

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.

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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.