

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the short form base shelf prospectus dated April 6, 2021 to which it relates and each document deemed to be incorporated by reference in the short form base shelf prospectus and this prospectus supplement, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States. Such securities will not be offered or sold to, or for the account or benefit of, persons within the United States or "U.S. persons", as such term is defined in Regulation S under the U.S. Securities Act, unless the securities are registered under the U.S. Securities Act and applicable securities laws of any applicable state or an exemption from such registration requirements is available. See "Plan of Distribution". This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to, or for the account or benefit of, persons in the United States or U.S. persons.

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated April 6, 2021 to which it relates from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Company at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, telephone 709-757-5757, and are also available electronically at www.sedar.com.

New Issue

July 22, 2021

**PROSPECTUS SUPPLEMENT
To a Short Form Base Shelf Prospectus dated April 6, 2021**



KRAKEN ROBOTICS INC.

**\$10,000,000
20,000,000 Units**

This prospectus supplement (this "**Prospectus Supplement**") together with the short form base shelf prospectus dated April 6, 2021 (the "**Prospectus**"), qualifies the distribution (the "**Offering**") by Kraken Robotics Inc. (the "**Company**" or "**Kraken**") of 20,000,000 units (the "**Units**") of the Company at a price of \$0.50 per Unit (the "**Offering Price**") pursuant to an underwriting agreement (the "Underwriting Agreement") dated as of July 22, 2021, between the Company and Canaccord Genuity Corp. (the "**Lead Underwriter**"), Raymond James Ltd., Beacon Securities Limited, Desjardins Securities Inc., and Research Capital Corp. (together with the Lead Underwriter, the "**Underwriters**"). The Offering Price and certain other terms of the Offering have been determined by arm's length negotiations between the Company and the Lead Underwriter, on behalf of the Underwriters.

Each Unit will consist of one common share in the capital of the Company (a "**Common Share**" and each Common Share forming part of a Unit, a "**Unit Share**") and one-half of one Common Share purchase warrant of the Company (each whole Common Share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder to acquire one Common Share (a "**Warrant Share**") at an exercise price of \$0.60 per Warrant Share until 4:30 p.m. (Toronto time) on the date that is 2 years following the Closing Date (as defined herein), subject to adjustment in certain circumstances including the Warrant Expiry Acceleration (as defined herein). The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on or before the Closing Date between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"), as warrant agent. See "*Description of the Securities Being Distributed*". The Units will not trade, and will separate into Unit Shares and Warrants immediately upon issuance. See "*Plan of Distribution*" and "*Description of the Securities Being Distributed*".

The Common Shares are listed on the TSX Venture Exchange ("**TSXV**") under the trading symbol "PNG" and trade in the United States on the OTCQB under the trading symbol "KRKNF". On July 21, 2021, the last trading day prior

to the filing of this Prospectus Supplement, the closing prices of the Common Shares listed on the TSXV and the OTCQB were \$0.48 and US\$0.3815 respectively. Kraken has applied to list the Unit Shares and the Warrant Shares on the TSXV. Listing will be subject to Kraken fulfilling all listing requirements of the TSXV. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this Prospectus Supplement. This may affect the price of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.**

Price: \$0.50 per Unit

	Price to the Public	Underwriting Commission ⁽¹⁾	Net Proceeds to the Company ⁽²⁾
Per Unit	\$0.50	\$0.03	\$0.47
Total ⁽³⁾	\$10,000,000	\$600,000	\$9,400,000

Notes:

- (1) Pursuant to the Underwriting Agreement, Underwriters will receive a cash commission equal to 6.0% of the gross proceeds of the Offering, including proceeds realized from the sale of any Additional Units (as defined herein) pursuant to the exercise of the Over-Allotment Option (as defined herein) (the “**Underwriting Commission**”); provided that the Underwriting Commission shall be 3.0% on sales to purchasers designated by the Company to the Underwriters up to a maximum of \$3,000,000 (the “**President’s List Purchasers**”). See “*Plan of Distribution*”. The Underwriting Commission set forth in this table reflects the Underwriting Commission payable in respect of purchasers who are not President’s List Purchasers.
- (2) After deducting the Underwriting Commission (assuming no sales to President’s List Purchasers), but before deducting expenses of the Offering which are estimated to be \$315,000 and will be paid from the proceeds of the Offering. See “*Plan of Distribution*”.
- (3) The Company has granted to the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part in the sole discretion of the Underwriters at any time until the date which is 30 days following the Closing Date, to purchase up an additional 3,000,000 Units at the Offering Price, solely to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised to purchase: (a) up to 3,000,000 additional Units (the “**Additional Units**”) at the Offering Price per Additional Unit, (b) up to 3,000,000 additional Common Shares (“**Additional Shares**”) at \$0.43 per Additional Share; (c) up to 1,500,000 additional Warrants (“**Additional Warrants**”) at \$0.14 per Additional Warrant; or (d) any combination of Additional Units, Additional Shares and/or Additional Warrants (collectively, the “**Additional Securities**”), provided that (i) the number of Additional Units does not exceed 3,000,000, (ii) the number of Additional Shares does not exceed 3,000,000, and (iii) the number of Additional Warrants does not exceed 1,500,000. If the Over-Allotment Option is exercised in full, and assuming no sales to President’s List Purchasers, the total “Price to the Public”, the “Underwriting Commission” and the “Net Proceeds to the Company” (before deducting expenses of the Offering) will be \$11,500,000, \$690,000, and \$10,810,000, respectively. This Prospectus Supplement and the Prospectus also qualify the grant of the Over-Allotment Option and the distribution of any Additional Securities upon exercise of the Over-Allotment Option. Any purchaser who acquires Additional Securities forming part of the over-allotment position of the Underwriters pursuant to the Over-Allotment Option acquires such securities under this Prospectus Supplement and the Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “*Plan of Distribution*”.

Unless the context otherwise requires, when used in this Prospectus Supplement, all references to the “Offering” include the exercise of the Over-Allotment Option, all references to “Units” include the Additional Units, all references to “Unit Shares” include the Additional Shares, all references to “Warrants” include the Additional Warrants, and all references to “Warrant Shares” include the Common Shares issuable upon exercise of the Additional Warrants.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to approval of certain Canadian legal matters on behalf of the Company by Gowling WLG (Canada) LLP, and certain legal matters on behalf of the Underwriters by Goodmans LLP.

Subject to alternative arrangements in respect of President’s List Purchasers, subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. **The Underwriters may decrease the price at which the Units are distributed from the Offering Price. See “*Plan of Distribution*”.**

Closing is expected to take place on or about July 26, 2021 or such other date as may be agreed between the Company and the Lead Underwriter and, in any event, on or before a date not later than 42 days after the date of receipt for the Prospectus Supplement (the “**Closing Date**”). See “*Plan of Distribution*”.

At the closing of the Offering, the Company will arrange for an instant deposit of the Units under the book-based system of registration to be registered to CDS Clearing and Depository Services Inc. (“**CDS**”) and deposited with

CDS on the Closing Date. Except as otherwise set forth in this Prospectus Supplement, each purchaser of Units will receive only a customer confirmation from the registered dealer who is a CDS participant (a “**CDS Participant**”) from or through whom Units are purchased. Physical certificates evidencing Unit Shares and Warrants will not be issued except in limited circumstances.

In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Units initially at the Offering Price. After a reasonable effort has been made to sell all of the Units at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the Company. The Underwriters will inform the Company if the Offering Price is reduced. See “*Plan of Distribution*”.

The following table sets forth the number of Additional Securities issuable under the Over-Allotment Option:

Underwriters' Position	Maximum Number of Available Securities	Exercise Period	Exercise Price or Acquisition Price
Over-Allotment Option	3,000,000 Additional Units	Up to 30 days following the Closing Date	\$0.50 per Additional Unit
	3,000,000 Additional Shares		\$0.43 per Additional Share
	1,500,000 Additional Warrants		\$0.14 per Additional Warrant

Note:

(1) Includes full exercise of Over-Allotment Option.

Vice-Admiral Michael Connor (Director), who resides outside of Canada, has appointed Gowling WLG (Canada) LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, as his agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Company was incorporated under the *Canada Business Corporations Act*. The Company's head office is located at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, and its registered office is located at Suite 1600, 100 King Street West, Toronto, ON M5X 1G5.

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this Prospectus Supplement, which describes the terms of the Units being offered and also adds to and updates information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Units being offered under this Prospectus Supplement. This Prospectus Supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the Offering constituted by this Prospectus Supplement. Other documents are also incorporated, or are deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars thereof.

Market data and certain industry forecasts used in this Prospectus Supplement and the Prospectus and the documents incorporated by reference herein and therein were obtained from market research, publicly available information and industry publications. The Company believes that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. The Company has not independently verified such information, and it does not make any representation as to the accuracy of such information.

Investors should rely only on the information contained in or incorporated by reference in this Prospectus Supplement and the Prospectus. The Company has not authorized anyone to provide investors with different information. The Company is not offering the Units in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this Prospectus Supplement and the Prospectus or any of the

documents incorporated by reference in this Prospectus Supplement and the Prospectus is accurate as of any date other than the date on the front of those documents.

The Company's financial statements that are incorporated by reference into this Prospectus Supplement and the Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board.

Unless otherwise indicated, all information in this Prospectus Supplement assumes no exercise of the Over-Allotment Option.

In this Prospectus Supplement, unless the context otherwise requires, references to the "**Company**", "**Kraken**", "**we**", "**us**" and "**our**" or similar terms, refer to Kraken Robotics Inc. together with our subsidiaries.

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GENERAL MATTERS

Investors should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Prospectus. The Company and the Underwriters have not authorized anyone to provide investors with different information. **Information contained on the Company's website shall not be deemed to be a part of this Prospectus Supplement, the Prospectus or incorporated by reference and may not be relied upon by prospective investors for the purpose of determining whether to invest in the Units qualified for distribution under the Prospectus and this Prospectus Supplement.** The Company's business, operating results, financial condition and prospects may have changed since that date.

CURRENCY PRESENTATION AND FINANCIAL INFORMATION

In this Prospectus Supplement, unless stated otherwise, all monetary amounts are expressed in Canadian dollars. The Company's financial statements that are incorporated by reference into this Prospectus Supplement and the Prospectus are reported in Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus Supplement and the documents incorporated by reference herein contain certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**" or "**forward-looking information**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "believe", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate", "project", "continue", "plan", "aim" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs, as the case may be.

Such forward-looking statements are made as of the date of this Prospectus Supplement, the Prospectus or in the case of documents incorporated by reference herein, as of the date of each such document. Forward-looking statements in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the completion of the Offering and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the listing of the Common Shares or the Warrant Shares on the TSXV;
- the use of the net proceeds of the Offering;
- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the competitive and business strategies of the Company;
- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- the applicable laws, regulations and any amendments thereof;
- the anticipated completion of product orders and the timing thereof;
- expectations with respect to the advancement and adoption of new products;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers, including its engagements with the Royal Danish Navy and the Polish Navy;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- the anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates;

- the anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates;
- the impact of COVID-19 on the Company's business;
- the Company's business objectives and milestones and the anticipated timing of execution; and
- the completion of the PanGeo Transaction (as defined below), including fulfilment of all closing conditions and receipt of TSXV approvals.

Forward-looking statements reflect the Company's current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. In making the forward-looking statements included in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein, the Company has made various material assumptions, including, but not limited to:

- the general business, economic, financial market, regulatory and political conditions in which the Company operates will remain positive;
- the Company will continue to be in compliance with regulatory requirements;
- the tax treatment of the Company and its subsidiaries will remain constant and the Company will not become subject to any material legal proceedings;
- the Company will have sufficient working capital and be able to secure additional funding necessary for the continued operation and development of the Company; and
- key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost-efficient manner.

Purchasers are cautioned that the above list of cautionary statements is not exhaustive. A number of factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Prospectus Supplement, the Prospectus or in any document incorporated by reference herein. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

The forward-looking statements contained in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein are expressly qualified in their entirety by the foregoing cautionary statement. Investors should read this entire Prospectus Supplement, including the Annual Information Form, and the Prospectus, and consult their own professional advisers to ascertain and assess the income tax and legal risks and other aspects associated with holding the Units.

TRADEMARKS AND SERVICE MARKS

This Prospectus Supplement includes trademarks, trade names and service marks which are protected under applicable intellectual property laws for use in connection with the operation of our business, and which are the property of the Company. All other trade names, trademarks or service marks appearing in this Prospectus Supplement that are not identified as marks owned by us are the property of their respective owners. Solely for convenience, trademarks, service marks and trade names referred to in this Prospectus Supplement may be listed without the ®, (TM) and (SM) symbols, however, we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

MARKETING MATERIALS

Any template version of marketing materials (as such terms are defined in National Instrument 41-101 *General Prospectus Requirements*) filed by the Company after the date of this Prospectus Supplement and before the termination of the distribution of Units is deemed to be incorporated by reference in this Prospectus Supplement.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference in the Prospectus solely for the purpose of the Offering. Information has been incorporated by reference in this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Joseph MacKay, Chief Financial Officer of the Company at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, telephone 709-757-5757, and are also available electronically on SEDAR.

The following documents of the Company filed with the securities commissions or similar authorities in Canada are specifically incorporated by reference into, and form an integral part of, the Prospectus, as supplemented by this Prospectus Supplement:

1. the audited consolidated financial statements of the Company and the notes thereto as at and for the fiscal years ended December 31, 2020 and 2019, together with the auditors' report thereon (the **"Annual Financial Statements"**);
2. the management's discussion and analysis of the Company for the fiscal year ended December 31, 2020 (the **"Annual MD&A"**);
3. the management information circular dated May 14, 2021 in respect of the Company's 2020 annual general and special meeting held on June 24, 2021;
4. the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2021 and 2020 and related notes thereto (the **"Interim Financial Statements"**);
5. the management's discussion and analysis of the Company for the three months ended March 31, 2021 (the **"Interim MD&A"**);
6. the annual information form of the Company dated June 29, 2021 (the **"Annual Information Form"**) in respect of the fiscal year ended December 31, 2020; and
7. the material change report dated July 22, 2021 in respect of the entering into of the PanGeo Agreement (as defined herein).

