

MATERIAL CHANGE REPORT

Item 1: Name and Address of Company

Gallagher Security Corp. (the “Company”)
700 - 1620 Dickson Avenue
Kelowna, BC V1Y 9Y2

Item 2: Date of Material Change

August 21, 2019.

Item 3: News Release

A news release was issued and disseminated on August 21, 2019 through a newswire distribution service and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached hereto as Schedule “A”.

Item 4: Summary of Material Change

A news release was issued and disseminated on August 21, 2019 through a newswire distribution service and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached hereto as Schedule “A”.

Item 5: Full Description of Material Change

5.1 Full Description of Material Change

A news release was issued and disseminated on August 21, 2019 through a newswire distribution service and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached hereto as Schedule “A”.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

a) a description of the transaction and its material terms:

The Company announced that on August 21, 2019, RD Capital Inc. (the “**Acquiror**”), a company controlled by Mr. Devinder Randhawa, a director of the Issuer, acquired 1,834,500 units (each, a “**Units**”) pursuant to a debt settlement agreement between the Company and the Acquiror dated August 21, 2019 (the “**Agreement**”), whereby \$91,725 of debt was settled in consideration for the issuance of the Units at a deemed price of \$0.05 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (“**Warrant**”). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.05 per share for a period of 24 months from the date of issuance.

b) the purpose and business reasons for the transaction:

The Company wishes to improve its financial position by reducing its accrued liabilities.

c) the anticipated effect of the transaction on the issuer’s business and affairs:

See subsection 5.1(b) above.

d) a description of:

i. the interest in the transaction of every interested party and of the

related parties and associated entities of the interested parties:

The Acquiror is owned and controlled by Mr. Devinder Randhawa, a director of the Company, as a result of which Mr. Devinder Randhawa is deemed a joint actor of the Acquiror. The Acquiror, prior to the acquisition, owned 106,082 common shares of the Company. The Acquiror, directly and indirectly, acquired 1,834,500 Units pursuant to the Agreement. Mr. Devinder Randhawa personally owns and controls 394,505 common shares of the Company and 62,982 common share purchase warrants. After completion of the acquisition of the Units by the Acquiror pursuant to the Agreement, Mr. Devinder Randhawa and the Acquiror own in the aggregate 2,335,087 common shares of the Company and 1,897,482 common share purchase warrants (4,232,569 common shares of the Company on a partially diluted basis).

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:

After completion of the acquisition of the Shares, the Acquiror now owns, directly or indirectly, or exercises control or direction over, 1,940,582 common shares of the Company. The 1,940,582 common shares represent approximately 20.58% of the 9,431,518 issued and outstanding common shares of the Company, resulting in an increase by 19.18% to the Acquiror's holdings after the completion of the acquisition of the Units.

In addition, Mr. Devinder Randhawa personally owns and controls 394,505 common shares of the Company and 62,982 common share purchase warrants. After completion of the acquisition of the Units, Mr. Devinder Randhawa and the Acquiror own in the aggregate 2,335,087 common shares which represents approximately 24.76% of the 9,431,518 issued and outstanding common shares, and on a partially diluted basis, 4,232,569 common shares which represents approximately 44.88% of the total number of issued and outstanding common shares of the Company.

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:

A resolution of the board of directors of the Company authorized the transaction on August 21, 2019.

f) A 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:

i. that has been made in the 24 months before the date of the material change report:

N/A

ii. the existence of which is known, after reasonable enquiry to the issuer or to any director or officer of the issuer:

N/A

- g) **the 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:**

See subsection 5.1(a).

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

The issuance of the Units to the Acquiror constitutes a “related party transaction” within the meaning of MI 61-101 as the Units were issued to a company controlled by an insider of the Company. The issuance of 600,000 Units are exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to subsections 5.5(c) and 5.7(1)(b)) on the basis that the issuance constituted the distribution of securities of the Company for cash consideration and neither the fair market value of the securities distributed to, nor the consideration received from, related parties exceeded \$2,500,000. The issuance of the remaining 1,234,500 Units were exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to subsections 5.5(b) and 5.7(1)(a) as the Company’s common shares are not listed on a specified market and the fair market value of these Units did not exceed 25% of the Company’s market capitalization.

As this material change report is being filed less than 21 days before the issuance of the Units, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company, such shorter period was reasonable and necessary in the circumstances as the transaction has Company had to contemplate the transaction at such time and the Company wishes to promptly improve its financial position at this time by reducing its accrued liabilities.

