

DEFSEC TECHNOLOGIES INC.
KWESST INC.
POLICE ORDNANCE COMPANY INC.

STANDARD TERMS AND CONDITIONS OF PURCHASE

These Standard Terms and Conditions of Purchase ("Terms") are incorporated into a purchase order ("Purchase Order" or "PO") issued by DEFSEC Technologies Inc., or any of its subsidiaries (KWESST Inc. or Police Ordnance Company Inc.) each of these entities being Canadian defence technology companies headquartered in Ottawa, Ontario ("DEFSEC," "Buyer," or the "Company"), to any supplier, vendor, or contractor ("Supplier") where such PO indicates these Terms apply on the PO's face. By accepting the Purchase Order, commencing performance, or delivering any goods or services referenced in the Purchase Order, Supplier agrees to be bound by these Terms.

1. Acceptance; Order of Precedence

Supplier's acceptance of the Purchase Order is limited to the terms stated on the face of the PO and these Terms. Any additional or different terms proposed by Supplier, including terms on Supplier's invoice, acknowledgment, or quotation, are rejected and void unless expressly agreed to in writing by an authorized DEFSEC representative. In the event of a conflict, the following order of precedence applies: (a) any signed supply agreement between the parties; (b) the face of the Purchase Order; (c) these Terms; and (d) any drawings, specifications, or statements of work incorporated by reference.

2. Prices and Payment

Prices stated on the Purchase Order are firm and inclusive of all packaging, freight, duties, and applicable taxes unless otherwise stated. Supplier shall separately identify applicable indirect taxes such as GST/HST/QST and any other applicable sales taxes on its invoices and shall provide its applicable tax registration number where required.

Payment terms are net thirty (30) days after the later of DEFSEC's receipt of a correct invoice and receipt and acceptance of conforming goods or services, unless otherwise specified on the PO. DEFSEC may withhold payment for nonconforming goods or services and may set off any amounts owed by Supplier to DEFSEC against amounts payable under this or any other Purchase Order.

3. Delivery; Time of Performance; Title Transfer

Time is of the essence. Shipping costs and which party bears these shall be as specified in the Purchase Order and where not specified shall be borne by the Supplier. Goods shall be delivered DAP our facility or our other designated destination (Incoterms® 2020) as specified in the Purchase Order. Title to goods shall transfer upon accepted delivery.

Supplier shall deliver goods and perform services in accordance with the quantities, delivery dates, and shipping instructions stated on the Purchase Order. Supplier shall promptly notify DEFSEC in writing of any anticipated delay. DEFSEC reserves the right to reschedule delivery dates, cancel undelivered quantities, and reject early, partial, or late shipments without liability, and to recover any additional costs reasonably incurred as a result of Supplier's delay.

4. Inspection and Rejection

All goods and services are subject to inspection and testing by DEFSEC at any time before final acceptance, notwithstanding any prior payment or in-process inspection by Supplier. DEFSEC may reject and return, at Supplier's risk and expense, any goods or services that do not conform to the Purchase Order, applicable specifications, or applicable law. Payment or inspection shall not constitute final acceptance or waive any of DEFSEC's rights or remedies.

5. Warranty

Supplier warrants that all goods and services furnished under the Purchase Order will: (a) conform to the applicable specifications, drawings, samples, and descriptions; (b) be new, of merchantable quality, and free from defects in material, design, and workmanship; (c) be fit for the particular purpose for which DEFSEC has advised Supplier the goods or services are intended; and (d) be free and clear of all liens and encumbrances. This warranty survives inspection, acceptance, and payment, and extends to DEFSEC, its successors, customers, and end users for a period of twelve (12) months from delivery or acceptance, whichever is later, unless a longer period is specified on the Purchase Order or required by the end customer's contract.

6. Open-Source and Third-Party Software

Where a Purchase Order includes Software, firmware, or embedded code, Supplier shall disclose to DEFSEC, prior to delivery, any open-source, freeware, or other third-party software components incorporated into the deliverable, together with the applicable licence terms. Supplier warrants that no such component is licensed under terms that would require DEFSEC to disclose, license, or distribute its own proprietary source code, unless that component and its licence terms have been disclosed to and approved in writing by DEFSEC in advance. Supplier further warrants that all Software delivered under the Purchase Order is, as of the date of delivery, free of known viruses, malware, and other malicious code, and that Supplier holds all rights necessary to grant DEFSEC the rights contemplated by these Terms.

