Kraken Reports Q3 2018 Results and Provides Outlook

2019 Backlog is Currently ~ $13 Million and Growing

ST. JOHN'S, Newfoundland, Nov. 30, 2018 -- Kraken Robotics Inc. (TSX-V: PNG, OTCQB: KRKNF) announced it has filed its financial results for the third quarter ended September 30, 2018. Additional information concerning the Company, including its unaudited condensed consolidated interim financial statements and related management's discussion and analysis ("MD&A") for the quarter ended September 30, 2018, can be found at www.sedar.com. Unless otherwise stated, all dollar amounts are Canadian dollar denominated.

Q3 2018 Financial Highlights

- Revenue was $1.6 million for the quarter as compared to $1.6 million in the year ago quarter. Year-to-date revenues were $5.2 million as compared to $2.0 million in the same period of 2017 driven by delivery of KATFISH™ and AquaPix® sensors to military and commercial customers.
- Net loss was $1.0 million as compared to net income of $0.1 million in the year ago quarter. Year-to-date, net loss was $1.8 million versus a net loss of $1.7 million in the year ago quarter.
- Financial results, for the first time, include the consolidation of Kraken Power GmbH, a subsidiary that Kraken has a 19.9% equity interest in but expects to increase to 75% by year end 2018.
- Kraken exited the quarter with a cash balance of $1.6 million, as compared to cash indebtedness of $0.3 million at December 31, 2017. The Company's $0.3 million line of credit is unused.
- At quarter-end, Kraken had $0.9 million of contribution agreements to draw upon from the National Research Council of Canada Industrial Research Assistance Program and Innovate Newfoundland and Labrador.

Q3 2018 Notable Operational Highlights

- Formed a strategic partnership with Ocean Infinity and subsequently received the first purchase order of $2.5 million with an expected follow on purchase order for $6.5 million. This order is for deep sea pressure tolerant batteries that will be supplied using Kraken Power's pressure tolerant gel encapsulation technology.
- Announced formation of Kraken's Acoustic Signal Processing Group with a Toronto-based team having 80+ years of combined experience that will focus on anti-submarine warfare signal processing software applications. Kraken won its first contract for this group, a 12-month software contract valued at approximately $1 million, with an international defense contractor.
- Announced Cooperative Research and Development Agreements with both the Naval Undersea Warfare Center (NUWC) – Division Newport and the National Oceanic and Atmospheric Administration (NOAA).
- Successfully demonstrated KATFISH™ at the U.S. Navy's annual, invite-only Advanced Naval Technology Exercise (ANTX) event. Kraken and ThayerMahan successfully demonstrated the SeaScout® Expeditionary Seabed Mapping and Intelligence System. The SeaScout® system incorporates several industry-leading modules: KATFISH™, actively stabilized towfish with Synthetic Aperture Sonar; TENTACLE®, intelligent all-electric winch; real time sea-floor secure imagery transmission to cloud-based storage; cloud-based data analytics and machine learning for automated change detection. U.S. Navy Vice Admiral Michael Connor (retired), ThayerMahan's President and CEO, said, "I'm very pleased that during ANTX ThayerMahan and Kraken demonstrated superior resolution and range relative to competing systems costing many times more; live streaming of target detection results to remote maritime operations centers at sea and ashore; excellent area coverage rates, real-time performance and ease of operation for the sailor. There is no doubt in my mind that SeaScout® offers a compelling price and performance advantage to competitive systems."
- Kraken received $1 million from exercise of previously issued common share purchase warrants.
- Kraken delivered a KATFISH™ Towed Synthetic Aperture Sonar Platform to an Israeli customer. This KATFISH will be used in mine hunting applications with the customer's Unmanned Surface Vessel (USV).

CEO Comments

"With a growing backlog, high quality customers, industry leading technology at the right price, and the support of our investor and strategic partner, Ocean Infinity, we are very pleased with our progress," said Karl Kenny, Kraken's President and CEO. "We see significant opportunities with our sensors and underwater robotic platforms in military and commercial markets. As such, we expect strong momentum to continue. We also expect additional opportunities to emerge for Kraken from the $300+ million funding available to the Ocean Supercluster. We will be submitting a multi-year, $30 million proposal called OceanVision™ to provide ultra-high definition seabed maps and subsea asset data to a wide range of Ocean Supercluster stakeholders including oil and gas, fisheries, science, transport, defence and others."

Subsequent Highlights Since September 30 Quarter End

- **Acceleration of Ocean Infinity battery order and advance payments.** In November, Kraken announced that Ocean Infinity has issued a $6.5 million purchase order to Kraken for deep sea batteries. Under a $9 million deep-sea battery contract announced on August 1, 2018, Ocean Infinity issued an initial $2.5 million purchase order with the next $6.5

million purchase order expected in Q1 2019. Ocean Infinity has since accelerated the delivery schedule, with all battery shipments now planned to start at the end of 2018 and finishing in Q3 2019.

- Kraken will deliver batteries for five new Kongsberg Hugin Autonomous Underwater Vehicles (AUVs) recently purchased by Ocean Infinity, for integration at the manufacturer's facility in Norway. With the change in scheduling, these new vehicles will take some of the delivery slots initially intended for replacement of existing AUV fleet batteries. As such, Kraken expects a follow-on order from Ocean Infinity in the second half of 2019 for additional batteries and spares, beyond the initial $9 million contract.

