

Form 62-103F1

Required Disclosure under the Early Warning Requirements

State if this report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Securities: This report relates to the grant of a private option (the “**Option**”) granted by Karl Kenny (the “**Optionor**”) to purchase common shares in the capital of Kraken Sonar Inc. (the “**Shares**”).

Issuer: Karl Kenny
77 Circular Road
St. John's, NL A1C 2Z4

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

The transaction that triggered this report was the private grant by the Optionor to Greg Reid (“**Reid**”) of an Option to purchase up to 3,000,000 Shares owned by the Optionor under a private stock option agreement entered into on August 14, 2017 (the “**Agreement**”).

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Karl Kenny
77 Circular Road
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2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On August 14, 2017, the Optionor entered into the Agreement with Reid pursuant to which the Optionor granted Reid the Option to purchase up to 3,000,000 Shares (the “**Optioned Securities**”) at a price of \$0.18 per Share.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.**

See item 2.2. The Optionor has granted the Option and, if the Option is exercised, the Optionor would be required to dispose of ownership and control of up to 3,000,000 Shares, representing approximately 3.3% of the outstanding common shares of Kraken.

Without giving effect to the Option, the Optionor holds 27,743,383 Shares of Kraken, representing 30.6% of the Shares currently issued and outstanding, as well as 700,000 stock options and 16,666 warrants. Should Reid exercise the full Option, the disposition by the Optionor of the Optioned Securities would decrease the Optionor’s ownership and control of Shares to 24,743,383 Shares, thereby decreasing his percentage ownership of Shares to 27.3%.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

The Optionor has created an obligation associated with a related financial instrument (the Option) which could involve a disposition of ownership and control of the Optioned Securities.

- 3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

- 3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See items 2.2 and 3.1. The Optionor holds 27,743,383 Shares of Kraken, representing 30.6% of the Shares currently issued and outstanding, as well as 700,000 stock options and 16,666 warrants. Should Reid exercise the full Option, the Optionor’s ownership and control of Shares would decrease from 27,743,383 to 24,743,383 Shares, thereby decreasing his percentage ownership of Shares from 30.6% to 27.3%.

- 3.5 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities referred to in Item 3.4 over which**

- (a) **the acquiror, either alone or together with any joint actors, has ownership and control,**

See item 3.4.

- (b) **the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 **If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror’s securityholdings.**

The Optionor has an obligation associated with the Option (a “related financial instrument”) granted to Reid. If the Option is exercised in full by Reid, the Optionor will have an obligation to transfer to Reid the Optioned Securities. The Option shall terminate and be of no further force or effect in the event they are not exercised by 5:00 p.m. on August 14, 2022. The grant of the Option has no present impact on the Optionor’s securityholdings. See item 3.4 for a description of the impact of an Option exercise on the Optionor’s securityholdings.

- 3.7 **If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 **If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror’s economic exposure to the security of the class of**

securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

The Optionor has an obligation associated with the Option (a “related financial instrument”) granted to Reid pursuant to the Agreement. If the Option is exercised in full by Reid, the Optionor will have an obligation to transfer to Reid the Optioned Securities. The Option shall terminate and be of no further force or effect in the event they are not exercised by 5:00 p.m. on August 14, 2022.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

See item 2.2. Until such time as Reid exercises the Option, or any portion thereof, no consideration per Option has been or will be paid.

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See item 2.2 and 4.1.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

See item 2.2 and 4.1. The Optioned Securities were granted pursuant to the Agreement as between the Optionor and Reid.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;

The Option was granted at the discretion of the Optionor based on factors the Optionor deemed relevant. The Optionor may purchase additional Shares, exercise his options or warrants or sell Shares presently held by him from time to time in one or more transactions in his discretion based on market conditions and other factors that he deems relevant. No

assurances can be made as to the timing of any purchase or further sale by him of Shares or that any such transaction will occur at all.

- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**

Not applicable.

- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**

Not applicable.

- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**

Not applicable.

- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**

Not applicable.

- (f) a material change in the reporting issuer's business or corporate structure;**

Not applicable.

- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**

Not applicable.

- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**

Not applicable.

- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**

Not applicable.

- (j) a solicitation of proxies from securityholders;**

Not applicable.

(k) **an action similar to any of those enumerated above.**

Not applicable.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

The Agreement provides for the terms and conditions under which Optionor granted the option and Reid may exercise the Option, including the consideration to be paid by Reid upon the exercise of all or any portion of the Option (as set forth in item 2.2 hereof).

The Agreement stipulates the notice procedure for Reid to undertake should he choose to exercise the Option, in whole or in part, and the procedure to satisfy the payment of the consideration for such exercise.

The Option shall terminate and be of no further force or effect in the event it is not exercised, in whole or in part, by 5:00 p.m. on August 14, 2022.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the Optionor, certify, or I, as the agent filing this report on behalf of the Optionor, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED as of the 14th day of August, 2017

"Karl Kenny"

Karl Kenny