7. Compliance with Laws

Supplier shall comply with all applicable federal, provincial, and local laws, regulations, and orders in the performance of the Purchase Order., including those relating to labour,

employment, health and safety, environmental protection, anti-corruption, human trafficking and forced labour prevention, and data privacy (including Canada's Personal Information Protection and Electronic Documents Act (or similar act as amended), with respect to any personal information collected, used, or disclosed in connection with the Purchase Order). Supplier shall maintain all licences, permits, and registrations required to perform its obligations.

8. Export Control and Trade Compliance

DEFSEC operates in the defence and public safety sectors, and certain goods, services, technology, and technical data provided under a Purchase Order may be subject to export control and trade compliance laws, including Canada's Export and Import Permits Act and Defence Production Act (including registration requirements under the Controlled Goods Program), and, where applicable, the U.S. International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR). Supplier represents and warrants that it is, and will remain, compliant with all such applicable laws and regulations, including any registration, permitting, or screening obligations, and that no goods, components, or services furnished under the Purchase Order incorporate products or services from any entity identified by the Government of Canada or the United States Government as a prohibited or restricted supplier of equipment, unless separately disclosed to and approved in writing by DEFSEC. Upon request, Supplier shall provide a certificate of origin identifying the country of manufacture for goods delivered under the Purchase Order. Supplier shall not export, re-export, transfer, or disclose any controlled goods, technology, or technical data received from or on behalf of DEFSEC to any restricted or debarred party, destination, or end use without the prior authorization required by law. Supplier shall promptly notify DEFSEC in writing of any change in its export control registration status, any denial or restriction of its trade privileges, or any actual or suspected non-compliance with this Section 8. This Section 8 survives termination or expiration of the Purchase Order.

9. Cybersecurity and Information Protection

If Supplier accesses, stores, or processes DEFSEC's Confidential Information, controlled technical data, or other sensitive information in connection with the Purchase Order, Supplier shall maintain administrative, technical, and physical safeguards appropriate to the sensitivity of that information, and, where specified on the Purchase Order, shall comply with the Canadian Controlled Goods Program safeguarding requirements and/or the U.S. NIST SP 800-171 security controls (or successor framework, including any applicable Cybersecurity Maturity Model Certification level) applicable to that Purchase Order. Supplier shall notify DEFSEC in writing within forty-eight (48) hours of discovering any actual or reasonably suspected unauthorized access to, or loss of, DEFSEC information in Supplier's possession or control, and shall cooperate with DEFSEC's investigation and remediation of any such incident.

10. Confidentiality

All non-public information disclosed by DEFSEC to Supplier in connection with the Purchase Order, including technical data,

drawings, specifications, pricing, and business information, is confidential and proprietary to DEFSEC ("Confidential Information"). Supplier shall use Confidential Information solely to perform its obligations under the Purchase Order, shall protect it with at least the same degree of care it uses to protect its own confidential information (and no less than a reasonable degree of care), and shall not disclose it to any third party without DEFSEC's prior written consent. This obligation survives termination or expiration of the Purchase Order for a period of five (5) years, or, with respect to information constituting a trade secret, for as long as such information retains its trade secret status. Except as set out in this Section 10, DEFSEC assumes no obligation of confidentiality with respect to any information provided by Supplier to DEFSEC in connection with the Purchase Order, unless and until the parties execute a separate written non-disclosure agreement covering that information, or the Purchase Order expressly states otherwise.

11. Intellectual Property

Except as otherwise agreed in writing, all designs, drawings, specifications, tooling, and other materials furnished by DEFSEC to Supplier remain the exclusive property of DEFSEC. Unless otherwise stated on the Purchase Order, all inventions, works of authorship, and other intellectual property first created or developed by Supplier specifically for DEFSEC in the performance of the Purchase Order shall be assigned to, and are hereby assigned to, DEFSEC upon creation, and Supplier shall execute any documents reasonably necessary to perfect such assignment. To the extent any goods or deliverables furnished under the Purchase Order incorporate intellectual property owned by Supplier and created prior to, or independently of, the Purchase Order ("Background IP"), Supplier grants to DEFSEC a non-exclusive, worldwide, royalty-free, irrevocable licence to use, reproduce, maintain, repair, and support such Background IP solely to the extent necessary for DEFSEC to use, maintain, repair, support, and obtain sustainment of the delivered goods or deliverables over their service life, including through third parties engaged by DEFSEC for that purpose.