- **Early Exercise of Warrants.** Since the end of Q3, Kraken has received almost $0.6 million from the early exercise of approximately 2.1 million warrants set to expire in April 2019. To date, Kraken has received $835,666 in cash from the early exercise of 2,785,553 warrants which had an exercise price of $0.30 and were set to expire in April 2019. There remains approximately 3.1 million warrants with the same terms, which would generate another $0.9 million in cash for the Company if exercised.

- **$0.5 million contract win with DRDC.** In November, Public Works and Government Services Canada, issued a contract valued at $468,000 to Kraken. The end user is the Canadian Department of National Defence (DND). Under the contract, Kraken will provide testing, repairs, integration and upgrading of an AquaPix® INSAS sensor originally sold to DND for integration on the Artic Explorer Autonomous Underwater Vehicle in 2014.

- **Partnership with Leeway Marine.** In October Kraken announced a co-operation agreement with Leeway Marine where both companies will work together to integrate Kraken's SeaScout® Expeditionary Seabed Mapping and Intelligence Systems onboard Leeway's Striker high speed patrol vessel to create world's fastest Minehunting & Hydrographic Patrol Vessel.

Q4 2018 Outlook and Beyond

We see significant opportunities with our sensors and underwater robotic platforms in military and commercial markets. We continue to believe that the significant investments we have made in new products and business development will open large new contracts to us over the coming year. In the meantime, we are working hard to execute efficiently on our existing backlog of approximately $13 million, most of which will be executed in 2019. This backlog excludes several contracts where we have been notified that we will be awarded and are working on the Statement of Work and/or Purchase Order terms. These total more than $4 million and are expected to get added to our backlog within the next 3 to 4 months. As such, we expect strong momentum to continue.

- **Commercial and Research** – We expect successful conclusion in December of the $750,000 PRNL project that was announced in Q4 2017. This project was focused on demonstration of Kraken's SeaVision® 3D underwater laser imaging sensor and associated software. Kraken expects to deliver its first commercial version of SeaVision® to a European customer in Q4. Kraken expects its first battery delivery to Ocean Infinity at the end of Q4. During the quarter and subsequent to quarter end, Kraken completed several demonstrations for offshore oil and gas companies for applications such as subsea asset integrity inspection. We have given numerous presentations and technology demonstrations to participants in the offshore wind and marine renewables market and expect both our KATFISH™ and SeaVision® products to gain traction in these markets. Our German team at Kraken Robotik GmbH have started to ramp work on the ARIM and ROBOVAS contracts that Kraken was awarded mid-year. These are focused on autonomy software and our SeaVision® product.

- **Military -** On track for delivery of AquaPix® sonar sensor to a leading military customer in Q4. This $0.5 million contract was announced in Q2 2018. In addition, Kraken is involved in several active pursuits across North American and European Navies. These include responses to RFPs as various navies upgrade their mine-hunting sonars. While Kraken is teamed with large defense contractors in these pursuits, in two cases so far, Kraken has been down-selected to a qualified finalist. Contracts are expected to be awarded to the bid winners in 2019.

- **Ocean Supercluster Project** – On November 16, 2018, the Ocean Supercluster announced that it had finalized its funding agreement with the Government of Canada for $153 million to be matched by industry for a total funding pool of over $300 million. Kraken has been developing a project called OceanVision™ and is preparing to submit a detailed proposal for Ocean Supercluster funding. OceanVision™ is a $30 million three-year initiative to provide ultra-high definition seabed and subsea asset data using our AquaPix® Synthetic Aperture Sonar and SeaVision® 3D laser imaging sensors deployed from Kraken's various underwater robotic platforms. These datasets will be used to enhance machine learning and predictive analytics in the digital ocean economy. The project will provide benefits across a wide range of Ocean Supercluster constituents including oil and gas, fisheries, science, transport, defence and others. Kraken has been developing the OceanVision™ project over the past year and believes it has support from several key stakeholders. The OceanVision™ project will be used to further develop the system infrastructure, data sharing and business model development that will enable Kraken to offer its Robotics-as-a-Service to the global market. It is expected that first project awards will be announced in Q1 2019. While there is no guarantee Kraken will be awarded funding for this project, management believes the OceanVision™ project is well positioned to meet the goals and requirements for Supercluster funding proposals.

ABOUT KRAKEN ROBOTICS INC.

Kraken Robotics Inc. (TSX.V:PNG) (OTCQB: KRKNF) is a marine technology company that is dedicated to the production and sale of software-centric sensors and underwater robotic systems. The company is headquartered in St. John's, Newfoundland with offices in Dartmouth, Nova Scotia; Toronto, Ontario; Bremen, Germany; and Boston, Massachusetts. Kraken is ranked as a Top 100 marine technology company by Marine Technology Reporter. For more information, please visit www.krakenrobotics.com, www.krakenrobotik.de, www.krakenpower.de. Find us on social media on Twitter (@krakenrobotics), Facebook (@krakenroboticsinc) and LinkedIn.

Certain information in this news release constitutes forward-looking statements. When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including without limitation, changes in market, competition, governmental or regulatory developments, general economic conditions and other factors set out in the Company's public disclosure documents. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this news release, including without limitation those listed above. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release and such forward-looking statements included in, or incorporated by reference in this news release, should not be unduly relied upon. Such statements speak only as of the date of this news release. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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