terms of the Warrants Certificate.
- On any announcement of a business combination, take-over bid or other change of control involving KWG as the target, Fancamp will have the right to convert the Secured Convertible Promissory Note at the Base Conversion Price and/or to exercise the Consideration Warrants at the Base Conversion Price, in each case, in whole or in part, at the option of Fancamp, prior to completion of the change of control event.
- A royalty agreement was entered into on the closing date in favour of Fancamp with respect to the Royalty.
- At any time while there is any amount outstanding under the Secured Convertible Promissory Note or while Fancamp holds at least five percent (5%) of the outstanding MVS (calculated on a non-diluted basis), Fancamp will have the right to nominate one member to the board of directors of KWG, and KWG will use all commercially reasonable efforts to facilitate such director nominee's election to the board of directors of KWG.

Additional information with respect to the Transaction can be found in the joint press release of Fancamp and KWG dated July 21, 2022. Additional information with respect to the Mining Claims can be found under KWG's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **5.2 Disclosure for Restructuring Transactions**

N/A

### **Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

N/A

### **Item 7 Omitted Information**

N/A

### **Item 8 Executive Officer**

Further information regarding the matters described in this report may be obtained from:

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

### **Item 9 Date of Report**

September 9, 2022

## **Forward-Looking Statements**

This material change report contains certain "forward-looking statements" or "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of KWG. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions

that “will”, “would”, “may”, “could” or “should” occur or be achieved. Examples of forward-looking statements include, among others, future expectations with respect to the advancement and development of the Mining Claims by KWG.

Although KWG believes that the material factors, expectations and assumptions informing such forward-looking statements are reasonable based on information available to them on the date such statements were made, no assurances can be given as to future results of such statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events to differ materially from those anticipated in such forward-looking statements. These risks include, among others: (a) risks relating to general economic, market and business conditions; and (b) unforeseen delays in the timelines for any of the transactions or events described in this material change report.

Readers are cautioned that the foregoing list of factors is not exhaustive. Statements including forward-looking statements are made as of the date they are given and, except as required by applicable securities laws, KWG disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this material change report are expressly qualified by this cautionary statement.