

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

December 30, 2022

Item 3 News Release

A press release describing the material change was disseminated by KWG on January 3, 2023 through Newsfile Corp. and was filed on the Company’s SEDAR profile at www.sedar.com.

Item 4 Summary of Material Change

The Company closed a non-brokered private placement (the “**Private Placement**”) of 66,667 flow-through units (each a “**Flow-Through Unit**”) at a price of \$2.25 per Flow-Through Unit for aggregate gross proceeds of \$150,000.75.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

KWG closed on December 30, 2022 the Private Placement of 66,667 Flow-Through Units at a price of \$2.25 per Flow-Through Unit for aggregate gross proceeds of \$150,000.75. Each Flow-Through Unit is comprised of one multiple voting share of the Company (each, a “**Multiple Voting Share**”) and one multiple voting share purchase warrant of the Company (each a “**Warrant**”), with each Warrant enabling the holder to acquire one Multiple Voting Share upon payment of \$2.75 at any time before December 30, 2027.

All of the securities issued pursuant to this Private Placement were issued on a “flow-through” basis in accordance with the *Income Tax Act* (Canada) and are subject to a four (4) month hold period. The Company’s Chief Executive Officer subscribed for the entire Private Placement, prior to which he held the equivalent of 1,767,988 (8.90%) of the Multiple Voting Shares. Following completion of the Private Placement he holds the equivalent of 1,834,655 (9.20%) of the Multiple Voting Shares and 1,901,332 (9.51%) thereof on a partly diluted basis if all Warrants issued in this Private Placement are exercised.

The Private Placement is considered a “related party transaction” within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”) as a related party subscribed for the entire Private Placement. As no securities of the Company are listed on any of the prescribed exchanges set out in section 5.5(b) of MI 61-101, the Private Placement was exempt from the formal valuation requirements of MI 61-101. As well, since neither the fair market value of the subject matter of the transaction nor the fair market of the consideration for the transaction exceeded 25% of the Company’s market capitalization, as set out in section 5.7(1)(a) of MI 61-101, the Private Placement was exempt from the minority approval requirements of MI 61-101.

As the decision to proceed with the Private Placement was not made until the week of December 26, 2022, the Company did not have the opportunity to announce this related party transaction 21 days in advance of closing.

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 Multilateral Instrument 61-101

As set out above, the Company's Chief Executive Officer (Mr. Frank Smeenk, who is also a director of the Company) (the "**Insider**") subscribed for all of the Units issued under the Private Placement. The issuance of the Units to the Insider is a "related party transaction" within the meaning of Multilateral Instrument 61-101 entitled Protection of Minority Security Holders in Special Transactions ("**MI 61-101**") (a senior officer of the Company and a director of the Company is a "related party" of the Company within the meaning of MI 61-101). Section 5.2 of MI 61-101 requires that certain information be disclosed in this material change report with respect to the Private Placement, as follows:

(a) *Description of the transaction and its material terms:*

See item 5 above.

(b) *Purpose and business reasons for the transaction:*

The Private Placement improved the Company's financial position. All of the securities issued pursuant to the Private Placement were issued on a "flow-through" basis in accordance with the *Income Tax Act* (Canada).

(c) *Anticipated effect of the transaction on the issuer's business and affairs:*

The Private Placement improved the Company's financial position. The Private Placement also increased the number of issued and issuable Multiple Voting Shares. All of the securities issued pursuant to the Private Placement were issued on a "flow-through" basis in accordance with the *Income Tax Act* (Canada).

(d) *Description of (i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties, and (ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:*

Immediately prior to the closing of the Private Placement, the Insider held the equivalent of 1,767,988 (8.90%) of the Multiple Voting Shares. Taking into account the Units acquired under the Private Placement (being all of the Units issued under the Private Placement), immediately following the closing of the Private Placement the Insider holds the equivalent of 1,834,655 (9.20%) of the outstanding Multiple Voting Shares and 1,901,332 (9.51%) thereof on a partly diluted basis if all Warrants issued under the Private Placement are exercised.

- (e) *Unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:*

The Private Placement was approved by the board of directors of the Company excluding the Insider (who is a director of the Company and who refrained from participating in the discussion at the board meeting, and abstained from voting on the resolution, regarding the Private Placement as a result of his interest in the Private Placement).

- (f) *Summary, in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable (see item 8(i) of this report below).

- (g) *Disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction (i) that has been made in the 24 months before the date of the material change report, and (ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer:*

Not applicable.

- (h) *General nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

Not applicable.

- (i) *Disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7, respectively, of MI 61-101 and the facts supporting reliance on the exemptions:*

The Company is relying on subsection 5.5(b) of MI 61-101, which exempts the Company from the requirements under MI 61-101 of having to perform a formal valuation for the Insider's participation in the Private Placement. This exemption is available as no securities of the Company are listed on any of the prescribed exchanges set out in section 5.5(b) of MI 61-101. The Company is also relying on subsection 5.7(1)(a) of MI 61-101, which exempts the Company from the requirements under MI 61-101 of having to obtain minority shareholder approval for the Insider's participation in the Private Placement. This

exemption is available as neither the fair market value of the 66,667 Units issued to the Insider under the Private Placement, nor the fair market value of the consideration for such Units, exceeds 25% of the Company's market capitalization, calculated in accordance with MI 61-101.

Item 9 Executive Officer

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

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

Item 9 Date of Report

January 9, 2023.

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. 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.