Any document of the type referred to in Section 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus Supplement and prior to the termination of the distribution shall be deemed to be incorporated by reference in this Prospectus Supplement.

Any statement contained in this Prospectus Supplement, the Prospectus or in a document incorporated or deemed to be incorporated by reference in the Prospectus or this Prospectus Supplement shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in the Prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus Supplement or in the Prospectus modifies or supersedes that prior statement. Any statement so modified or superseded shall not constitute a part of this Prospectus Supplement except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

THE COMPANY

Summary of the Business

Kraken is a marine technology company providing ultra-high-resolution software-centric sensors, power systems, and underwater robotic systems. The Company's mission is to become a leading provider of underwater robotics equipment and services.

Kraken has a highly capable team of engineers, scientists, and technicians with specialized skills. Kraken's scientific staff have world-leading expertise in sonar design, remote sensing, and signal processing for synthetic aperture sonar, anti-submarine warfare, and 3D optical imaging. Kraken's electrical and mechanical engineering teams have extensive experience designing tethered/towed and untethered/free-swimming underwater vehicles, custom payload sections, and launch and recovery systems. Kraken's software engineering group develops applications for data acquisition, real-time processing, vehicle control, 3D visualization, telemetry, artificial intelligence, machine learning and data post-processing. The Company is supported by a team of technicians that perform assembly, inspection, testing, calibration, and troubleshooting of mechanical and electrical systems. Kraken's technical staff also have extensive experience performing system integration onboard customer-owned vehicles and conducting operations at sea to collect data for a variety of surveys, technical demonstrations, and collaborative research projects.

Kraken's products are sold into both the manned and the unmanned maritime vehicle ("**UMV**") market. The UMV market can be divided into unmanned underwater vehicles ("**UUVs**") and unmanned surface vessels ("**USVs**"). UUVs are either autonomous underwater vehicles, remotely operated vehicles, or towed underwater vehicles tethered to a ship and towed beneath the surface of the water. UUVs are used extensively for military and commercial applications, such as undersea search and survey missions. USVs may be remotely operated or be fully autonomous.

Kraken was founded with the objective of commercializing a software-centric version of Synthetic Aperture Sonar ("**SAS**") at the lowest cost in the market to compete with more hardware-dependent and expensive SAS solutions. SAS is an advanced imaging technology which dramatically improves seabed surveys by providing ultra-high-resolution imagery at superior area coverage rates ("**ACRs**") as compared to conventional side scan sonar ("**SSS**") technologies. These legacy SAS systems were seen as the domain of global defense contractors using SAS for military surveillance purposes to detect seabed mines or other types of unexploded ordnances. SAS is the next generation of sonar, following SSS and multi-beam echo sounders, which while capable of producing high resolution images of objects on the seabed, only do so at short range and corresponding low ACR. SAS, on the other hand, is capable of producing ultra-high-resolution imagery at long ranges, which can be more than ten times the range of conventional SSS, all while achieving significantly higher ACR.

SAS is the underwater equivalent of synthetic aperture radar used in the satellite and communications industry. This technology is 'rare air technology' with Kraken having only a handful of competitors at the high end of the market. Customers using SAS technology are looking to get maximum ACR at the highest resolution, for the lowest cost. One factor affecting ACR is the length of the aperture (antenna). Traditional sonar technology such as SSS uses real apertures that are limited by the size of the underwater vehicle they are deployed on. SAS, on the other hand, uses the motion of the underwater vehicle along with highly sophisticated signal processing algorithms to 'spoof' the system into thinking the aperture is 40-50 times longer than it really is. The result is up to a 10-times increase in area coverage rates over traditional SSS. In other words, more area can be surveyed at a much higher resolution in less time.

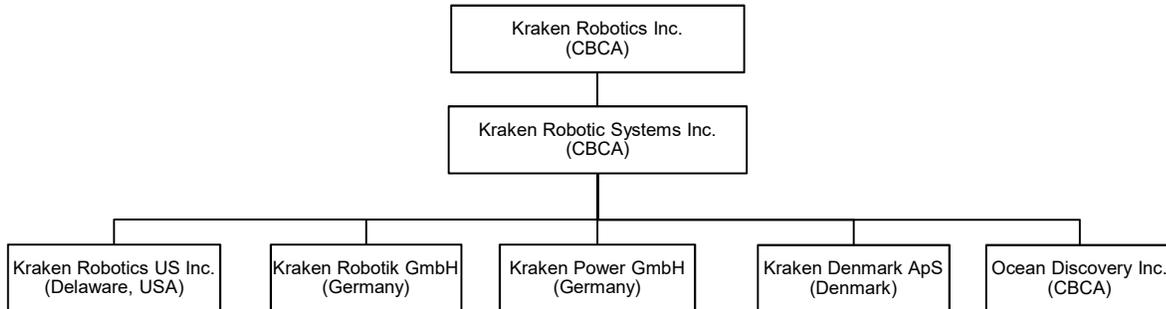
In addition to improved area coverage rate, Kraken provides this data in real time, without the traditional limitations of extensive post mission processing. Furthermore, all of Kraken's SAS systems are interferometric, meaning that they are able to simultaneously provide real-time ultra-high definition SAS bathymetry that is co-registered with the SAS imagery. Through a partnership with Teledyne CARIS Inc., a business unit of Teledyne Technologies Inc., Kraken also offers Caris Onboard, an automated hydrographic processing workflow which can combine the imagery and bathymetry into real-time hydrographic databases certified to IHO SP44 standards.

As the Company has grown, it has developed additional sensors as well as designed and produced its own UUVs. In addition to selling products, Kraken has a nascent Robotics as a Service ("**RaaS**") business. The Company believes that certain customers would prefer to hire the Company to provide product output to them (i.e. imaging

and bathymetry data) using the Company's own equipment. This is the genesis of our RaaS offering. Kraken has branded its RaaS offering as SeaScout®, a complete seabed mapping and intelligence solution.

Inter-Corporate Relationships

The chart below identifies our materials subsidiaries, as at the date hereof, including jurisdiction of formation or incorporation, all of which are 100% beneficially owned by the Company:



Recent Developments

On April 8, 2021, Moya Cahill resigned as a director of Kraken.

On April 19, 2021, Kraken announced that it had acquired 13 Robotics Ltda. (“**13R**”) of Brazil for US\$220,000 in cash. The 13R team, with offices in Rio de Janeiro and Salvador, Brazil, consists of software developers and engineers who have significant experience in underwater robotics and autonomous systems for the energy markets. 13R has completed projects for a number of global energy companies with a focus on autonomous underwater inspection in offshore oil and gas as well as renewable energy. Prior to the acquisition, a significant proportion of 13R’s work had been as a result of contracts with Kraken.

On April 27, 2021, Kraken announced that it had received a \$0.6 million order for its 6000-meter SeaPower® pressure tolerant batteries from Dive Technologies Inc. The batteries are expected to be delivered in Q3 2021.

On May 20, 2021, Kraken announced that it had received a \$0.5 million order for a 3000-meter rated AquaPix® MINSAS 120 Synthetic Aperture Sonar from an American autonomous underwater vehicle manufacturer. Delivery is expected in 2021.

On May 27, 2021, Kraken announced that it had received a second order for its 6000-meter rated AquaPix® MINSAS 120 sonars from Teledyne Gavia. This order, combined with the first order announced earlier in the year, total around \$1.75 million to \$2.0 million. Kraken expects to fulfill these orders in 2021.

On June 22, 2021, Kraken announced that it received a purchase order valued at \$0.4M from a leading international defense contractor. This work is expected to be completed in 2021.

The PanGeo Transaction

On July 20, 2021, Kraken entered into a definitive share purchase agreement (the “**PanGeo Agreement**”) for the acquisition of all of the issued share capital of PGH Capital Inc. (“**PGH Capital**”). PGH Capital operates its business through its subsidiaries, PanGeo Subsea Inc. and PanGeo Subsea Scotland Limited (which, collectively with PGH Capital, are referred to herein as “**PanGeo**”). PanGeo is a marine geophysical-geotechnical service delivery company specializing in high-resolution true 3D volumetric acoustic imaging solutions to mitigate risk in offshore installations. PanGeo offers a technology solution to clients that supports accurate positioning and continuous visualization of cables and pipelines during depth of burial surveys; helps identify buried anomalies threatening integrity of pipe/cable in parallel with depth of burial survey; and provides true 3D volumetric imaging and accurate positioning of buried infrastructure for efficient site decommissioning. Corporate headquarters are in St. John’s, Newfoundland with operations in Aberdeen, UK, and Dartmouth, Nova Scotia, Canada and a sales office in Virginia, USA.

The transaction contemplated by the PanGeo Agreement (the “**PanGeo Transaction**”) is an arm’s length transaction and PanGeo’s assets consist primarily of human capital/know-how and equipment comprised mostly of sub bottom imaging units and acoustic imaging units that are used to provide the services. Moya Cahill, an indirect shareholder of PGH Capital, who was a director of Kraken, resigned prior to the approval and execution of the non-binding letter of intent in respect of the PanGeo Transaction entered into in April 2021. Kraken’s primary business will remain the design and manufacturing of hardware in the form of sensors, power systems, and underwater robotic systems but the PanGeo Transaction will allow Kraken to build a recurring revenue stream from the provision of consulting services using Kraken technology, among other benefits. See “*Risk Factors – PanGeo Transaction*” and “*Risk Factors – Management of Growth and Acquisition Integration*”.

The Company intends to use a portion of the net proceeds of the Offering to fund the Cash Consideration (defined below) required to close the PanGeo Transaction, to repay a part of the PanGeo Indebtedness (defined below) and to fund working capital requirements for the PanGeo business. See “*Use of Proceeds*”.

The aggregate purchase price for PanGeo is up to \$23 million comprised of the following:

- \$3 million payable in immediately available funds (the “**Cash Consideration**”) on the closing date of the PanGeo Transaction (the “**PanGeo Closing Date**”);
- 12,068,965 Common Shares having a deemed value of \$0.58 each and \$7 million in the aggregate (the “**Consideration Shares**”) to be issued on the PanGeo Closing Date;
- \$4 million to be paid in cash, plus interest at a rate of 6% per annum, on the second anniversary of the PanGeo Closing Date, to be evidenced by non-transferable promissory notes (the “**Promissory Notes**”); and
- Up to an aggregate of \$9 million to be paid pursuant to an earn-out on the following terms:
 - an amount equal to 300% of the amount by which certain qualifying revenue in the one-year period immediately following the PanGeo Closing Date exceeds \$9.5 million, up to a maximum payment of \$4.5 million (the “**First Earn-Out Amount**”); and
 - the amount equal to 300% of the amount by which certain qualifying revenue in the two-year period immediately following the PanGeo Closing Date exceeds \$21.5 million, up to a maximum payment of \$4.5 million less any amount paid pursuant to the First Earn-Out Amount (the “**Second Earn-Out Amount**”, and together with the First Earn-Out Amount, the “**Earn-Out Amounts**”).

The Earn-Out Amounts will be paid within thirty (30) business days following the filing deadline date or the actual filing date on SEDAR, whichever is the earliest, of Kraken’s quarterly financial statements for the quarter that includes first or second year anniversary of the PanGeo Closing Date, as the case may be. At Kraken’s option and, subject always to the approval of the TSXV, any payments required to be made in respect of Earn-Out Amounts may be satisfied by way of a cash payment equal to 50% of the Earn-Out Amount and the issuance of Common Shares having an aggregate value equal to the remaining 50% of the Earn-Out Amount then due and payable. The Promissory Notes also provide Kraken with the option, subject to TSXV approval, to satisfy any principal amount owing under the Promissory Notes by issuing Common Shares.

Based on the unaudited consolidated financial statements prepared on a review engagement basis using Canadian accounting standards for private enterprises for the operating entities, being PanGeo Subsea Inc. and PanGeo Subsea Scotland Limited, the consolidated assets at December 31, 2020 were \$11.51 million and revenues for the same period were \$10.55 million with a corresponding net loss of \$1.84 million (which included, among others, a non-cash amortization expense of approximately \$1.42 million). These results for the operating entities were down from comparable information (also based on unaudited financial statements) for the year ended December 31, 2019 where the consolidated revenues were \$10.93 million with a corresponding net income of \$1.26 million. The year-over-year decline was largely due to the impact of COVID on customer activity.

Kraken will also assume ordinary course debt owing to a Canadian chartered bank in the amount of approximately \$1.5 million and to the Atlantic Canada Opportunities Agency of approximately \$0.688 million on closing of the

PanGeo Transaction (collectively, the “**PanGeo Indebtedness**”). The Company anticipates that it will also assume approximately \$1.1 million in cash at closing of the PanGeo Transaction.

Completion of the PanGeo Transaction is subject to certain closing conditions including, among others:

- Kraken completing a financing with gross proceeds of not less than \$10 million within 30 days of execution of the PanGeo Agreement; and
- the receipt of all required regulatory and stock exchange approvals.

COVID-19 Pandemic

The outbreak of the novel coronavirus, commonly referred to as “COVID-19”, has spread throughout North America and Europe, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and their impacts on the Company cannot be reasonably estimated at this time.

As of the date of this Prospectus Supplement, the Company has successfully continued operations under COVID-19 protocols. COVID-19 has not resulted in any material delays in the development or testing of our material development projects. The Company is not currently experiencing any significant delays or interruptions in service or product delivery. The Company’s production schedule has continued throughout COVID-19 on a modified employee schedule, with certain non-production employees working remotely. The Company has been able to operate relatively unaffected by the COVID-19 pandemic. The most notable impact has been that certain business development pursuits have taken longer to complete as international travel restrictions have hindered the performance and attendance of live product demonstrations, particularly for the Company’s newer products.

Notwithstanding the foregoing, if the Company or its vendors and suppliers are unable to continue operations or keep up with increasing demands as a result of COVID-19, customers may experience delays or interruptions in service or the delivery of products, which may be detrimental to the Company’s reputation and business. The Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 impacts the Company’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to contain it or treat its impact, including shelter in place directives, which, if extended, may impact the economies in which the Company now operates, or may in the future operate, key markets into which the Company sells products and delivers services, and markets through which the Company’s key suppliers source their products.

