

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, excluding Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus 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 hereby 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, and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, possessions or the District of Columbia (the “**United States**”) or to a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act) (a “**U.S. Person**”) unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. Person. See “*Plan of Distribution*”.*

Information has been incorporated by reference in this short form 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 the secretary of Kraken Robotics Inc. at 189 Glencoe Drive, Mount Pearl, NL, A1N 4P6, telephone 709-757-5757, and are also available electronically at www.sedarplus.ca (“**SEDAR+**”).

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

October 7, 2024



KRAKEN ROBOTICS INC.

\$45,000,000
28,125,000 Common Shares
\$1.60 per Common Share

This short form prospectus (the “**Prospectus**”) qualifies the distribution (the “**Offering**”) of 28,125,000 common shares (the “**Offered Shares**”) in the capital of Kraken Robotics Inc. (the “**Company**” or “**Kraken**”) at a price of \$1.60 per Offered Share (the “**Offering Price**”).

The Offered Shares are being issued and sold pursuant to an underwriting agreement (the “**Underwriting Agreement**”) dated October 7, 2024 among the Company and Cormark Securities Inc., as lead underwriter and sole bookrunner (the “**Lead Underwriter**”) and including Canaccord Genuity Corp., Beacon Securities Limited, Raymond James Ltd., and Scotia Capital Inc. (collectively with the Lead Underwriter, the “**Underwriters**”). The Offering Price has been determined by negotiation between Kraken and the Lead Underwriter on behalf of the Underwriters, with reference to the prevailing market prices of the Common Shares (hereinafter defined). See “*Plan of Distribution*”.

The Company’s outstanding common shares (the “**Common Shares**”) are traded on the TSX Venture Exchange (“**TSXV**”) under the symbol “PNG” and on the OTCQB under the symbol “KRKNF”. On October 4, 2024, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the TSXV was \$1.80, and on the OTCQB was US\$1.33.

The Company has applied to list the Offered Shares on the TSXV, including the Over-Allotment Shares (hereinafter defined) issuable upon exercise of the Over-Allotment Option (hereinafter defined). Listing will be subject to the Company fulfilling all of the listing requirements of the TSXV.

\$1.60 per Offered Share

	Price to the Public⁽¹⁾	Underwriters' Fee⁽²⁾	Net Proceeds to the Company⁽³⁾
Per Offered Share	\$1.60	\$0.08	\$1.52
Total	\$45,000,000	\$2,250,000	\$42,750,000

Notes:

- (1) The Offering Price was determined by arm's length negotiation between the Company and the Lead Underwriter, on behalf of the Underwriters, in the context of the market.
- (2) The Company has agreed to pay the Underwriters a cash fee (the "**Underwriters' Fee**") equal to 5.0% of the gross proceeds from the Offering, (including any gross proceeds raised on exercise of the Over-Allotment Option (hereinafter defined)). See "*Plan of Distribution*".
- (3) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering (estimated to be approximately \$350,000), which will be paid from the proceeds of the Offering.

The Underwriters have been granted an over-allotment option, exercisable in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, to purchase up to an additional 4,218,750 Common Shares (the "**Over-Allotment Shares**") at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the "**Over-Allotment Option**"). If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be \$51,750,000, \$2,587,500, and \$49,162,500, respectively. This Prospectus qualifies the distribution of the Over-Allotment Option and the Over-Allotment Shares. A purchaser who acquires Over-Allotment Shares forming part of the Underwriters' over-allocation position acquires those Over-Allotment Shares under this 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, all references herein to the "Offering" and "Offered Shares" includes all securities issuable assuming the exercise of the Over-Allotment Option.

In connection with the Offering, the Company has been advised by the Underwriters that, subject to applicable laws, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Offered Shares. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may decrease the price at which the Offered Shares are distributed pursuant to the Prospectus to a price that is lower than the Offering Price. See "*Plan of Distribution*".**

The following table sets out the maximum number of securities under options issuable to the Underwriters in connection with the Offering:

Underwriters' Position	Maximum Number of Securities	Exercise Period	Exercise Price
Over-Allotment Option	4,218,750 Over-Allotment Shares	For a period of 30 days from and including the Closing Date	\$1.60 per Over-Allotment Share
Total securities under option issuable to the Underwriters	4,218,750 Common Shares		

Investing in the Offered Shares is speculative and involves significant risks. You should carefully review and evaluate the risk factors contained in this Prospectus and in the documents incorporated by reference herein before purchasing the Offered Shares, see “Forward-Looking Information” and “Risk Factors”. Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess the income tax, legal and other aspects of the Offering.