12. Counterfeit Parts

Supplier warrants that all goods delivered under the Purchase Order are new, authentic, and free of counterfeit or suspect counterfeit parts. For electronic components, Supplier shall procure parts directly from the original equipment or component manufacturer or its authorized distributors, and shall maintain, and provide to DEFSEC upon request, documentation sufficient to demonstrate traceability to that source. DEFSEC may reject, impound, and require replacement of any goods found to contain counterfeit or suspect counterfeit parts, and Supplier shall bear all reasonable costs of identification, removal, replacement, and any resulting corrective action, in addition to any other remedy available to DEFSEC.

13. Quality Requirements; Right of Access

Supplier shall maintain a quality management system appropriate to the goods or services supplied and, where specified on the Purchase Order, compliant with applicable industry quality standards (such as AS9100 or ISO 9001).

DEFSEC and its customers, including government customers where applicable, and their respective representatives, shall have the right, upon reasonable notice, to access Supplier's facilities and records relevant to the Purchase Order for purposes of quality verification and audit.

14. Business Continuity

Supplier shall promptly notify DEFSEC in writing of any event that materially threatens Supplier's ability to perform its obligations under the Purchase Order, including facility disruption, insolvency proceedings, or loss of a critical sub-supplier. For goods or services designated on the Purchase Order as critical or sole-source, Supplier shall maintain a reasonable contingency plan addressing continuity of supply and shall make that plan available to DEFSEC upon request.

15. Discontinued Products

Supplier shall provide DEFSEC not less than six (6) months' advance written notice before discontinuing any product supplied under the Purchase Order, and shall accept for order any reasonable last-time-buy quantity requested by DEFSEC during that notice period.

16. Changes

DEFSEC may, by written notice, make changes to drawings, specifications, quantities, delivery schedules, or shipping instructions. If any such change causes an increase or decrease in Supplier's cost or time required for performance, an equitable adjustment shall be negotiated in good faith, provided Supplier asserts any claim for adjustment in writing within ten (10) business days of receiving the change notice.

17. Termination

DEFSEC may terminate the Purchase Order, in whole or in part, for its convenience upon written notice to Supplier, in which case DEFSEC's sole liability shall be payment for conforming goods or services delivered and accepted, and reasonable costs actually and reasonably incurred by Supplier prior to termination, less any applicable salvage or resale value. DEFSEC may also terminate the Purchase Order for cause, effective immediately upon written notice, if Supplier fails to perform, becomes insolvent, or breaches any material term of these Terms, including Section 8 (Export Control and Trade Compliance). Upon any termination, Supplier shall deliver to DEFSEC all completed and in-process work product, together with any records or data required for DEFSEC to exercise its rights under Section 11 (Intellectual Property).

18. Indemnification and Insurance

Supplier shall indemnify and hold harmless DEFSEC, its affiliates, customers, successors, and assigns, and their respective officers, directors, employees, and agents (collectively, the "DEFSEC Indemnitees") from and against any third-party claims, damages, losses, and expenses (including reasonable legal fees) arising out of Supplier's breach of the Purchase Order, negligence, wilful misconduct, or infringement or misappropriation of a third party's intellectual property rights, except to the extent such claim arises solely from designs, specifications, or instructions furnished by DEFSEC and followed by Supplier without deviation. Supplier shall maintain

commercial general liability, product liability, and other insurance appropriate to the goods or services supplied, in amounts reasonably required by DEFSEC, and shall provide certificates of insurance upon request.

19. Limitation of Liability

Except with respect to Supplier's indemnification obligations under Section 18, breach of Section 10 (Confidentiality) or Section 11 (Intellectual Property), or claims arising from a party's gross negligence or wilful misconduct, DEFSEC's aggregate liability to Supplier arising out of or relating to the Purchase Order shall not exceed the amounts paid or payable by DEFSEC to Supplier under that Purchase Order, and neither party shall be liable to the other for any indirect, incidental, or consequential damages. Nothing in this Section 19 limits either party's liability for death, personal injury, or property damage caused by that party's negligence.