For additional information see also “*Risk Factors – Implications of the COVID-19 Pandemic*”.

CONSOLIDATED CAPITALIZATION

There has been no material change in the capital of the Company since March 31, 2021, the date of our financial statements for the most recently completed financial period.

The following table sets forth the capitalization of the Company as at March 31, 2021, as disclosed in the Interim Financial Statements and as adjusted to give effect to the completion of the Offering. The table should be read in conjunction with the Interim Financial Statements and Interim MD&A which are incorporated by reference in this Prospectus Supplement.

	As at March 31, 2021 before giving effect to the Offering (unaudited)	As at March 31, 2021 after giving effect to the Offering (unaudited)	As at March 31, 2021 after giving effect to the Offering and exercise in full of the Over-Allotment Option for Additional Units (unaudited)
Share Capital	Unlimited common shares	Unlimited common shares	Unlimited common shares
Common Shares	168,511,764	188,511,764	191,511,764
Warrants	Nil	10,000,000	11,500,000
Options	8,539,999	8,539,999	8,539,999

USE OF PROCEEDS

The estimated net proceeds received by the Company from the Offering (assuming no exercise of the Over-Allotment Option and assuming no President's List Purchasers) will be approximately \$9,085,000 (determined after deducting the Underwriting Commission of \$600,000 and estimated expenses of the Offering of \$315,000). See "*Plan of Distribution*".

The Company intends to use the net proceeds of the Offering to: (i) fund the Cash Consideration; (ii) provide working capital to PanGeo to accelerate the growth of its service business; (iii) to repay a portion of the PanGeo Indebtedness; and (iv) for general working capital for Kraken to strengthen its balance sheet and provide flexibility to position the company for future growth. The following table provides additional details as to the estimated uses of the net proceeds of the Offering:

PRINCIPAL PURPOSES	APPROXIMATE USE OF NET PROCEEDS OF OFFERING
Cash Consideration	\$3,000,000.00
Working capital to accelerate the growth of PanGeo's service business	\$2,000,000.00
Partial repayment of the PanGeo Indebtedness	\$688,000.00
Working capital and general corporate purposes	\$3,397,000.00
Total	\$9,085,000.00

If the Over-Allotment Option is exercised in full (and assuming no President's List Purchasers), the estimated net proceeds received by the Company from the Offering will be \$10,495,000 (determined after deducting the Underwriting Commission of \$690,000 and estimated expenses of the Offering of \$315,000). If the Over-Allotment Option is exercised, the additional net proceeds to the Company from the exercise of the Over-Allotment Option, if any, are expected to support further working capital and general corporate purposes.

The above noted allocation represents the Company's intentions with respect to its use of proceeds based on current knowledge, planning and expectations of management of the Company. The current COVID-19 pandemic as well as future developments in the Company's business or unforeseen events, including those listed under "*Risk Factors*" in this Prospectus Supplement, the Prospectus and the Annual Information Form may impact the allocation. Management of the Company will retain broad discretion in allocating the net proceeds of the Offering and the Company's actual use of the net proceeds will vary depending on the availability and suitability of investment opportunities and its operating and capital needs from time to time.

Potential investors are cautioned that, notwithstanding the Company's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of the net proceeds may be advisable for reasons that management believes, in its discretion, are in the Company's best interests. See "*Risk Factors – Discretion in the Use of Proceeds*".

Until applied, the net proceeds of the Offering will be held as cash balances in the Company's bank account or invested in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof.

Business Objectives and Milestones

The primary business objectives for the Company over the next 12 months are to (i) execute on recent large KATFISH™ and ALARS orders, including those from the Royal Danish Navy and the Polish Navy, which will be funded out of Kraken's existing cash flow with full delivery of these orders anticipated between Q4 2021 and 2023; (ii) complete the PanGeo Transaction, including the repayment of a portion of the PanGeo Indebtedness using the net proceeds of the Offering; (iii) grow PanGeo's service business and offerings by investing \$2 million in working capital from the net proceeds of the Offering; (iv) further advance new product initiatives towards commercialization as part of OceanVision, including ThunderFish and Multispectral SAS, the Company's in-development ultra-wideband acoustic remote sensing system for seafloor imaging and mapping; and (v) strengthen Kraken's balance

sheet to add flexibility to fund the Company's growth strategies and allow Kraken to bid on additional large product orders.

Kraken anticipates that certain significant events will need to occur to achieve the above objectives, including but not limited to (i) successfully integrating PanGeo's business into Kraken's business, continuing to build and acquire RaaS sensor and system products, and evaluating additional value-add services for RaaS customers; (ii) completing additional field evaluation trials of our sensor and system products; and (iii) continuing to partner with AUV manufacturers, defense contractors, and system integrators who incorporate Kraken sensors and systems into their overall offerings.

See also "The Company – Recent Developments – COVID-19 Pandemic" and "Risk Factors - Implications of the COVID-19 Pandemic".

PRIOR SALES

The following table sets forth the details regarding all issuances of Common Shares and securities convertible or exchangeable into Common Shares, during the 24-month period preceding the date of this Prospectus Supplement.

Date	Type of Security Issued	Number/Principal Amount of Securities Issued	Issue or Exercise Price per Security
July 16, 2021	Common Shares ⁽³⁾	90,000	\$0.25
July 14, 2021	Common Shares ⁽³⁾	50,000	\$0.25
July 6, 2021	Common Shares ⁽³⁾	160,000	\$0.25
May 3, 2021	Common Shares ⁽³⁾	83,333	\$0.25
April 19, 2021	Common Shares ⁽³⁾	3,923	\$0.53
March 24, 2021	Common Shares ⁽³⁾	6,667	\$0.53
March 13, 2021	Common Shares ⁽³⁾	123,500	\$0.53
March 11, 2021	Common Shares ⁽³⁾	1,500	\$0.25
February 23, 2021	Common Shares ⁽³⁾	100,000	\$0.25
February 22, 2021	Common Shares ⁽³⁾	16,667	\$0.53
February 21, 2021	Common Shares ⁽³⁾	450,000	\$0.18
October 26, 2020	Common Shares ⁽²⁾	15,500,000	\$0.67
October 8, 2020	Common Shares ⁽¹⁾	495,000	\$0.60
September 22, 2020	Common Shares ⁽³⁾	8,333	\$0.18
September 10, 2020	Common Shares ⁽³⁾	300,000	\$0.18
September 8, 2020	Common Shares ⁽³⁾	300,000	\$0.18
August 31, 2020	Common Shares ⁽³⁾	200,000	\$0.21
August 27, 2020	Common Shares ⁽³⁾	93,334	\$0.30
August 12, 2020	Common Shares ⁽³⁾	50,000	\$0.18
August 11, 2020	Common Shares ⁽³⁾	50,000	\$0.18
August 11, 2020	Common Shares ⁽³⁾	5,000	\$0.18
August 4, 2020	Options	300,000	\$0.51
July 13, 2020	Options	1,500,000	\$0.57
July 7, 2020	Common Shares ⁽³⁾	25,000	\$0.18
June 1, 2020	Common Shares ⁽³⁾	2,000,000	\$0.21
February 3, 2020	Common Shares ⁽³⁾	8,333	\$0.53
January 15, 2020	Common Shares ⁽³⁾	166,667	\$0.25
January 3, 2020	Common Shares ⁽³⁾	25,000	\$0.18
December 18, 2019	Common Shares ⁽³⁾	8,333	\$0.18
December 17, 2019	Common Shares ⁽⁴⁾	236,258	\$0.62
November 13, 2019	Common Shares ⁽³⁾	300,000	\$0.15
October 9, 2019	Common Shares ⁽³⁾	600,000	\$0.15
October 7, 2019	Common Shares ⁽³⁾	13,333	\$0.18
September 9, 2019	Options	2,755,000	\$0.53
July 15, 2019	Options	400,000	\$0.63
July 15, 2019	Options	1,500,000	\$0.63
July 15, 2019	Options	1,000,000	\$0.63

Notes:

- (1) Common Shares issued pursuant to an exercise of broker warrants.

- (2) Common Shares issued pursuant to a bought deal short form prospectus offering.
- (3) Common Shares issued pursuant to an exercise of options.
- (4) Common Shares issued as consideration for the acquisition of 75% interest in Kraken Power GmbH.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed on the TSXV under the trading symbol “PNG” and trade in the United States on the OTCQB under the trading symbol “KRKNF”. The following table sets forth information relating to the trading of the Common Shares on the TSXV for the periods indicated.

Period	High (\$)	Low (\$)	Volume
July 1 – 21, 2021	0.60	0.47	7,012,516
June 2021	0.66	0.57	2,569,546
May 2021	0.64	0.55	2,891,668
April 2021	0.73	0.61	3,589,528
March 2021	0.83	0.69	6,776,523
February 2021	1.16	0.59	21,108,385
January 2021	0.72	0.55	5,736,374
December 2020	0.61	0.54	5,049,253
November 2020	0.64	0.54	5,242,141
October 2020	0.83	0.59	9,297,444
September 2020	0.83	0.53	9,923,138
August 2020	0.59	0.51	2,922,839
July 2020	0.62	0.50	4,348,997

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of 20,000,000 Units, with each Unit consisting of one Unit Share and one-half of one Warrant. The Units will immediately separate into Unit Shares and Warrants upon issuance.

Common Shares

The Unit Shares and Warrant Shares will have all of the characteristics, rights and restrictions of our Common Shares. The authorized capital of the Company consists of an unlimited number of Common Shares. As at July 21, 2021, the Company had 169,124,020 Common Shares issued and outstanding.

Holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of Kraken, to receive notice of and one vote per Common Share at meetings of shareholders and, upon liquidation, dissolution or winding up of Kraken, to share rateably in such assets of Kraken as are distributable to the holders of Common Shares.

Warrants

The Warrants will be issued under and governed by the Warrant Indenture to be entered into on the Closing Date between the Company and the Warrant Agent, as agent for the holders of the Warrants. The following description is subject to the detailed provisions of the Warrant Indenture. Reference should be made to the Warrant Indenture for the full text of attributes of the Warrants.

Each Warrant will be transferable and will entitle the holder thereof to acquire one Warrant Share at an exercise price of \$0.60 per Warrant Share until 4:30 p.m. (Toronto time) on the date that is 2 years following the Closing Date, subject to adjustment in certain circumstances including the Warrant Expiry Acceleration (as defined below), after which time the Warrants will expire.

If at any time after the Closing Date the closing price of the Common Shares on the TSXV, or such other stock exchange where the majority of the trading volume occurs, exceeds or is equal to \$0.80 per Common Share (on a

volume-weighted adjusted basis) for a period of twenty (20) consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date of the Warrants to the date that is 30 calendar days after the Company issues a press release announcing that it has exercised such acceleration right (the “**Warrant Expiry Acceleration**”).

The Warrants may be issued in uncertificated form. Any Warrants issued in certificated form shall be evidenced by a warrant certificate in the form attached to the Warrant Indenture. All Warrants issued in the name of CDS may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book-entry position on the register of Warrant holders, which will be maintained by the Warrant Agent at its principal offices in Toronto, Ontario. The Company appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which the Warrants may be surrendered for exercise, transfer or exchange.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and the exercise price per Warrant Share will be subject to adjustment in the event of a subdivision or consolidation of the Common Shares. The Warrant Indenture will also provide that if there is (a) a reclassification or change of the Common Shares, (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification, or change of the Common Shares into other shares, or (c) any sale, lease, exchange or transfer of the Company’s assets as an entity or substantially as an entirety to another entity, then each holder of a Warrant which is thereafter exercised shall receive, in lieu of Common Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least one percent (1%) in the exercise price or a change in the number of Warrant Shares issuable upon exercise by at least one one-hundredth (1/100) of a Warrant Share, as the case may be. Furthermore, no adjustment will be made in the right to acquire Warrant Shares if an issue of Common Shares of the Company is being made in connection with a share incentive plan, restricted share plan or share purchase plan for the benefit of directors, officers, employees, consultants or other service providers, or the satisfaction of existing instruments issued as of the date of the Warrant Indenture.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to the Warrant Agent and to the holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 10 days prior to the record date or effective date of any such event.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants and no cash or other consideration will be paid in lieu of fractional Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Company may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then-outstanding Warrants by the affirmative vote of the holders of Warrants representing not less than 66⅔% of the aggregate number of Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then-outstanding Warrants.

The Warrants and Warrant Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of the applicable state of the United States, and the Warrants will not be exercisable by or on behalf of a person in the United States or a “U.S. person” (as defined in Regulation S under the U.S. Securities Act, “**U.S. Person**”), nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and the securities laws of the applicable state of the United States is available and the Corporation has received an opinion of legal counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the

Corporation. Notwithstanding the foregoing, a holder who is a “qualified institutional buyers” (“**Qualified Institutional Buyers**”) within the meaning of Rule 144A under the U.S. Securities Act that is also an “accredited investor” (“**Accredited Investor**”) within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act at the time of exercise of the Warrants who purchased Units in the Offering directly or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of legal counsel or such other evidence in connection with the exercise of Warrants that are a part of those Units if such holder is still a Qualified Institutional Buyer that is also an Accredited Investor at the time of exercise.

PLAN OF DISTRIBUTION

The Units will be offered in each of the provinces of Canada and subject to applicable law and the Underwriting Agreement, certain jurisdictions outside of Canada. Pursuant to the Underwriting Agreement, the Company has agreed to issue and sell and the Underwriters have severally agreed to purchase, as principals, on the Closing Date, a total of 20,000,000 Units at the Offering Price of \$0.50 per Unit, payable in cash to the Company against delivery. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of “restrictions on distribution”, “regulatory out”, “disaster out”, “material adverse change” and “material breach” provisions in the Underwriting Agreement and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement.

The Offering Price and certain other terms of the Offering have been determined by arm’s length negotiations between the Company and the Lead Underwriter, on behalf of the Underwriters.