The Offered Shares may only be sold in those jurisdictions where offers and sales are permitted. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Offered Shares in any jurisdiction in which it is unlawful to do so.

Subscriptions for the Offered Shares will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about October 22, 2024, or such other date as may be agreed upon by the Company and the Lead Underwriter, but in any event not later than 42 days after the date of the receipt for the final short form prospectus (the “**Closing Date**”). See “*Plan of Distribution*”.

It is anticipated that the Offered Shares will be delivered under the book-based system through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and deposited in electronic form. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer from or through which the Offered Shares are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Offered Shares on behalf of owners who have purchased Offered Shares in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required, see “*Plan of Distribution*”.

Nathaniel Spencer (Chief Operating Officer), Lynne Adu (Executive Vice President, Commercial and Field Operations and Chief Commercial Officer), Vice-Admiral Michael Connor (Director) and Peter Hunter (Director), who reside outside of Canada, have appointed Gowling WLG (Canada) LLP, 100 King Street West, Suite 1600, Toronto, ON M5X 1G5, as their respective agents 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*”.

Information contained on the Company’s website shall not be deemed to be a part of this Prospectus or incorporated by reference herein 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'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

Throughout this Prospectus, references to “Kraken”, the “Company”, “its”, “our”, “us” and “we”, or related terms refer to Kraken Robotics Inc., and includes, where the context requires, its subsidiaries.

An investor should rely only on the information contained or incorporated by reference in this Prospectus. The Company or the Underwriters have not authorized anyone to provide investors with additional or different information. The Company and the Underwriters are not making an offer to sell or seeking offers to buy the Offered Shares in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing or incorporated by reference in this Prospectus is accurate only as at the respective dates thereof, regardless of the time of delivery of the Prospectus or of any sale of the Offered Shares. The Company’s business, financial condition, results of operations and prospects may have changed since that date.

All currency amounts in this Prospectus are stated in Canadian dollars, unless otherwise noted.

FORWARD-LOOKING INFORMATION

Certain statements contained in this Prospectus and the documents incorporated by reference herein constitute “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian securities laws. Forward-looking statements include statements concerning the Company’s current expectations, estimates, projections, assumptions and beliefs, and, in certain cases, can be identified by the use of forward-looking terminology such as “seeks”, “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or statements that certain actions, conditions, events or results “may”, “could”, “should”, “would”, “might”, or “will be taken”, “occur” or “be achieved”, or the negative forms of any of these words and other similar expressions.

Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. 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 cash needs and the Company’s needs for, and the Company’s ability to secure, additional financing and/or government funding for working capital needs, debt repayment obligations and other contractual obligations;
- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s ability and intention to expand RaaS and data analytics revenue;
- the Company’s research and development programs;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to profitably execute on its contracts announced for products including: AquaPix® MINSAS, KATFISH™, Autonomous Launch and Recovery System (ALARS),

and SeaPower™ batteries; and services using the Sub Bottom Imager™ (SBI), Acoustic Corer™ (AC) and KATFISH™;

- the ability to attract new customers and develop and maintain existing customers, including its engagements with the Royal Danish Navy, Polish Navy, Royal Australian Navy and the Royal Canadian Navy;
- the Company's ability to protect, maintain and enforce its intellectual property rights;
- the Company's ability to defend itself against third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by the Company;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the Company's reliance on information technology systems or a material disruption in the Company's computer systems;
- the ability to attract and retain personnel;
- the Company's competitive position and its expectations regarding competition and its future success in competitive bidding processes;
- the anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates;
- the impact of natural disasters, terrorist acts, civil unrest, public health crises, pandemics and other disruptions and dislocations;
- the completion of the Offering and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the approval by the TSXV for the listing of the Offered Shares;
- 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 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 not to place undue reliance on the forward-looking statements or the assumptions on which the Company's forward-looking statements are based. Purchasers are also advised to carefully review and consider the risk factors identified in this Prospectus, see "*Risk Factors*", and in the documents incorporated by reference herein, for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially

different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Although the Company believes that the assumptions on which the forward-looking statements are made are reasonable, based on the information available to the Company on the date such statements were made, no assurances can be given as to whether these assumptions will prove to be correct. 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 statements and those made in our other filings with applicable securities regulators in Canada. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements in this Prospectus and the documents incorporated by reference herein.