5.2 Disclosure for Restructuring Transaction

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

The following executive officer of the Company is knowledgeable about the material change disclosed in this report and may be contacted as follows:

Devinder Randhawa
Phone: 1-250-868-8177

Item 9: Date of Report

August 21, 2019

SCHEDULE "A"

Gallagher Security Corp. Announces Debt Settlement

August 21, 2019 – Kelowna, B.C., Canada – Gallagher Security Corp. ("**Gallagher**" or the "**Company**") (CSE:GLL), announces that it entered into a debt settlement agreement (the "**Agreement**") with a non-arm's length creditor of the Company, RD Capital Inc. (the "**Creditor**"), a company controlled by Devinder Randhawa, a director of the Company, to settle \$91,725 of debt in consideration for the issuance of 1,834,500 units (each, a "**Unit**") at a deemed price of \$0.05 per Unit (the "**Debt Settlement**"). Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company ("**Warrant**"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.05 per share for a period of 24 months from the date of issuance. The debt was for cash loans and unpaid remuneration for services.

The Debt Settlement constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") as the Units were issued to an insider of the Company. The issuance of 600,000 Units are exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to subsections 5.5(c) and 5.7(1)(b)) on the basis that the issuance constituted the distribution of securities of the Company for cash consideration and neither the fair market value of the securities distributed to, nor the consideration received from, related parties exceeded \$2,500,000. The issuance of the remaining 1,234,500 Units were exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to subsections 5.5(b) and 5.7(1)(a) as the Company's common shares are not listed on a specified market and the fair market value of these Units did not exceed 25% of the Company's market capitalization.

The Company did not file a material change report in respect of the Debt Settlement at least 21 days before the closing of the Debt Settlement, which the Company deems reasonable in the circumstances as the Company wishes to improve its financial position by reducing its liabilities.

All securities to be issued pursuant to the Debt Settlement will be subject to a statutory four month hold period.

Prior to the Debt Settlement, the Creditor had beneficial ownership and control of 106,082 common shares of the Company, representing approximately 1.4% of the Company's issued and outstanding common shares as of such time. Following the completion of the Debt Settlement, the Creditor now has beneficial ownership and control of an aggregate of 1,940,582 common shares, representing approximately 20.58% of the 9,431,518 issued and outstanding common shares of the Company, resulting in an increase by 19.18%.

The securities acquired by the Creditor are held for investment purposes. The Creditor will review its investment in the Company's securities on a continuing basis and such holdings may be increased or decreased in the future. The Creditor may in the future acquire or dispose of common securities of the Company, through the open market, privately or otherwise, as circumstances or market conditions dictate.

The Creditor has filed an early warning report pursuant to National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* describing the above transactions with applicable securities regulatory authorities, a copy of which is available on SEDAR at www.sedar.com.

For further information, please contact:

Gallagher Security Corp.

Phone: 1-250-868-8177

Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking information based on current expectations. Statements about the Company's plans and intentions, potential transactions, courses of action, and the potential of the technologies, among others, are all forward-looking information. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such information can generally be identified by the use of forwarding looking wording such as "may", "expect", "estimate", "anticipate", "intend", "believe" and "continue" or the negative thereof or similar variations. The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, including but not limited to, business, economic and capital market conditions; the ability to manage operating expenses, which may adversely affect the Company's financial condition; the ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; access to equipment; market conditions and the demand and pricing for products; the demand and pricing of products and services; security threats; Gallagher's ability to successfully define, design and release new products in a timely manner that meet customers' needs; the ability to attract, retain and motivate qualified personnel; competition in the industry; the impact of technology changes on the products and industry; failure to develop new and innovative products; the ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect the business; the ability to manage working capital; and the dependence on key personnel. Gallagher may not actually achieve its plans, projections, or expectations. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the demand for its products, the ability to successfully develop software, that there will be no regulation or law that will prevent the Company from operating its business, anticipated costs, the ability to achieve goals and the price of bitcoin. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The securities of Gallagher are considered highly speculative due to the nature of Gallagher's business. Factors that could cause the actual results to differ materially from those in forward-looking statements include, failure to obtain regulatory approval, the continued availability of capital and financing, failure to obtain any permits required to operate the business, the impact of technology changes on the industry, competition, security threats, consumer sentiment towards Gallagher's products, services and blockchain technology and cryptocurrency generally, failure to develop new and innovative products, litigation, increase in operating costs, increase in labor costs, failure of counterparties to perform their contractual obligations, government regulations, loss of key employees and consultants, and general economic, market or business conditions. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on any forward-looking information. The forward-looking statements contained in this news release are made as of the date of this news release. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.

The CSE has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.