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Over-Allotment Option exercisable in whole or in part in the sole discretion of the Underwriters at any time until the date which is 30 days following the Closing Date, to purchase up to an additional 3,000,000 Units, at Offering Price, solely to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised to purchase: (a) up to 3,000,000 Additional Units at the Offering Price per Additional Unit, (b) up to 3,000,000 Additional Shares at \$0.43 per Additional Share; (c) up to 1,500,000 Additional Warrants at \$0.14 per Additional Warrant; or (d) any combination of Additional Units, Additional Shares and/or Additional Warrants, provided that (i) the number of Additional Units does not exceed 3,000,000, (ii) the number of Additional Shares does not exceed 3,000,000, and (iii) the number of Additional Warrants does not exceed 1,500,000. This Prospectus Supplement and the Prospectus also qualify the grant of the Over-Allotment Option and the distribution of any Additional Securities upon exercise of the Over-Allotment Option. Any purchaser who acquires Additional Securities forming part of the over-allotment position of the Underwriters pursuant to the Over-Allotment Option acquires such securities under this Prospectus Supplement and the Prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subject to alternative arrangements in respect of President’s List Purchasers, subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Except in limited circumstances, on the Closing Date, the Units, which are immediately separable into Unit Shares and Warrants, will be available for delivery in book-entry form or the non-certificated inventory system of CDS or, its nominee, and will be deposited with CDS on the closing of the Offering (subject to certain limited exceptions). Purchasers of Units will receive only a customer confirmation from the registered dealer who is a CDS Participant from or through whom Units are purchased. Physical certificates evidencing Unit Shares and Warrants will not be issued except in limited circumstances.

Kraken has applied to list the Unit Shares and the Warrant Shares on the TSXV. Listing will be subject to Kraken fulfilling all listing requirements of the TSXV. Closing of the Offering is conditional on the Unit Shares and the Warrant Shares being conditionally listed or approved for listing on the TSXV, subject to standard listing conditions.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this Prospectus Supplement. This may affect the price of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “*Risk Factors*”.

The Offering is expected to close on or about July 26, 2021, or such other date as may be agreed upon between the Company and the Lead Underwriter and, in any event, on or before a date not later than 42 days following the filing of the Prospectus Supplement.

In consideration for the Underwriters' services, the Company has agreed to pay in cash to the Underwriters the Underwriting Commission equal to 6.0% of the gross proceeds raised in respect of the Offering, except in respect of sales of Units to President's List Purchasers, in respect of which the Underwriting Commission will be reduced to 3.0% up to a maximum of \$3,000,000.

The Company estimates that the total expenses of the Offering payable by the Company, not including the Underwriting Commission, will be approximately \$315,000. Pursuant to the Underwriting Agreement, the Company has agreed to pay the out-of-pocket expenses of the Underwriters, and reasonable fees and disbursements of the Underwriters' counsel, subject to an agreed upon maximum.

Pursuant to the Underwriting Agreement, the Company, each of its directors and senior officers and each person holding 10% or more of the Company's outstanding Common Shares have agreed to enter into a lock-up undertaking in favour of the Underwriters pursuant to which such person (and each of such person's associates and affiliates) will agree, for so long as such person is a director and/or a senior officer, not to directly or indirectly offer, issue, contract to sell, sell, grant any option to purchase, pledge, or otherwise transfer, dispose of or monetize, or engage in any transaction or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into Common Shares for a period of 90 days after the initial Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters (such consent not to be unreasonably withheld), other than in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements, provided that the exercise price thereof shall not be less than the Offering Price; (ii) the exercise of convertible securities of the Company outstanding as of the date of the Underwriting Agreement; (iii) obligations of the Company in respect of agreements existing as of the date of the Underwriting Agreement; (iv) the issuance of securities by the Company in connection with acquisitions in the normal course of business; or (v) in the case of a person other than the Company, in order to accept a bona fide take-over bid made to all securityholders of the Company or similar business combination transaction.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriter against certain liabilities, including liabilities under Canadian securities laws, and, where such indemnification is unavailable, to contribute to payments that the Underwriters may be required to make in respect of such liabilities.

The summary of certain provisions of the Underwriting Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the provisions of the Underwriting Agreement, a copy of which has been filed with the securities commissions in Canada and is available on SEDAR at www.sedar.com.

Pursuant to the policies of certain Canadian securities regulators, the Underwriters may not, throughout the period of distribution under this Prospectus Supplement, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, including: (a) a bid or purchase permitted under the bylaws and rules of applicable regulatory authorities and stock exchanges, including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market-making activities; (b) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution; (c) a bid or purchase to cover a short position entered into prior to the distribution; and (d) transactions in compliance with U.S. federal securities laws. Any such trades are permitted only on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares.

Each Underwriter has agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable U.S. federal securities laws and the securities laws of the applicable state of the United States, it will not offer or sell the Units at any time to, or for the account or benefit of, any person in the United States or any U.S. Person as part of its distribution. The Underwriting Agreement permits the Underwriters acting through its United States broker-dealer affiliate to reoffer and resell the Units that they have acquired pursuant to the Underwriting Agreement in the United States and to, or for the account or benefit of U.S. Persons, that are Qualified Institutional Buyers in compliance with Rule 144A under the U.S. Securities Act and applicable U.S. state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Units outside the United States to non-U.S. Persons only in accordance with Rule 903 of Regulation S. The Units, and the Unit

Shares and Warrants comprising the Units, that are offered or sold to, or for the account or benefit of, a person in the United States or a U.S. Person, and any Warrant Shares issued upon the exercise of such Warrants, will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and will be subject to restrictions to the effect that such securities have not been registered under the U.S. Securities Act or the securities laws of the applicable state of the United States and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and the securities laws of the applicable state of the United States.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Units offered under the Offering in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

RISK FACTORS

An investment in the Units involves a high degree of risk and must be considered speculative due to the nature of the Company’s business and present stage of development. Before making an investment decision, prospective purchasers of Units should carefully consider the information described in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein. There are certain risks inherent in an investment in the Units, including the factors described below and under the heading “Risk Factors” in the Annual Information Form and under the heading “Risks and Uncertainties” in the Interim MD&A, and any other risk factors described herein or in a document incorporated by reference herein, which investors should carefully consider before investing. Some of the factors described herein, in the documents incorporated by reference herein, and/or the Prospectus are interrelated and, consequently, investors should treat such risk factors as a whole. If any of the risk factors described herein, in the Prospectus, the Annual Information Form or in another document incorporated by reference herein or in the Prospectus occur, it could have a material adverse effect on the business, financial condition and results of operations of the Company. Additional risks and uncertainties of which the Company currently is unaware or that are unknown or that it currently deems to be immaterial could have a material adverse effect on the Company’s business, financial condition and results of operation. The Company cannot assure purchasers that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the risks described herein, in the Annual Information Form, in the other documents incorporated by reference herein or in the Prospectus or other unforeseen risks.

Risks Related to the Company

Implications of the COVID-19 Pandemic

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to protect against the spread of the virus. These measures, which include, among other things, limitations on travel, self-imposed quarantine periods and social distancing measures, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any government and/or central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Global pandemics (like the COVID-19 pandemic) and other public health threats, or a fear thereof, could adversely impact our production operations, sales efforts, lead to labour shortages, and severely impact supply chain logistics including travel and shipping disruptions and shutdowns (including as a result of government regulation and prevention measures) affecting production and delivery of the raw materials we need to operate and deliver our products to customers. It is unknown whether and how the Company may be affected if such an occurrence persists for an extended period of time but we anticipate that it would have a material adverse effect on our business, operating results and financial performance. In addition, the Company may also be required to incur additional expenses and/or delays relating to such events which could have a further negative impact on our business, operating results and financial performance.

The risks associated with global COVID-19 measures, and the Company's own protocols, may have a material impact on the Company's ability to grow its business and generate revenue, which in turn could materially impact the Company's financial condition and results from operations. The Company is actively addressing risks to its business from COVID-19 through a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. For additional information see, "*The Company – Recent Developments – COVID-19 Pandemic*".

PanGeo Transaction

The closing of the PanGeo Transaction is conditional upon the completion of the Offering and will close only after completion of the Offering. Accordingly, there can be no assurance that the PanGeo Transaction will close within the timeframe currently anticipated by the Company, or at all.

Management of Growth and Acquisition Integration

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, any negative impact may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

In addition, the realization of the benefits of acquisitions made by the Company, including, if/when completed, the acquisition of PanGeo depend in part on successfully consolidating functions and integrating and leveraging operations, procedures and personnel in a timely and efficient manner as well as the Company's ability to share knowledge and realize revenues, synergies and other growth opportunities from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may depend on a number of factors, including without limitation: (i) the input of substantial management effort, time and resources; (ii) the successful incorporation of key personnel from acquired companies for post-acquisition periods; and (iii) the execution of effective non-competition agreements with certain employees or ex-employees of the acquired companies. The Company does not expect significant acquisition integration risk, as PanGeo's management team is also headquartered, and has significant operations, in Newfoundland and Nova Scotia. Notwithstanding, any failure in successfully integrating acquired businesses may result in a material adverse effect on the Company's business, financial condition, operating results and prospects.

Furthermore, there is no guarantee that the Company will be able to continue developing operations in its current jurisdictions or expand into new jurisdictions. Any such activities will require, among other things, various regulatory and other third-party approvals, licenses and permits and there is no guarantee that any or all required approvals, licenses and permits will be obtained.

Negative Cash Flow from Operations

The Company had negative operating cash flow for the financial year ended December 31, 2019 and positive operating cash flow for the financial year ended December 31, 2020. As at March 31, 2021, the Company had a net working capital balance of \$10,530,865. The Company cannot guarantee it will have a cash flow positive status in the future. To the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Risks Related to the Offering

Completion of Offering Not Guaranteed

The completion of the Offering is subject to the completion of definitive binding documentation and satisfaction of a number of conditions. There can be no certainty that the Offering will be completed.

An Investment in the Units is Speculative

There is no guarantee that the Units will earn any positive return in the short term or long term. An investment in the Units and the Company's prospects generally, are speculative due to the risky nature of its business and the

present state of its development. Investors may lose their entire investment and should carefully consider the risk factors described below and under the heading “*Risk Factors*” in the Annual Information Form.

Discretion in the Use of Proceeds

The Company intends to allocate the net proceeds it will receive from the Offering as described under “*Use of Proceeds*” in this Prospectus Supplement, however, the Company’s management will have broad discretion in the actual application of the net proceeds. There may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company’s sole discretion and an investor will be relying on the judgment of management for the application of the proceeds.

The Company may elect to allocate the net proceeds differently from that described in “*Use of Proceeds*” in this Prospectus Supplement if the Company believes it would be in the Company’s best interests to do so. Purchasers of Units may not agree with the manner in which the Company chooses to allocate and spend the net proceeds from the Offering. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company’s results of operations may suffer.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives, including with respect to the expansion of its product offerings, completing future acquisitions, and entering into strategic partnerships. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will then require additional financing to fund its operations until positive cash flow is achieved, see “*Risk Factors – Negative Cash Flow from Operations*”.

Volatile Market Price of Company’s Securities

The market price of the Company’s securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control. This volatility may affect the ability of holders of such securities to sell their securities at an advantageous price. Market price fluctuations in the Company’s securities may be due to the Company’s operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts’ estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the securities of the Company.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company’s securities may decline even if the Company’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the trading price of the Company’s may be materially adversely affected. As at the date of this Prospectus Supplement, only the Common Shares are listed on a securities exchange and may be purchased in the secondary market.

Risk Factors Related to Dilution

The Company may issue additional securities in the future, which may dilute a shareholder’s holdings in the Company. The Company’s articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the

Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding Warrants.

Market for Securities

There is currently no market through which the Warrants, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, such unlisted Warrants may not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell such unlisted securities purchased under this Offering. This may affect the pricing of our securities, other than our Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for our securities, other than our Common Shares, will develop or, if developed, that any such market, including for our Common Shares, will be sustained.

Profitability

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. The marine robotics industry requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its research and development efforts or in the future reduce its marketing efforts or forego certain business opportunities.

Warrants are Speculative in Nature and May Not Have Any Value

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Warrant Shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Warrants may exercise their right to acquire Warrant Shares and pay an exercise price of \$0.60 per Warrant Share, subject to adjustment in certain circumstances, prior to the date that is 2 years following the Closing Date, subject to the Warrant Expiry Acceleration, after which date any unexercised Warrants will expire and have no further value. Following completion of the Offering, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise the Warrants.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Gowling WLG (Canada) LLP, counsel to the Company, and Goodmans LLP, counsel to the Underwriters, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations under *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**") generally applicable to a holder who acquires Unit Shares and Warrants comprising the Units pursuant to the Offering, and Warrant Shares upon exercise of the Warrants, and who, for the purposes of the Tax Act and Regulations and at all relevant times, deals at arm's length with the Company and the Underwriters, is not affiliated with the Company or the Underwriters and who acquires and holds the Unit Shares, Warrants and Warrant Shares as capital property (a "**Holder**").

Generally, the Unit Shares, Warrants and Warrant Shares will be considered to be capital property to a Holder thereof provided that the Holder does not hold or use the Unit Shares, Warrants or Warrant Shares in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them (or been deemed to have acquired them) in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder: (i) that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act; (ii) an interest in which is or would constitute a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; (iv) that is a corporation resident in Canada (for the purposes of the Tax Act) or a corporation that does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada, and that is or becomes as part of a transaction or event or series

of transactions or events that includes the acquisition of the Units or the Warrant Shares, controlled by a non-resident person or a group of non-resident persons not dealing with each other at arm's length, for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act; (v) that reports its "Canadian tax results" as defined in the Tax Act in a currency other than Canadian currency; (vi) that is exempt from tax under Part I of the Tax Act; (vii) that has entered into, or will enter into, a "synthetic disposition arrangement" or a "derivative forward agreement" with respect to the Unit Shares, Warrants or Warrant Shares, as those terms are defined in the Tax Act; or (viii) that receives dividends on the Unit Shares or Warrant Shares under or as part of a "dividend rental arrangement" as defined in the Tax Act. Such Holders should consult their own tax advisors with respect to an investment in the Units.

This summary does not address the deductibility of interest by a Holder who borrows money or otherwise incurs debt in connection with the acquisition of Unit Shares, Warrants or Warrant Shares.