20. Anti-Corruption

Each party represents that it has not, and covenants that it will not, in connection with the Purchase Order, offer, pay, promise, or authorize the giving of anything of value to any government official or other person for the purpose of improperly influencing any act or decision, in violation of Canada's Corruption of Foreign Public Officials Act, the U.S. Foreign Corrupt Practices Act, or any other applicable anti-corruption law. Each party shall indemnify the other for any loss arising from its breach of this Section 20, and shall maintain books and records sufficient to demonstrate compliance.

21. Trademarks and Publicity

Supplier shall not use DEFSEC's (or any of its subsidiary or affiliated companies') name, trademarks, logos, or the existence or content of the Purchase Order in any advertising, publicity, or public disclosure without DEFSEC's prior written consent.

22. Force Majeure

Neither party shall be liable for any delay or failure to perform resulting from causes beyond its reasonable knowledge or control, including acts of God, war, terrorism, government action, or natural disaster, provided the affected party gives prompt notice and uses reasonable efforts to mitigate the impact. Supplier's inability to meet a lower price offered to a third party is not a force majeure event.

23. Assignment; Subcontracting

Supplier shall not assign the Purchase Order or any rights or obligations under it, nor subcontract any material portion of the work, without DEFSEC's prior written consent. Any permitted subcontract remains subject to these Terms, and Supplier remains fully responsible for the performance of its subcontractors.

24. Customs and Tariffs

During the term of the Purchase Order and for twelve (12) months thereafter, neither party shall directly solicit for employment any employee of the other party who was materially involved in the performance of the Purchase Order, without the other party's prior written consent.

Unless the Purchase Order expressly states otherwise, the prices include all tariffs, customs duties, surtaxes, anti-dumping and countervailing duties, retaliatory or safeguard measures, brokerage fees, and other governmental import or export charges (collectively, “**Duties**”).

Unless DEFSEC agrees otherwise in writing, Supplier shall act as importer of record (or non-resident importer) for all goods imported into Canada. Supplier is responsible for all customs entries, accounting and payment of Duties, including obligations under the Canada Border Services Agency (CBSA) Assessment and Revenue Management (CARM) system.

If a new or increased Duty takes effect after the Purchase Order date and directly increases Supplier’s cost, Supplier may give written notice within 15 days with supporting documentation. The parties shall negotiate any adjustment in good faith. If they do not agree, DEFSEC may cancel the affected portion of this Purchase Order without liability.

With each shipment, Supplier shall provide:

- accurate commercial invoices
- Harmonized System (HS) tariff classifications
- country of origin declarations
- any certificates of origin needed to claim preferential treatment under an applicable trade agreement (including CUSMA, CETA and CPTPP)

Goods shall be marked with their country of origin as required by applicable law. Supplier shall notify DEFSEC promptly in writing of any change in the origin, classification or manufacturing location of the goods.

Supplier shall cooperate with DEFSEC, and give DEFSEC, the information it reasonably requests, so that DEFSEC, can claim preferential tariff treatment, duty drawback, duty relief or

remission. All such rights and benefits belong to DEFSEC, unless otherwise agreed in writing.

25. Governing Law and Dispute Resolution

The Purchase Order and these Terms are governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to conflict of laws principles. Prior to commencing any legal proceeding (other than a claim for injunctive or other equitable relief to protect a party's intellectual property or Confidential Information), the parties shall first attempt in good faith to resolve any dispute arising out of or relating to the Purchase Order through negotiation between authorized representatives for a period of thirty (30) days following written notice of the dispute, and, if unresolved, escalation to senior management of both parties for a further period of fifteen (15) days. If the dispute remains unresolved, either party may refer it to binding arbitration under the Arbitration Act (Ontario) before a single arbitrator, seated in Ottawa, Ontario, conducted in English, with the arbitral award being final and binding and enforceable in any court of competent jurisdiction. Nothing in this Section 25 precludes either party from seeking injunctive or other equitable relief in any court of competent jurisdiction to protect its intellectual property or Confidential Information.

26. General

Notices under the Purchase Order shall be in writing and delivered to the address stated on the PO. If any provision of these Terms is held invalid or unenforceable, the remaining provisions remain in full force and effect. No waiver of any breach shall constitute a waiver of any subsequent breach. These Terms, together with the Purchase Order, constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous understandings, whether written or oral.