Forward-looking statements speak only as of the date the statements are made. The Company assumes no obligation to update publicly or otherwise revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable securities laws. If the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements. The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement.

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 ®, ™ and ™ symbols, however, we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, each of which has been filed with the securities regulatory authorities in each of the provinces of Canada, excluding Québec, are specifically incorporated by reference and form an integral part of this Prospectus:

- (a) the annual information form of the Company dated April 18, 2024 for the year ended December 31, 2023 (the “**Annual Information Form**”);
- (b) the Company’s refiled audited consolidated financial statements for the years ended December 31, 2023 and 2022, and related notes thereto, together with the respective independent auditor’s report thereon for each of the years ended 2023 and 2022, as refiled on SEDAR+ on May 15, 2024;
- (c) the Company’s management discussion and analysis dated April 18, 2024 for the year ended December 31, 2023;

- (d) the Company's condensed consolidated interim financial statements for the three and six month periods ended June 30, 2024 and 2023;
- (e) the Company's management discussion and analysis dated August 21, 2024 for the three and six month periods ended June 30, 2024;
- (f) the Company's management information circular dated May 13, 2024 in respect of its annual general and special meeting held on June 24, 2024;
- (g) the Company's material change report dated April 26, 2024 in respect of the announcement of the May 2024 Bought Deal (as defined hereafter);
- (h) the Company's material change report dated May 24, 2024 in respect of the completion of the May 2024 Bought Deal;
- (i) the Company's material change report dated July 17, 2024 in respect of the appointment of Nathaniel Spencer as Chief Operating Officer and the issuance of stock options; and
- (j) the Company's material change report dated October 2, 2024 in respect of the Offering.

Any documents of the type referred to in paragraphs (a) – (j) above or similar material and any documents required to be incorporated by reference herein pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions*, including any annual information form, all material change reports (excluding confidential reports, if any), all annual and interim financial statements and management's discussion and analysis relating thereto, or information circular or amendments thereto that the Company files with any securities commission or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of this Offering will be deemed to be incorporated by reference in this Prospectus and will automatically update and supersede information contained or incorporated by reference in this Prospectus.

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

DESCRIPTION OF THE BUSINESS

Summary of the Business

Kraken is a marine technology company providing ultra-high-resolution sensors, power systems, and underwater robotic systems. The Company's goal is to become a leading provider of underwater robotics equipment and services. Leveraging technology development tracing back to 2009 at a previous company, Kraken started with eight employees in 2012 to develop and commercialize synthetic aperture sonar ("**SAS**") technology. As at June 30, 2024, Kraken had 262 employees with a head office in St. John's, Newfoundland, Canada and has shipped product to customers in over 20 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 uncrewed maritime vehicle ("**UMV**") market. The UMV market can be divided into uncrewed underwater vehicles ("**UUVs**") and uncrewed 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 ‘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. The graphic below illustrates the difference in image quality of a 20-metre towrope lying on the seabed:

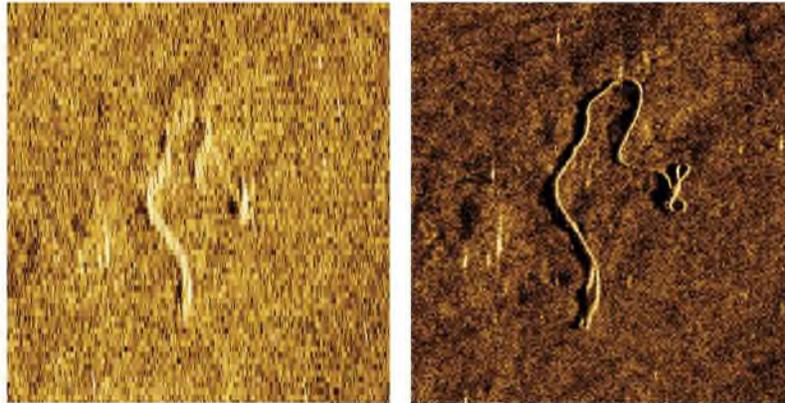


Figure 1: Side Scan vs SAS Images

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.