This summary is based upon the current provisions of the Tax Act and the Regulations in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations (the "**Tax Proposals**") which have been publicly announced by or on behalf the Minister of Finance (Canada) prior to the date hereof, the current provisions of the *Canada-United States Tax Convention* (1980), as amended (the "**Canada-U.S. Tax Convention**") and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") publicly available prior to the date of this Prospectus Supplement. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies or assessing practices, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal, business, or income tax advice to any particular Holder. Holders should consult their own income tax advisors with respect to the tax consequences applicable to them having regard to their own particular circumstances.

Allocation of Offering Price

Holders will be required to allocate the Offering Price between the Unit Share and the one-half of a Warrant comprising a Unit on a reasonable basis in order to determine their respective costs for the purposes of the Tax Act. The Company intends to allocate \$0.43 of the Offering Price to each Unit Share and \$0.07 of the Offering Price to each one-half Warrant acquired as part of a Unit. As of the date of this Prospectus Supplement, the Company believes that such allocation is reasonable, but such allocation will not be binding on the CRA or a Holder, and counsel express no opinion with respect to such allocation. The adjusted cost base to a Holder of a Unit Share acquired as part of a Unit will be determined by averaging the cost of such Unit Share with the adjusted cost base of all other Common Shares of the Company held by the Holder as capital property immediately before such acquisition.

Exercise of Warrants

The exercise of a Warrant to acquire a Warrant Share will not constitute a disposition of property for the purposes of the Tax Act and, consequently, no gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all other Common Shares of the Company held as capital property immediately before the acquisition of the Warrant Share.

Holders Resident in Canada

The following portion of this summary is generally applicable to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is resident or deemed to be resident in Canada at all relevant times (each, a "**Resident Holder**"). Certain Resident Holders whose Unit Shares and Warrant Shares might not

otherwise qualify as capital property may, in certain circumstances, be entitled to make, or may already have made, an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Unit Shares and Warrant Shares, and every “Canadian security” (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years, deemed to be capital property. This election does not apply to the Warrants. Any Resident Holder contemplating making a subsection 39(4) election should consult their tax advisor for advice as to whether the election is available or advisable in their particular circumstances.

Expiry of Warrants

The expiry of an unexercised Warrant generally will result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See discussion below under the subheading “*Taxation of Capital Gains and Capital Losses*”.

Taxation of Dividends Received by Resident Holders

A Resident Holder who receives or is deemed to receive a dividend on a Unit Share or Warrant Share in a taxation year will generally be required to include the amount of the dividend in the Resident Holder’s income for the taxation year. In the case of a Resident Holder who is an individual (including certain trusts), dividends (including deemed dividends) received on the Unit Shares or Warrant Shares will be included in the Resident Holder’s income and be subject to the gross-up and dividend tax credit rules generally applicable to taxable dividends received by an individual from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for “eligible dividends” properly designated as such by the Company. There may be limitations on the Company’s ability to designate dividends and deemed dividends as eligible dividends. Taxable dividends received by such Resident Holder may give rise to minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

In the case of a Resident Holder that is a corporation, such dividends (including deemed dividends) received on the Unit Shares or Warrant Shares will be included in the Resident Holder’s income and will normally be deductible in computing such Resident Holder’s taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is in a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or “subject corporation” (as such terms are defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Unit Shares or Warrant Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income for the year. This refundable tax generally will be refunded to a Resident Holder that is a corporation when sufficient taxable dividends are paid to its shareholders while it is a private corporation or subject corporation.

Disposition of Unit Shares, Warrants and Warrant Shares

A Resident Holder who disposes of, or is deemed to have disposed of, a Unit Share or Warrant Share (other than to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market), or a Warrant (other than on the expiry or exercise thereof), will realize a capital gain (or incur a capital loss) equal to the amount by which the proceeds of disposition in respect of the Unit Share, Warrant Share or Warrant exceed (or are exceeded by) the aggregate of: (i) the adjusted cost base to the Resident Holder of such Unit Share, Warrant Share or Warrant immediately before the disposition and; (ii) any reasonable expenses incurred for the purpose of making the disposition. The adjusted cost base to a Resident Holder of a Unit Share acquired pursuant to the Offering or a Warrant Share acquired pursuant to the exercise of a Warrant will be calculated as set out under the subheadings “*Allocation of Offering Price*” and “*Exercise of Warrants*” above. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “*Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder must be included in the Resident Holder’s income for the taxation year in which the disposition (or deemed disposition) occurs.

Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss incurred by a Resident Holder (an “**allowable capital loss**”) must generally be deducted from taxable capital gains realized by the Resident Holder in the taxation year in which the disposition (or deemed disposition) occurs. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition (or deemed disposition) generally may be carried back and deducted in the three preceding taxation years or carried forward and deducted in any subsequent year against taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Unit Shares or Warrant Shares by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends which have been previously received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and under the circumstances specified by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or that itself is a member of a partnership or a beneficiary of a trust that owns such shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors. A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” for the year, which will include taxable capital gains.

Capital gains realized (or deemed to be realized) and dividends received (or deemed to be received) by a Resident Holder that is an individual (other than certain trusts) may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of minimum tax.

Holders Not Residents in Canada

The following portion of this summary is generally applicable to a Holder who, (i) for purposes of the Tax Act and at all relevant times, is not, and is not deemed to be, resident in Canada and does not use or hold, and will not be deemed to use or hold, Unit Shares, Warrant Shares or Warrants in the course of carrying on a business in Canada; (ii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere; and (iii) is not an authorized foreign bank (as defined in the Tax Act) (each, a “**Non-Resident Holder**”). The term “**U.S. Holder**,” for the purposes of this summary, means a Non-Resident Holder who, for purposes of the Canada-U.S. Tax Convention, is at all relevant times a resident of the United States and is a “qualifying person” within the meaning of the Canada-U.S. Tax Convention.

Taxation of Dividends

Subject to an applicable international tax treaty or convention, dividends paid or credited, or deemed to be paid or credited, to a Non-Resident Holder on the Unit Shares or Warrant Shares will generally be subject to Canadian withholding tax under the Tax Act at the rate of 25% of the gross amount of the dividend. Such rate is generally reduced under the Canada-U.S. Tax Convention to 15% if the beneficial owner of such dividend is a U.S. Holder. The rate of withholding tax is further reduced to 5% if the beneficial owner of such dividend is a U.S. Holder that is a company that owns, directly or indirectly, at least 10% of the voting stock of the Company. Non-Resident Holders should consult their own tax advisors in this regard.

Disposition of Unit Shares, Warrants and Warrant Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Unit Share, Warrant or Warrant Share, unless the Unit Share, Warrant or Warrant Share constitutes “taxable Canadian property” to the Non-Resident Holder thereof for purposes of the Tax Act at the time of the disposition and are not “treaty-protected property” (as defined in the Tax Act) of the Non-Resident Holder at the time of the disposition.

Provided the Unit Shares and Warrant Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSXV), at the time of disposition, the Unit Shares, Warrants and Warrant Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition, the following two conditions are met concurrently: (i) 25% or more of the issued shares of any class or series of the share capital of the Company was owned by, or belonged to, one or any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm’s length (within the meaning of the Tax Act), and (z) partnerships in which the

Non-Resident Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships, and (ii) more than 50% of the fair market value of the Common Shares, was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada, (B) Canadian resource property (as defined in the Tax Act), (C) timber resource property (as defined in the Tax Act), and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists. Notwithstanding the foregoing, Unit Shares, Warrants and Warrant Shares may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for the purposes of the Tax Act.

If Unit Shares, Warrants or Warrant Shares are taxable Canadian property of a Non-Resident Holder and are not “treaty-protected property” (as defined in the Tax Act) of the Non-Resident Holder at the time of their disposition, such Non-Resident Holder may realize a capital gain (or capital loss) on the disposition of those Unit Shares, Warrants, or Warrant Shares, and the consequences above under the subheading “*Taxation of Capital Gains and Capital Losses*” will generally apply.

Non-Resident Holders whose Unit Shares, Warrants or Warrant Shares are taxable Canadian property should consult their own advisors.

DIVIDEND POLICY

The Company has not declared any dividends or distributions on the Common Shares since incorporation. The Company intends to retain its earnings, if any, to finance the growth and development of Kraken’s operations and does not presently anticipate paying any dividends or distributions in the foreseeable future. The board of directors of the Company may, however, declare from time to time such cash dividends or distributions out of the monies legally available for dividends or distributions as the board of directors considers advisable. Any future determination to pay dividends or make distributions will be at the discretion of the board of directors and will depend on Kraken’s capital requirements, results of operations and such other factors as the board of directors considers relevant.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon on behalf of the Company by Gowling WLG (Canada) LLP, as to Canadian legal matters. Certain legal matters in connection with the Offering will be passed upon on behalf of the Underwriters by Goodmans LLP.

As of the date of this Prospectus Supplement, the partners and associates of Gowling WLG (Canada) LLP and Goodmans LLP beneficially own, directly or indirectly, in the aggregate less than 1% of the issued and outstanding Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP are the auditors of the Company and have confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

The registrar and transfer agent for the Common Shares and the warrant agent for the Warrants is Computershare Investor Services Inc. with an office at 510 Burrard Street, 2nd Floor Vancouver, British Columbia V6C 3B9.

ELIGIBILITY FOR INVESTMENT

In the opinion of Gowling WLG (Canada) LLP, counsel the Company and Goodmans LLP, counsel to the Underwriters, based on the current provisions of the Tax Act and the Regulations in force as of the date hereof and the Tax Proposals, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account, each as defined in the Tax Act (each a “**Registered Plan**”) or a deferred profit sharing plan (a “**DPSP**”) (each as defined in the Tax Act), provided that:

- (A) in the case of the Unit Shares and Warrant Shares, the Unit Shares or Warrant Shares (as applicable) are, at all relevant times, listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV) or the Company otherwise qualifies as a “public corporation” (each as defined in the Tax Act); and
- (B) in the case of the Warrants, the Warrant Shares are qualified investments as described in (A) above and neither the Company, nor any person with whom the Company does not deal at arm’s length, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, such Registered Plan or DPSP.

Notwithstanding the foregoing, the annuitant, holder or subscriber of a Registered Plan, as the case may be, (each, a “**Registered Holder**”), will be subject to a penalty tax if the Unit Shares, Warrants or Warrant Shares held in a Registered Plan are a “prohibited investment” for that Registered Plan pursuant to the Tax Act. The Unit Shares, Warrants and Warrant Shares will generally be a “prohibited investment” for a particular Registered Plan if a Registered Holder in respect thereof has a “significant interest” (as defined in subsection 207.01 of the Tax Act) in the Company or the Registered Holder does not deal at arm’s length with the Company for the purposes of the Tax Act. The Unit Shares and Warrant Shares will not be a prohibited investment if they are “excluded property” as defined in the Tax Act for trusts governed by a Registered Plan.

Purchasers who intend to hold Unit Shares, Warrants and Warrant Shares through a Registered Plan or DPSP should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers of the Units with the right to withdraw from an agreement to purchase the Units which right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment or supplement thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation or are not sent or delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

Original purchasers of securities under this Prospectus (as supplemented or amended) that are convertible, exchangeable or exercisable securities will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such securities. The contractual right of rescission will entitle such original purchasers to receive, in addition to the amount paid on original purchase of any securities, the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus Supplement (as amended) or the Prospectus (as amended) contains a misrepresentation, provided that both the conversion, exchange or exercise occurs, and the right of rescission is exercised, within 180 days of the date of the purchase of the securities under this Prospectus Supplement (as amended) or the Prospectus (as supplemented or amended).

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus or Prospectus Supplement and any amendment is limited, in certain provincial securities legislation, to the price at which the Warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces of Canada, if the purchaser pays additional amounts upon conversion, exchange or exercise, as applicable, of the Warrant, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces of Canada. The purchaser should refer to any applicable provisions of applicable provincial securities legislation for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: July 22, 2021

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

(signed) "Karl Kenny"

Karl Kenny
Chief Executive Officer

(signed) "Joseph MacKay"

Joseph MacKay
Chief Financial Officer

On behalf of the Board of Directors

(signed) "Larry Puddister"

Larry Puddister
Director

(signed) "Shaun McEwan"

Shaun McEwan
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: July 22, 2021

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

CANACCORD GENUITY CORP.

(signed) "Myles Hiscock"

Myles Hiscock
Managing Director

RAYMOND JAMES LTD.

(signed) "Yong Kwon"

Yong Kwon
Managing Director

BEACON SECURITIES LIMITED

(signed) "Justin Gilman"

Justin Gilman
Director

DESJARDINS SECURITIES INC.

(signed) "Andrew Kennedy"

Andrew Kennedy
Managing Director

RESEARCH CAPITAL CORP.

(signed) "Jeff Reymer"

Jeff Reymer
Managing Director

This short form prospectus is a base shelf prospectus. This short form base shelf prospectus has been filed under legislation in each of the provinces and the territories of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirements has been obtained.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by the persons permitted to sell such securities.

The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. These securities will not be offered or sold to, or for the account or benefit of, persons within the United States or "U.S. persons", as such term is defined in Regulation S under the U.S. Securities Act unless the securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. See "Plan of Distribution". This short form base shelf prospectus does not constitute an offer to sell or a solicitation of an offer to buy the securities offered hereby to, or for the account or benefit of, persons in the United States or U.S. persons.

Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from secretary of the Company at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, telephone 709-757-5757, and are also available electronically at www.sedar.com.

New Issue

April 6, 2021

SHORT FORM BASE SHELF PROSPECTUS



KRAKEN ROBOTICS INC.

\$65,000,000
Common Shares
Warrants
Units
Debt Securities
Subscription Receipts

This short form base shelf prospectus ("**Prospectus**") relates to the offering for sale from time to time (each, an "**Offering**") by Kraken Robotics Inc. (the "**Company**" or "**Kraken**") during the 25-month period that this Prospectus, including any of amendments thereto, remains valid, of up to \$65,000,000 in the aggregate of: (i) common shares ("**Common Shares**") of the Company; (ii) warrants ("**Warrants**") to purchase other Securities (as defined below) of the Company; (iii) units ("**Units**") comprising of one or more of the other Securities, (iv) senior and subordinated unsecured debt securities (collectively, "**Debt Securities**"), including debt securities convertible or exchangeable into other securities of the Company, and (v) subscription receipts ("**Subscription Receipts**" and together with the Common Shares, Warrants, Units and Debt Securities, collectively referred to herein as the "**Securities**"). The Securities may be offered separately or together, in amounts, at prices and on terms determined based on market conditions at the time of the sale and as set forth in an accompanying prospectus supplement ("**Prospectus Supplement**").

