

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

March 12, 2020.

Item 3: News Release

A news release was issued and disseminated on March 12, 2020 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 March 12, 2020 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 March 12, 2020 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 March 12, 2020, RD Capital Inc. (the “Acquiror”), a company controlled by Mr. Devinder Randhawa, a director of the Issuer, acquired 3,065,240 common shares (the “Shares”) pursuant to a debt settlement agreement between the Company and the Acquiror dated March 12, 2020 (the “Agreement”), whereby \$153,262 of debt was settled in consideration for the issuance of the Shares at a deemed price of \$0.05 per Share.

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 1,940,582 common shares of the Company and 1,834,500 warrants to purchase common shares of the Company. The Acquiror, directly and indirectly, acquired 3,065,240 Shares 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 Shares by the Acquiror pursuant to the Agreement, Mr. Devinder Randhawa and the Acquiror jointly own and control in the aggregate 5,400,327 common shares of the Company and 1,897,482 common share purchase warrants (7,297,809 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, 5,005,822 common shares of the Company. The 5,005,822 common shares represent approximately 40.06% of the 12,496,758 issued and outstanding common shares of the Company, resulting in an increase by 19.48% to the Acquiror's holdings after the completion of the acquisition of the Shares.

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 Shares, Mr. Devinder Randhawa and the Acquiror own in the aggregate 5,400,327 common shares which represents approximately 43.21% of the 12,496,758 issued and outstanding common shares, and on a partially diluted basis, 7,297,809 common shares which represents approximately 50.70% 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 March 12, 2020.

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 Shares to the Acquiror constitutes a “related party transaction” within the meaning of MI 61-101 as the Shares were issued to a company controlled by an insider of the Company. The issuance of 3,065,240 Shares are 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 Shares 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 Shares, 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 Company wishes to improve its financial position by reducing its 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

March 12, 2020

SCHEDULE "A"

Gallagher Security Corp. Announces Debt Settlement

March 12, 2020 – 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 \$153,262 of debt in consideration for the issuance of 3,065,240 shares (the "Shares") at a deemed price of \$0.05 per Share (the "Debt Settlement"). The debt was for 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 Shares were issued to an insider of the Company. The issuance of Shares are 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 the Shares 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 Shares will be subject to a statutory four month hold period.

Prior to the Debt Settlement, the Creditor had beneficial ownership and control of 1,940,582 common shares of the Company, representing approximately 20.58% 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 5,005,822 common shares, representing approximately 40.06% of the 12,496,758 issued and outstanding common shares of the Company, resulting in an increase by 19.48%.

The Shares 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 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