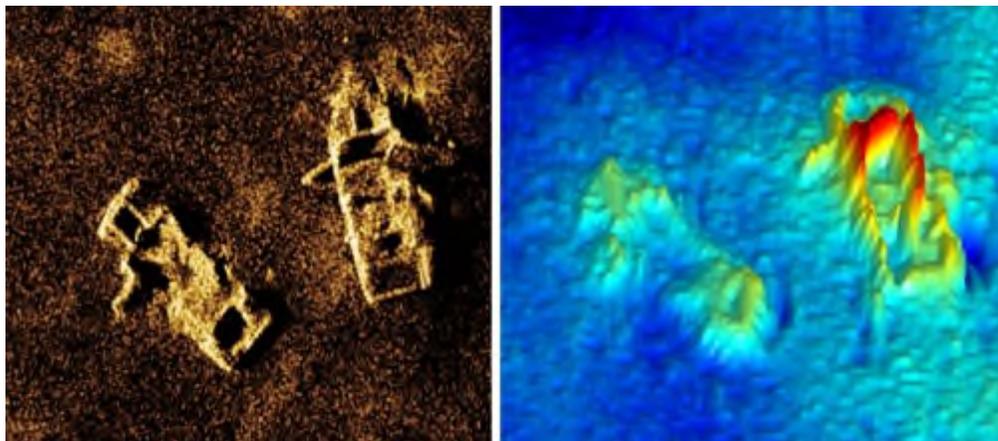


Figure 2: SAS Image and Bathymetry

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.

With the acquisition of PGH Capital Inc. in 2021, Kraken now provides marine geophysical-geotechnical services through high resolution 3D volumetric acoustic imaging solutions to mitigate risk in offshore installations using its sub-bottom imager and Acoustic Corer technology. Kraken’s service offering can provide accurate positioning and continuous visualization of cables and

pipelines during depth of burial surveys and helps identify buried anomalies such as boulders and unexploded ordnances. This is in addition to providing services using KATFISH™ for subsea surveys and infrastructure inspection.

Recent Developments

The following are material recent developments of Kraken since the filing of the Annual Information Form.

On April 22, 2024, Kraken announced that it had entered into a credit agreement with The Bank of Nova Scotia (the “**Lender**”) for credit facilities (the “**Credit Facilities**”) that are expected to provide added financial flexibility to support Kraken’s continued growth.

The Credit Facilities consist of: (i) a revolving 3-year term facility of up to \$35 million (subject to meeting certain borrowing base requirements based on eligible receivables and inventory); (ii) a \$10 million revolving capital expenditure line of credit; (iii) a \$10 million uncommitted letter of credit facility; and (iv) an uncommitted accordion facility of up to \$30 million (the “**Accordion**”). The Credit Facilities replace in its entirety Kraken’s existing credit facility with Royal Bank of Canada which were paid out using funds drawn from the Credit Facilities effective April 19, 2024.

The Credit Facilities bear interest at bank prime interest rates plus a margin of between 1.00% and 1.75%. The Credit Facilities contain standard financial and negative covenants for a normal course operating facility and are secured by (i) security over substantially all of Kraken’s assets; (ii) a guarantee by Kraken’s material subsidiaries; and (iii) a pledge of the shares of Kraken’s material subsidiaries. Subject to credit and risk approval by the Lender at the time of any request, Kraken has the ability to increase the amount that can be drawn under the Credit Facilities pursuant to the Accordion for up to an additional \$30 million. Kraken has no plans to draw on the Accordion at this time.

Effective on April 23, 2024, Kraken appointed Peter Hunter as Chairman of the board of directors and promoted Lynne Adu to the position of Executive Vice President, Commercial and Field Operations.

On April 30, 2024, Kraken announced that it had signed an \$8 million Acoustic Corer™ contract that will leverage Kraken’s equipment and advanced processing expertise in de-risking a marine construction project. Under the contract, to be completed this year, Kraken will provide high resolution sonar imagery at depths of up to 20 metres in the seabed using its 3D Acoustic Core imaging sonar. This marks the fourth major acoustic corer campaign by Kraken since 2022 and builds upon its track record of having completed numerous multi-disciplinary surveys around the globe.