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus, except in cases where an exemption from such delivery requirements has been obtained. Each Prospectus Supplement containing the specific terms of any Securities will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

The specific terms of any Securities offered will be described in a Prospectus Supplement, including: (i) in the case of Common Shares, the number of Common Shares offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution) and any other specific terms; (ii) in the case of Warrants, the number of Warrants being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise and any other specific terms; (iii) in the case of Units, the number of Units offered, the offering price, the designation, number and terms of the other Securities comprising the Units, and any other specific terms; (iv) in the case of the Debt Securities, the specific designation of the Debt Securities, whether such Debt Securities are senior or subordinate, the aggregate principal amount of the Debt Securities being offered, the currency or currency unit in which the Debt Securities may be purchased, authorized denominations, any limit on the aggregate principal amount of the Debt Securities of the series being offered, the issue and delivery date, the maturity date, the offering price (at par, at a discount or at a premium), the interest rate or method of determining the interest rate, the interest payment date(s), any conversion or exchange rights that are attached to the Debt Securities, any redemption provisions, any repayment provisions and any other specific terms; and (v) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities, the designation, number and terms of such other Securities, and any other specific terms. A Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus.

The Securities may be sold through underwriters or dealers, directly by us pursuant to applicable statutory exemptions, or through designated agents from time to time. See “*Plan of Distribution*”. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by the Company in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the method of distribution of the Securities, the initial issue price (in the event that the offering is a fixed price distribution), the net proceeds to us and any other material terms of the plan of distribution.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. This Prospectus may qualify an “at-the-market distribution”, as defined in National Instrument 44-102 — *Shelf Distributions (“NI 44-102”)*. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers including sales in transactions that are deemed to be “at-the-market distributions”, including sales made directly on the TSX Venture Exchange (the “**TSXV**”) or other existing trading markets for the Securities, and as set forth in an accompanying Prospectus Supplement, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the Company. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution. See “*Plan of Distribution*”.

This Prospectus does not qualify the issuance of Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers’ acceptance rate, or to recognized market benchmark interest rates such as the London Inter-Bank Offered Rate (“**LIBOR**”), Euro Inter-Bank Offered Rate (“**EURIBOR**”) or a United States federal funds rate.

No underwriter or dealer involved in an “at-the-market distribution” under this Prospectus, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with such an underwriter or dealer will

over-allot securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the offered Securities or securities of the same class as the Securities distributed under the “at-the-market distribution”, including selling an aggregate number or principal amount of Securities that would result in the underwriter creating an over-allocation position in the Securities.

In connection with any offering of the Securities, subject to applicable laws and other than an “at-the-market distribution”, the underwriters or agents may over-allot or effect transactions that stabilize or maintain the market price of the offered Securities at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See “*Plan of Distribution*”.

The Common Shares are listed on the TSXV under the trading symbol “PNG” and trade in the United States on the OTCQB under the trading symbol “KRKNF”. On April 5, 2021, the last trading day prior to the filing of this Prospectus, the closing prices of the Common Shares listed on the TSXV and the OTCQB were \$0.73 and US\$0.582405 respectively.

Unless specified in the applicable Prospectus Supplement, there is no market through which the Subscription Receipts, Warrants, Units and Debt Securities may be sold and purchasers may not be able to resell the Subscription Receipts, Warrants, Units and Debt Securities purchased under this Prospectus and the Prospectus Supplement. This may affect the pricing of the Subscription Receipts, Warrants, Units and Debt Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Subscription Receipts, Warrants, Units and Debt Securities and the extent of issuer regulation. See “*Risk Factors*”.

Prospective investors should be aware that the purchase of Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax advisor.

An investment in the Securities is subject to a number of risks, including those risks described in this Prospectus and documents incorporated by reference into this Prospectus. See “*Risk Factors*” in this Prospectus and in the Company’s Annual Information Form and Interim MD&A incorporated by reference herein.

No person is authorized by the Company to provide any information or to make any representation other than as contained in this Prospectus in connection with the issue and sale of the Securities offered hereunder.

No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents hereof.

Vice-Admiral Michael Connor (Director) who resides outside of Canada, has appointed Gowling WLG (Canada) LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, as his agent for service of process in Canada. Prospective purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process, see “*Risk Factors*”.

In this Prospectus, references to the “**Company**”, “**Kraken**”, “**we**”, “**us**” and “**our**” refer to Kraken Robotics Inc. and/or, as applicable, one or more of its subsidiaries. The Company’s head office is located at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, and its registered office is located at Suite 1600, 100 King Street West, Toronto, ON M5X 1G5.

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GENERAL MATTERS

Investors should rely only on the information contained in or incorporated by reference into this Prospectus or any applicable Prospectus Supplement. The Company has not authorized anyone to provide investors with different information. **Information contained on the Company's website shall not be deemed to be a part of this Prospectus or incorporated by reference herein or in any applicable Prospectus Supplement and may not be relied upon by prospective investors for the purpose of determining whether to invest in the Securities qualified for distribution under this Prospectus.** The Company is not making an offer of these Securities in any jurisdiction where the offer is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus or the date of the relevant document incorporated by reference. The Company's business, operating results, financial condition and prospects may have changed since that date.

In this Prospectus, unless stated otherwise or the context requires otherwise, all dollar amounts are expressed in Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein contain certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "believe", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate", "project", "continue", "plan", "aim" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs, as the case may be.

Such forward-looking statements are made as of the date of this Prospectus, or in the case of documents incorporated by reference herein, as of the date of each such document. Forward-looking statements in this Prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the competitive and business strategies of the Company;
- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- the applicable laws, regulations and any amendments thereof;
- expectations with respect to the advancement and adoption of new products;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers, including its engagements with the Royal Danish Navy and the Polish Navy;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- the anticipated labour and materials costs;
- the Company's intended use of the NRC-IRAP grant funding for the Company's proposed ThunderFish® XL autonomous underwater vehicle and the capabilities thereof, see "*The Company – Recent Developments*";
- the Company's ability to successfully integrate its minehunting systems with the Royal Danish Navy and the Polish Navy, see "*The Company – Recent Developments*";
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates;

- the anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates;
- the impact of COVID-19 on the Company's business;
- the completion of the Offerings and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the use of the net proceeds of the Offering; and
- the Company's business objectives and milestones and the anticipated timing of execution.

Forward-looking statements reflect the Company's current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. In making the forward-looking statements included in this Prospectus, and the documents incorporated by reference herein, the Company has made various material assumptions, including, but not limited to:

- the Company will continue to be in compliance with regulatory requirements;
- the Company will have sufficient working capital and be able to secure additional funding necessary for the continued operation and development of the Company; and
- key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost-efficient manner.

Purchasers are cautioned that the above list of cautionary statements is not exhaustive. A number of factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Prospectus or in any document incorporated by reference herein. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified in their entirety by the foregoing cautionary statement. Investors should read this entire Prospectus, including the Annual Information Form, and each applicable Prospectus Supplement, and consult their own professional advisers to ascertain and assess the income tax and legal risks and other aspects associated with holding Securities.

EXEMPTION

Pursuant to a decision of the *Autorité des marchés financiers* dated March 22, 2021, the Company was granted a permanent exemption from the requirement to translate into French this Prospectus as well as the documents incorporated by reference therein and any Prospectus Supplement to be filed in relation to an "at-the-market distribution". This exemption is granted on the condition that this Prospectus and any Prospectus Supplement (other than in relation to an "at-the-market distribution") be translated into French if the Company offers Securities to Québec purchasers in connection with an offering of Securities other than in relation to an "at-the-market distribution".

TRADEMARKS AND SERVICE MARKS

This prospectus includes trademarks, trade names and service marks which are protected under applicable intellectual property laws for use in connection with the operation of our business, and which are the property of the Company. All other trade names, trademarks or service marks appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners. Solely for convenience, trademarks, service marks and trade names referred to in this prospectus may be listed without the ®, (TM) and (sm) symbols, however, we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

MARKETING MATERIALS

Any template version of marketing materials (as such terms are defined in National Instrument 41-101 *General Prospectus Requirements*) that are utilized in connection with the distribution of Securities will be filed under the Company's profile on SEDAR. In the event that such marketing materials are filed after the date of the applicable Prospectus Supplement for the offering and before termination of the distribution of such Securities, such filed versions of the marketing materials will be deemed to be incorporated by reference into the applicable Prospectus Supplement for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Joseph MacKay, Chief Financial Officer of the Company at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, telephone 709-757-5757, and are also available electronically on SEDAR.

The following documents of the Company filed with the securities commissions or similar authorities in Canada are incorporated by reference in this Prospectus:

1. the annual information form of the Company dated August 27, 2020 (the "**Annual Information Form**") in respect of the fiscal year ended December 31, 2019;
2. the audited consolidated financial statements of the Company and the notes thereto as at and for the fiscal years ended December 31, 2019 and 2018, together with the auditor's report thereon (the "**Annual Financial Statements**");
3. the management's discussion and analysis of the Company for the fiscal year ended December 31, 2019 (the "**Annual MD&A**");
4. the management information circular dated May 19, 2020 in respect of the Company's 2020 annual general and special meeting held on June 26, 2020;
5. the material change report dated October 2, 2020 in respect of the Company's announcement that it entered into a "bought deal" financing of Common Shares for aggregate gross proceeds of \$10,050,000;
6. the material change report dated October 6, 2020 in respect of the Company's announcement that it entered into an agreement with the Danish Ministry of Defence, Acquisition and Logistics Organization to supply minehunting sonar equipment to the Royal Danish Navy valued at approximately \$36 million over a two year equipment acquisition phase;
7. the material change report dated October 27, 2020 in respect of the Company's announcement that it closed a previously announced "bought deal" financing of 15,500,000 Common Shares for aggregate gross proceeds of \$10,385,000;
8. the unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2020 and 2019 and related notes thereto (the "**Interim Financial Statements**"); and
9. the management's discussion and analysis of the Company for the three and nine months ended September 30, 2020 (the "**Interim MD&A**").

Any document of the type referred to in Section 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and prior to 25 months from the date hereof shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes that statement. Any statement so modified or superseded shall not constitute a part of this Prospectus except as so modified or superseded. The modifying or superseding statement need not state that it has modified

or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Upon filing of a new Annual Information Form and related Annual Financial Statements with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous Annual Information Form, including all amendments thereto, the previous Annual Financial Statements and all Interim Financial Statements (including any Interim MD&A's related thereto), material change reports and management information circulars filed prior to the commencement of the fiscal year in which the new Annual Information Form is filed, shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus to the extent required under applicable securities laws and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the Securities offered hereunder and thereunder.

THE COMPANY

Summary of the Business

Kraken is a marine technology company providing ultra-high-resolution software-centric sensors, power systems, and underwater robotic systems. The Company's mission is to become a leading provider of underwater robotics equipment and services. At December 31, 2020, Kraken had 131 employees with a head office in Mt. Pearl, Newfoundland, Canada and has shipped product to customers in 10 countries.

Kraken has a highly capable team of engineers, scientists, and technicians with specialized skills. Scientific staff have world-leading expertise in sonar design, remote sensing, and signal processing for synthetic aperture sonar, anti-submarine warfare, and 3D optical imaging. Kraken's electrical and mechanical engineering teams have extensive experience designing tethered/towed and untethered/free-swimming underwater vehicles, custom payload sections, and launch and recovery systems. Kraken's software engineering group develops applications for data acquisition, real-time processing, vehicle control, 3D visualization, telemetry, artificial intelligence, machine learning and data post-processing. The Company is supported by a team of technicians that perform assembly, inspection, testing, calibration, and troubleshooting of mechanical and electrical systems. Kraken's technical staff also have extensive experience performing system integration onboard customer-owned vehicles and conducting operations at sea to collect data for a variety of surveys, technical demonstrations, and collaborative research projects.

Kraken's products are sold into both the manned and the unmanned maritime vehicle ("UMV") market. The UMV market can be divided into unmanned underwater vehicles ("UUVs") and unmanned surface vessels ("USVs"). UUVs are either autonomous underwater vehicles, remotely operated vehicles, or towed underwater vehicles tethered to a ship and towed beneath the surface of the water. UUVs are used extensively for military and commercial applications, such as undersea search and survey missions. USVs may be remotely operated or be fully autonomous.

Kraken was founded with the objective of commercializing a software-centric version of SAS at the lowest cost in the market to compete with more hardware-dependent and expensive SAS solutions. SAS is an advanced imaging technology which dramatically improves seabed surveys by providing ultra-high-resolution imagery at superior area coverage rates ("ACRs") as compared to conventional side scan sonar ("SSS") technologies. These legacy SAS systems were seen as the domain of global defense contractors using SAS for military surveillance purposes to detect seabed mines or other types of unexploded ordnances. SAS is the next generation of sonar, following side scan sonar and multi-beam echo sounders, which while capable of producing high resolution images of objects on the seabed, only do so at short range and corresponding low ACR. SAS, on the other hand, is capable of producing ultra-high-resolution imagery at long ranges, which can be more than ten times the range of conventional side scan sonar, all while achieving significantly higher ACR.

