

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

June 16, 2020.

Item 3: News Release

A news release was issued and disseminated on June 16, 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 June 16, 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 June 16, 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 June 16, 2020, Ryan Cheung, William Marsh and Jamie Bannerman (the “**Acquirors**”), each a director or officer of the Issuer, acquired a total of 1,630,397 common shares (the “**Shares**”) pursuant to debt settlement agreements between the Company and each of the Acquirors dated June 16, 2020 (the “**Agreement**”), whereby an aggregate \$97,824 of debt was settled in consideration for the issuance of the Shares at a deemed price of \$0.06 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:

Ryan Cheung is the chief financial officer of the Company. Prior to the

acquisition, Cheung owned no common shares of the Company. He acquired 855,397 Shares pursuant to a debt settlement agreement with the Company. After completion of the acquisition of the Shares by Cheung, he owns and controls in the aggregate 855,397 common shares of the Company.

William Marsh is a director of the Company. Prior to the acquisition, Marsh owned 30,000 common shares of the Company. He acquired 250,000 Shares pursuant to a debt settlement agreement with the Company. After completion of the acquisition of the Shares by Marsh, he owns and controls in the aggregate 280,000 common shares of the Company.

Jamie Bannerman is a director of the Company. Prior to the acquisition, Bannerman owned 20,000 common shares of the Company. He acquired 525,000 Shares pursuant to a debt settlement agreement with the Company. After completion of the acquisition of the Shares by Bannerman, he owns and controls in the aggregate 545,000 common shares of the Company.

- 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:**

N/A.

- 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 June 16, 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 insiders of the Company. The issuance of 1,630,397 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

June 16, 2020

SCHEDULE "A"

Gallagher Security Corp. Announces Debt Settlement

June 16, 2020 – Kelowna, B.C., Canada – Gallagher Security Corp. (“Gallagher” or the “Company”) (CSE:GLL), announces that it entered into debt settlement agreements with three non-arm’s length creditors of the Company, Ryan Cheung (CFO), William Marsh (director) and Jamie Bannerman (director), to settle an aggregate \$97,824 of debt in consideration for the issuance of an aggregate 1,630,397 common shares (the “Shares”) at a deemed price of \$0.06 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 insiders 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 are subject to a statutory four month hold period.

For further information, please contact:

Gallagher Security Corp.

Phone: 1-250-868-8177