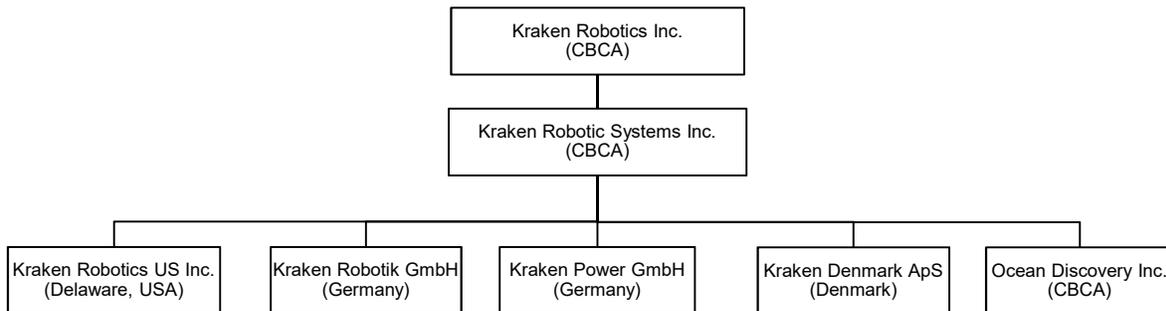
SAS is the underwater equivalent of synthetic aperture radar used in the satellite and communications industry. This technology is ‘rare air technology’ with Kraken having only a handful of competitors at the high end of the market. Customers using SAS technology are looking to get maximum ACR at the highest resolution, for the lowest cost. One factor affecting ACR is the length of the aperture (antenna). Traditional sonar technology such as SSS uses real apertures that are limited by the size of the underwater vehicle they are deployed on. SAS, on the other hand, uses the motion of the underwater vehicle along with highly sophisticated signal processing algorithms to ‘spoo’ the system into thinking the aperture is 40-50 times longer than it really is. The result is up to a 10-times increase in area coverage rates over traditional SSS. In other words, more area can be surveyed at a much higher resolution in less time.

In addition to improved area coverage rate, Kraken provides this data in real time, without the traditional limitations of extensive post mission processing. Furthermore, all of Kraken’s SAS systems are Interferometric, meaning that they are able to simultaneously provide real-time ultra-high definition SAS bathymetry that is co-registered with the SAS imagery. Through a partnership with Teledyne CARIS Inc., a business unit of Teledyne Technologies Inc., Kraken also offers Caris Onboard, an automated hydrographic processing workflow which can combine the imagery and bathymetry into real-time hydrographic databases certified to IHO SP44 standards.

As the Company has grown, it has developed additional sensors as well as designed and produced its own UUVs. In addition to selling products, Kraken has a nascent Robotics as a Service (“**RaaS**”) business. The Company believes that certain customers would prefer to hire the Company to provide product output to them (i.e. imaging and bathymetry data) using the Company’s own equipment. This is the genesis of our RaaS offering. Kraken has branded its RaaS offering as SeaScout®, a complete seabed mapping and intelligence solution.

Inter-Corporate Relationships

As at the date hereof, the Company’s corporate structure consists of the following wholly-owned subsidiaries:



Recent Developments

On August 31, 2020, the Company announced the award of a non-refundable \$2,909,891 grant from the National Research Council of Canada Industrial Research Assistance Program (“**NRC-IRAP**”). Funding will be provided over a 26-month period and will be used by the Company to support the development of its seabed resident ThunderFish® XL autonomous underwater vehicle (“**ThunderFish**”) which will possess capabilities lacking in similarly sized underwater vehicles in use today, including (i) the ability to transition, in-mission, from high-speed survey mode to “zero” speed hovering mode; (ii) through-the sensor acoustic, laser and optical target detection, image recognition and inspection; and, (iii) functional onboard sensors to improve vehicle navigational accuracy.

On September 8, 2020, Kraken secured a contract through a competitive bid process with the Danish Ministry of Defence, Acquisition and Logistics Organization to supply mine-hunting sonar equipment to the Royal Danish Navy. Under the program, Kraken will provide its minehunting KATFISH™ towed SAS system (the “**KATFISH System**”), the Tentacle® Winch system (the “**Tentacle System**”), and Autonomous Launch and Recovery System (“**ALARS**”) to be integrated onboard the Royal Danish Navy’s optionally unmanned surface vessels. The aggregate value of the contract is \$36 million, deliverable over a 5 to 10 year period, with the majority of funds (approximately \$22 million) to be received over the two to three year product acquisition phase, with the remaining funds (approximately \$14 million) being allocated to post sales service arrangements which will continue for the duration of the remaining term. The contract was entered into in the ordinary course, in accordance with applicable European procurement laws, and on terms normally observed in agreements of such nature.

Also on September 8, 2020, Kraken entered into an agreement with Remontowa Shipbuilding S.A. to supply the Polish Navy with the KATFISH System, the Tentacle system, and ALARS. Kraken's equipment will be integrated onboard the Polish Navy's new KORMORAN II Mine CounterMeasure vessels in Gdansk, Poland.

On September 21, 2020, Kraken announced that it had successfully completed over 3 weeks of sea trials in Nova Scotia with its SeaScout® system, consisting of the KATFISH System, the Tentacle System and ALARS, installed on the company's research and survey vessel 'Ocean Seeker'.

On October 1, 2020, Kraken announced that it entered into an agreement with Canaccord Genuity Corp. as lead underwriter on behalf of a syndicate of underwriters (the "**Underwriters**") pursuant to which the Underwriters agreed to purchase, on a "bought deal" basis, 15,000,000 Common Shares at a price of \$0.67 per Common Share (the "**October 2020 Offering Price**") for aggregate gross proceeds of \$10,050,000 to the Company (the "**October 2020 Offering**"). As part of the October 2020 Offering, the Underwriters were granted an over-allotment option to purchase up to an additional 2,250,000 Common Shares the October 2020 Offering Price, exercisable in whole or in part at any time for a period of 30 days from the closing date of the October 2020 Offering.

On October 26, 2020, Kraken completed the October 2020 Offering, whereby a total of 15,500,000 Common Shares were sold at the October 2020 Offering Price for gross proceeds of \$10,385,000, inclusive of the partial exercise of the over-allotment option.

On October 28, 2020, Kraken announced that Dive Technologies Inc., a Quincy, Massachusetts-based company, completed successful sea trials of a Large Displacement Autonomous Underwater Vehicle (LD-AUC) which was powered by Kraken's pressure tolerant batteries.

On November 6, 2020, Kraken announced that it completed its third offshore data acquisition and technology demonstration campaign as part of the OceanVision project ("**OceanVision**"), a 3-year, \$19 million project funded by the Ocean Supercluster, industry partners and Kraken, whereby Kraken continues to develop new sensor and underwater vehicle technologies and conduct trials during several offshore technology demonstration campaigns.

On February 16, 2021, Kraken announced a new contract for subsea batteries totalling \$1.5 million, to be fulfilled in 2021, and new funding awards totalling \$2.0 million across three of the Company's projects.

On February 23, 2021, Kraken announced that its subsidiary, Kraken Robotic Systems Inc., earned ISO 9001:2015 certification for its Quality Management System (QMS), including manufacturing sites located in Mount Pearl, Newfoundland and Dartmouth, Nova Scotia.

On March 4, 2021, Kraken announced new contracts for subsea batteries totalling \$0.7 million, to be fulfilled in 2021, and funding awards totalling \$1.5 million across two of the Company's projects.

COVID-19 Pandemic

The outbreak of the novel coronavirus, commonly referred to as "COVID-19", has spread throughout North America and Europe, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and their impacts on the Company cannot be reasonably estimated at this time.

As of the date of this Prospectus, the Company has successfully continued operations under COVID-19 protocols. COVID-19 has not resulted in any material delays in the development or testing of our material development projects. The Company is not currently experiencing any significant delays or interruptions in service or product delivery. The Company's production schedule has continued throughout COVID-19 on a modified employee schedule, with certain non-production employees working remotely. The Company has been able to operate relatively unaffected by the COVID-19 pandemic. The most notable impact has been that certain business development pursuits have taken longer to complete as international travel restrictions have hindered the performance and attendance of live product demonstrations, particularly for the Company's newer products.

Notwithstanding the foregoing, if the Company or its vendors and suppliers are unable to continue operations or keep up with increasing demands as a result of COVID-19, customers may experience delays or interruptions in service or the delivery of products, which may be detrimental to the Company's reputation and business. The

Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to contain it or treat its impact, including shelter in place directives, which, if extended, may impact the economies in which the Company now operates, or may in the future operate, key markets into which the Company sells products and delivers services, and markets through which the Company's key suppliers source their products.

For additional information see also "*Risk Factors – Implications of the COVID-19 Pandemic*".

CONSOLIDATED CAPITALIZATION

The applicable Prospectus Supplement will describe any material changes, and the effect of such material changes, on the share and loan capitalization of the Company that will result from the issuance of Securities pursuant to each Prospectus Supplement.

Other than in connection with the October 2020 Offering which resulted in the issue of 15,500,000 Common Shares, since September 30, 2020, the date of the outstanding share data described in the Company's most recently filed Interim Financial Statements, there have been no other material changes to the Company's consolidated capitalization. The Company's consolidated capitalization as at September 30, 2020 and as at April 5, 2021 are set out in the following table:

	September 30, 2020 (unaudited)	April 5, 2021 (unaudited)
Share Capital	Unlimited common shares	Unlimited common shares
Common Shares	150,408,853	168,511,764
Warrants	550,000	Nil
Options	10,695,167	8,539,999

USE OF PROCEEDS

Unless otherwise indicated in the applicable Prospectus Supplement, the Company intends to use the net proceeds from the sale of Securities for working capital requirements or for other general corporate purposes. Each applicable Prospectus Supplement will contain specific information concerning the use of proceeds from that sale of Securities by the Company. Notwithstanding the above, the Company's management has broad discretion in the application of proceeds of an offering of Securities. On the basis of results obtained or for other sound business reasons, the Company may re-allocate funds as required. Accordingly, the Company's actual use of proceeds may vary significantly from any proposed use of proceeds disclosed in any applicable Prospectus Supplement. See "*Risk Factors – Discretion in the Use of Proceeds*".

Business Objectives and Milestones

The primary business objectives for the Company over the next 12 months are to:

1. Execute on recent large KATFISH™ and ALARS orders, including those from the Royal Danish Navy and the Polish Navy. Full delivery of these orders is anticipated between Q4 2021 and 2023 and costs are expected to align with Kraken's historical production expenses and margins;
2. Close on numerous KATFISH™ and Aquapix MINSAS pursuits in both the defense and commercial market;
3. Continue to advance our RaaS business model as follows:
 - a. Additional growth of the OceanVision project for ocean floor mapping and subsea asset inspection using Kraken's KATFISH™, ThunderFish, Aquapix and SeaVision products ("**SeaVision**"). This objective is part of the Ocean SuperCluster project that is funded in part by the Government of Canada. OceanVision is expected to be completed in Q4 2022 in which Kraken's remaining commitment is \$2.4 million; and

- b. Accelerate the expansion of the SeaVision product line into additional markets;
4. Continue to make contract progress with Kraken Power GmbH products, including with the United States Navy and U.S. defense contractors, and move ahead with Naval Sea Systems Command (“NAVSEA”) battery certification. Kraken is currently in the process of obtaining NAVSEA certification, expected by Q2 2022; and
5. Further advance new product initiatives towards commercialization as part of OceanVision, including ThunderFish and Multispectral SAS, the Company’s in-development ultra-wideband acoustic remote sensing system for seafloor imaging and mapping.

The foregoing business objectives are being funded through existing capital resources and anticipated future operating revenue.

Significant events that need to occur for the business objectives to be accomplished are as follows:

1. Continue to build and acquire sensor and system products for use in RaaS business and evaluate additional services to provide more complete service solution to potential RaaS customers. Kraken expects to execute on this objective as part of OceanVision anticipated to be completed by Q4 2022;
2. Continue to engage with our U.S. consultant to advance NAVSEA battery certification. Kraken expects to receive NAVSEA certification to enable the sale of bulk quantities of batteries to customers in the United States by Q2 2022;
3. Complete additional field evaluation trials of our sensor and systems products; and
4. Continue to partner with AUV manufacturers, defense contractors, and system integrators who incorporate Kraken sensors and systems into their overall offerings.

See also “*The Company – Recent Developments – COVID-19 Pandemic*” and “*Risk Factors - Implications of the COVID-19 Pandemic*”.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The following is a brief summary of certain general terms and provisions of the Securities that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Securities as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Securities, and the extent to which the general terms and provisions described below may apply to such Securities will be described in the applicable Prospectus Supplement.

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. As at April 5, 2021, the Company had 168,511,764 Common Shares issued and outstanding.

Holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of Kraken, to receive notice of and one vote per Common Share at meetings of shareholders and, upon liquidation, dissolution or winding up of Kraken, to share rateably in such assets of Kraken as are distributable to the holders of Common Shares.

Common Shares may be sold separately or together with certain other Securities under this Prospectus. Common Shares may also be issuable on conversion, exchange, exercise or maturity of certain other Securities qualified for issuance under this Prospectus.

Warrants

Warrants may be offered separately or together with other Securities, as the case may be. Each series of Warrants may be issued under a separate warrant indenture or warrant agency agreement to be entered into between the

Company and one or more banks or trust companies acting as Warrant agent or may be issued as stand-alone contracts. The applicable Prospectus Supplement will include details of the Warrant agreements, if any, governing the Warrants being offered. The Warrant agent, if any, will be expected to act solely as the agent of the Company and will not assume a relationship of agency with any holders of Warrant certificates or beneficial owners of Warrants. The following sets forth certain general terms and provisions of the Warrants that may be offered under this Prospectus. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement.

A copy of any warrant indenture or any warrant agency agreement relating to an offering of Warrants will be filed by the Company with the relevant securities regulatory authorities in Canada after it has been entered into by the Company.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Warrants being offered thereby, which may include, without limitation, the following (where applicable):

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another Security, the date on and after which the Warrants and the other Security will be separately transferable;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- certain material Canadian tax consequences of owning the Warrants; and
- any other material terms and conditions of the Warrants.

Units

The Company may issue Units comprised of one or more of the other Securities described herein in any combination. Each Unit may be issued so that the holder of the Unit is also the holder of each Security included in the Unit; thus, the holder of a Unit may have the rights and obligations of a holder of each included Security. Any Unit agreement under which a Unit may be issued may provide that the Securities included in the Unit may not be held or transferred separately at any time or at any time before a specified date.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Units being offered thereby, which may include, without limitation, the following (where applicable):

- the designation, number and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately;
- any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units;
- certain material Canadian tax consequences of owning the Securities comprising the Units; and
- any other material terms and conditions of the Units.

Debt Securities

The Debt Securities will be senior or subordinated unsecured indebtedness of the Company as described in the relevant Prospectus Supplement. If the Debt Securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of the Company, from time to time issued and outstanding, which is not subordinated.

If the Debt Securities are subordinated indebtedness, they will rank equally and rateably with all other subordinated Debt Securities from time to time issued and outstanding. In the event of the insolvency or winding-up of the Company, the subordinated Debt Securities will be subordinated and postponed in right of payment to the prior payment in full of all other liabilities and indebtedness of the Company, other than indebtedness that, by its terms, ranks equally with, or subordinate to, such subordinated Debt Securities.

Any convertible or exchangeable Debt Securities will be convertible or exchangeable only for other securities of the Company.

In conformity with applicable laws of Canada, for all bonds and notes of companies that are publicly offered, the Debt Securities will be governed by a document called an “indenture”. There will be a separate indenture for the senior Debt Securities and the subordinated Debt Securities. An indenture is a contract between a financial institution, acting on your behalf as trustee of the Debt Securities offered, and us. The trustee has two main roles. First, subject to some limitations on the extent to which the trustee can act on your behalf, the trustee can enforce your rights against us if we default on our obligations under the indenture. Second, the trustee performs certain administrative duties for us. The aggregate principal amount of Debt Securities that may be issued under each indenture is unlimited. A copy of the form of each indenture to be entered into in connection with offerings of Debt Securities will be filed with the applicable securities regulatory authorities in Canada when it is entered into. A copy of any indenture or supplement thereto entered into by us will be filed with securities regulatory authorities and will be available on our profile on SEDAR.

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers’ acceptance rate, or to recognized market benchmark interest rates such as LIBOR, EURIBOR or a United States federal funds rate.

Selected provisions of the Debt Securities and the indenture(s) under which such Debt Securities will be issued are summarized below. This summary is not complete. The statements made in this Prospectus relating to any indenture and Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable indenture. The indentures will not limit the amount of Debt Securities that we may issue thereunder. We may issue Debt Securities from time to time under an indenture in one or more series by entering into supplemental indentures or by our board of directors or a duly authorized committee authorizing the issuance. The Debt Securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

The Prospectus Supplement for a particular series of Debt Securities will disclose the specific terms of such Debt Securities, including the price or prices at which the Debt Securities to be offered will be issued. The terms and provisions of any Debt Securities offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. Those terms may include some or all of the following:

- the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- the indenture under which such Debt Securities will be issued and the trustee(s) thereunder;

- the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- whether such Debt Securities are senior or subordinated and, if subordinated, the applicable subordination provisions;
- the percentage of the principal amount at which such Debt Securities will be issued;
- the date or dates on which such Debt Securities will mature;
- the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- the dates on which any such interest will be payable and the record dates for such payments;
- any redemption term or terms under which such Debt Securities may be defeased;
- whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- the place or places where principal, premium and interest will be payable;
- the designation and terms of any other Securities with which the Debt Securities will be offered, if any, and the principal amount of Debt Securities that will be offered with each Security;
- the securities exchange(s) on which such series of Debt Securities will be listed, if any;
- any terms relating to the modification, amendment or waiver of any terms of such Debt Securities or the applicable indenture;
- any change in the right of the trustee or the holders to declare the principal, premium and interest with respect to such series of debt securities to be due and payable;
- governing law;
- any limit upon the aggregate principal amount of the Debt Securities of such series that may be authenticated and delivered under the indenture;
- if other than the Company or the trustee, the identity of each registrar and/or paying agent;
- if the Debt Securities are issued as a Unit with another Security, the date on and after which the Debt Securities and other Security will be separately transferable;
- if the Debt Securities are to be issued upon the exercise of Warrants, the time, manner and place for such Securities to be authenticated and delivered;
- if the Debt Securities are to be convertible or exchangeable into other securities of the Company, the terms and procedures for the conversion or exchange of the Debt Securities into other securities; and
- any other specific terms of the Debt Securities of such series, including any events of default or covenants.

Subscription Receipts

Subscription Receipts may be offered separately or together with other Securities, as the case may be. The Subscription Receipts may be issued under a subscription receipt agreement.

The applicable Prospectus Supplement will include details of any subscription receipt agreement covering the Subscription Receipts being offered. A copy of any subscription receipt agreement relating to an offering of Subscription Receipts will be filed by the Company with the relevant securities regulatory authorities in Canada after the Company has entered into it. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. This description may include, without limitation, the following (where applicable):

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;

- the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities;
- the designation, number and terms of the other Securities that may be exchanged upon conversion of each Subscription Receipt;
- the designation, number and terms of other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- terms applicable to the gross or net proceeds from the sale of the Subscription Receipts plus any interest earned thereon;
- certain material Canadian tax consequences of owning the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts.

PLAN OF DISTRIBUTION

General

The Company may from time to time during the 25-month period that this Prospectus, including any amendments and supplements hereto, remains valid, offer for sale and sell up to an aggregate of \$65,000,000 in Securities hereunder.

The Securities may be sold by us (i) directly pursuant to applicable statutory exemptions, (ii) to or through underwriters or dealers, or (iii) through designated agents. The Prospectus Supplement relating to a particular offering of Securities will identify any underwriter, dealer or agent engaged in connection with the offering and sale of such Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the method of distribution of the Securities, the purchase price of the Securities (or the manner of determination thereof if offered on a non-fixed price basis), the net proceeds to us and any other material terms of the plan of distribution (including sales in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102). Any initial offering price and discounts, concessions or commissions allowed or re-allowed or paid to underwriters, dealers or agents may be changed from time to time. Only underwriters named in the Prospectus Supplement are deemed to be underwriters in connection with our Securities offered by that Prospectus Supplement.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers including sales in transactions that are deemed to be “at-the-market” distributions, including sales made directly on the TSXV or other existing trading markets for the Securities, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the Company. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

Sales of Securities under an “at-the-market distribution”, if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Securities under any “at-the-market” program will be made in transactions that are “at-the-market distributions” as defined in NI 44-102. The volume and timing of any “at-the-market distributions” will be determined at the Company’s sole discretion.

No underwriter or dealer involved in an “at-the-market distribution” under this Prospectus, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with such an underwriter or dealer will over-allot securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the offered Securities or securities of the same class as the Securities distributed under the “at-the-market distribution”, including selling an aggregate number or principal amount of Securities that would result in the underwriter creating an over-allocation position in the Securities.

In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from the Company including in the form of underwriters’, dealers’ or agents’ fees, commissions or concessions.

Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters for the purposes of applicable Canadian securities legislation and any such compensation that they receive from the Company and any profit that they make on the resale of the Securities, may be deemed to be underwriting commissions.

Underwriters, dealers or agents who participate in the distribution of the Securities may be entitled, under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under Canadian securities legislation, or to contribution with respect to payments, which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

In connection with any offering of Securities, subject to applicable laws and other than an “at-the-market distribution”, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the offered Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Unless specified in the applicable Prospectus Supplement, there is no market through which the Subscription Receipts, Warrants, Units and Debt Securities may be sold and purchasers may not be able to resell the Subscription Receipts, Warrants, Units and Debt Securities purchased under this Prospectus and the Prospectus Supplement. This may affect the pricing of the Subscription Receipts, Warrants, Units and Debt Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Subscription Receipts, Warrants, Units and Debt Securities and the extent of issuer regulation. See “*Risk Factors*”.

Offerings in the United States

The Securities have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold or otherwise transferred or disposed of in the United States absent registration or pursuant to an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of an offering of Securities under any applicable Prospectus Supplement, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering of Securities) may violate the registration requirements of the U.S. Securities Act if such offer is made otherwise than in reliance on an exemption from the registration requirements of the U.S. Securities Act.

RISK FACTORS

An investment in the Securities involves a high degree of risk and must be considered speculative due to the nature of the Company’s business and present stage of development. Before making an investment decision, prospective purchasers of Securities should carefully consider the information described in this Prospectus and the documents incorporated by reference herein, including the applicable Prospectus Supplement. There are certain risks inherent in an investment in the Securities, including the factors described below and under the heading “*Risk Factors*” in the Annual Information Form and under the heading “*Risks and Uncertainties*” in the Annual MD&A, and any other risk factors described herein or in a document incorporated by reference herein, which investors should carefully consider before investing. Additional risk factors relating to a specific offering of Securities will be described in the applicable Prospectus Supplement. Some of the factors described herein, in the documents incorporated by reference herein, and/or the applicable Prospectus Supplement are interrelated and, consequently, investors should treat such risk factors as a whole. If any of the risk factors described herein, in the Annual Information Form, in another document incorporated by reference herein or in the applicable Prospectus Supplement occur, it could have a material adverse effect on the business, financial condition and results of operations of the Company. Additional risks and uncertainties of which the Company currently is unaware or that are unknown or that it currently deems to be immaterial could have a material adverse effect on the Company’s business, financial condition and results of operation. The Company cannot assure purchasers that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the risks described herein, in the Annual Information Form, in the other documents incorporated by reference herein or in the applicable Prospectus Supplement or other unforeseen risks.

Implications of the COVID-19 Pandemic

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to protect against the spread of the virus. These measures, which include, among other things, limitations on travel, self-imposed quarantine periods and social distancing measures, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any government and/or central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Global pandemics (like the COVID-19 Pandemic) and other public health threats, or a fear thereof, could adversely impact our production operations, sales efforts, lead to labour shortages, and severely impact supply chain logistics including travel and shipping disruptions and shutdowns (including as a result of government regulation and prevention measures) affecting production and delivery of the raw materials we need to operate and deliver our products to customers. It is unknown whether and how the Company may be affected if such an occurrence persists for an extended period of time but we anticipate that it would have a material adverse effect on our business, operating results and financial performance. In addition, the Company may also be required to incur additional expenses and/or delays relating to such events which could have a further negative impact on our business, operating results and financial performance.

The risks associated with global COVID-19 measures, and the Company's own protocols, may have a material impact on the Company's ability to grow its business and generate revenue, which in turn could materially impact the Company's financial condition and results from operations. The Company is actively addressing risks to its business from COVID-19 through a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. For additional information see, "*The Company – Recent Developments – COVID-19 Pandemic*".

Risks Related to the Offering

An Investment in the Securities is Speculative

An investment in the Securities and the Company's prospects generally, are speculative due to the risky nature of its business and the present state of its development. Investors may lose their entire investment and should carefully consider the risk factors described below and under the heading "*Risk Factors*" in the Annual Information Form.

Negative Cash Flow from Operations

The Company had negative operating cash flow for the financial years ended December 31, 2019 and 2018. As at September 30, 2020, the Company had a working capital balance of \$6,783,092. The Company cannot guarantee it will have a cash flow positive status in the future due to its desire to increase the number of employees. To the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Discretion in the Use of Proceeds

While detailed information regarding the use of proceeds from the sale of the Securities will be described in the applicable Prospectus Supplement, the Company will have broad discretion over the use of net proceeds from an offering by the Company of its securities. There may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company's sole discretion.

Management will have discretion concerning the use of proceeds scribed in the applicable Prospectus Supplement as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds. Management may use the net proceeds described in a Prospectus Supplement

in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives, including with respect to the expansion of its product offerings, completing future acquisitions, and entering into strategic partnerships. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will then require additional financing to fund its operations until positive cash flow is achieved, see "*Risk Factors – Negative Cash Flow from Operations*".

Volatile Market Price of Company's Securities

The market price of the Company's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of such securities to sell their securities at an advantageous price. Market price fluctuations in the Company's securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the securities of the Company.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's may be materially adversely affected. As at the date of this Prospectus, only the Common Shares are listed on a securities exchange and may be purchased in the secondary market.

Risk Factors Related to Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding Warrants.

Market for Securities

There is currently no market through which the Securities, other than the Common Shares, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, such unlisted Securities may not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell such unlisted Securities purchased under this Prospectus. This may affect the pricing of our Securities, other than our Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these Securities and the extent of issuer regulation. There can be no assurance that an

active trading market for our Securities, other than our Common Shares, will develop or, if developed, that any such market, including for our Common Shares, will be sustained.

Profitability

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. The marine robotics industry requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its research and development efforts or in the future reduce its marketing efforts or forego certain business opportunities.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will include a general summary of certain Canadian federal income tax consequences which may be applicable to a purchaser of Securities offered thereunder. Investors should read the tax discussion in any Prospectus Supplement with respect to a particular offering and consult their own tax advisors with respect to their own particular circumstances.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Securities will be passed upon by Gowling WLG (Canada) LLP on behalf of the Company. As at the date hereof, the designated professionals of Gowling WLG (Canada) LLP, as a group, beneficially own, directly or indirectly, less than one percent of the securities of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP are the auditors of the Company and have confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc. with an office at 510 Burrard Street, 2nd Floor Vancouver, British Columbia V6C 3B9.

STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Unless provided otherwise in a Prospectus Supplement, the following is a description of a purchaser's statutory rights. Securities legislation in certain of the provinces and territories of Canada provides purchasers of the Securities with the right to withdraw from an agreement to purchase the Securities, which right may be exercised within two business days after receipt or deemed receipt of this Prospectus, the accompanying Prospectus Supplement and any amendment relating to the Securities purchased by a purchaser. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation or are not sent or delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Original purchasers of Securities under this Prospectus (as supplemented or amended) that are convertible, exchangeable or exercisable securities will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Securities. The contractual right of rescission will entitle such original purchasers to receive, in addition to the amount paid on original purchase of any Securities, the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that both the conversion, exchange or exercise occurs, and the right of rescission is exercised, within 180 days of the date of the purchase of the Securities under this Prospectus (as supplemented or amended).

In an offering of Securities, to the extent such securities are convertible, exchangeable or exercisable securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus (as supplemented or amended) is limited, in certain provincial and territorial securities legislation, to the price at which the Securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories of Canada, if the purchaser pays additional amounts upon conversion, exchange or exercise, as applicable, of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories of Canada. The purchaser should refer to any applicable provisions of applicable provincial or territorial securities legislation for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: April 6, 2021

This short form base shelf prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(signed) "Karl Kenny"

Chief Executive Officer

(signed) "Joseph MacKay"

Chief Financial Officer

On behalf of the Board of Directors

(signed) "Cathy Bennett"

Director

(signed) "Shaun McEwan"

Director