On May 8, 2024, Kraken announced that it had received an order for spares and sustainment of its KATFISH™ Mine Counter Measures solution totalling \$2.2 million. In addition, Kraken received an order for AquaPix® synthetic aperture sonars (SAS) totalling \$1.3 million.

On May 21, 2024, the Company completed a “bought deal” short form prospectus offering for aggregate gross proceeds of \$20,126,035 (the “**May 2024 Bought Deal**”) pursuant to which a total of 21,185,300 Common Shares were sold at a price of \$0.95 per Common Share. The May 2024 Bought Deal was led by Cormark Securities Inc. as lead underwriter, on behalf of a syndicate of underwriters including Beacon Securities Limited, Canaccord Genuity Corp., Echelon Wealth

Partners Inc. and Raymond James Ltd. The Underwriters received a cash commission equal to 6.0% of the gross proceeds from the May 2024 Bought Deal.

On June 13, 2024, Kraken announced that since undertaking its first seabed survey project in Taiwan three years ago, Kraken Robotics has supported the installation of over 1.8GW of green energy through the use of its innovative 3D acoustic Sub-Bottom Imager. With more projects on the horizon, Kraken's supported total will surpass 3GW in 2025, representing over 50% of installed capacity in Taiwan, all of which will have been during the construction phase.

On June 20, 2024, Kraken announced that it has received repeat orders totaling \$2.2 million for subsea batteries from existing Naval clients.

Effective on July 9, 2024, Kraken promoted Nathaniel Spencer to the position of Chief Operating Officer and hired Erica Kierstead as Director of Global Marketing.

On July 10, 2024, Kraken announced that its board of directors has granted 5,590,000 options to certain employees and 400,000 options to directors. These options have a seven-year term, with vesting in four equal instalments on the annual anniversaries of the initial date of grant. The exercise price of the options is \$1.14.

On July 17, 2024, Kraken announced the successful completion of a contract to supply high-resolution seabed mapping sonar service to Precision Hydrographic Services (PHS), a customer supporting the Australian Department of Defence. Under the scope of Kraken's contract, a KATFISH™ high-speed survey/detection solution was used to acquire high-resolution route surveys of Australian ports. Under the contract, the survey campaign commenced in January 2024 and was fully complete in May 2024.

On September 23, 2024, Kraken announced it received orders totaling \$3.0 million for MINSAS from three separate customers.

CONSOLIDATED CAPITALIZATION

The following table sets out the share capital of the Company as at June 30, 2024, both before and after giving effect to the Offering.

	<u>As at June 30, 2024 (unaudited)</u>	<u>As at June 30, 2024 after giving effect to the Offering⁽¹⁾</u>	<u>As at June 30, 2024 after giving effect to the Offering and the full Over-Allotment Option⁽²⁾</u>
	(dollar amounts stated in thousands of dollars)		
Share Capital	Unlimited Common Shares	Unlimited Common Shares	Unlimited Common Shares
Common Shares	230,072,035	258,197,035	262,415,785
Options	5,263,750	5,263,750	5,263,750
Warrants	Nil	Nil	Nil
Total assets	\$98,466	\$140,866	\$147,278
Deficit	(\$17,002)	(\$17,002)	(\$17,002)
Total capitalization	\$56,367	\$98,767	\$105,179

Notes:

- (1) Based on the issuance of 28,125,000 Offered Shares for aggregate gross proceeds of \$45,000,000, less the Underwriters' Fee of \$2,250,000 and expenses of the Offering, estimated at \$350,000.
- (2) Based on the issuance of 32,343,750 Offered Shares for aggregate gross proceeds of \$51,750,000, less the Underwriters' Fee of \$2,587,500 and expenses of the Offering, estimated at \$350,000.

There have been no material changes in the share or loan capital of the Company, on a consolidated basis, since June 30, 2024, except for: (i) the issuance of 5,990,000 options on July 10, 2024 (ii) the issuance of 60,000 Common Shares pursuant to the exercise of 60,000 options on July 15, 2024; (iii) the grant of 50,000 options on August 23, 2024; and (iv) the issuance of 75,000 Common Shares issued pursuant to the exercise of 75,000 options on September 10, 2024.

USE OF PROCEEDS

Proceeds

The net proceeds to the Company from the Offering are estimated to be \$42,750,000, before deducting the total expenses of the Offering (estimated to be approximately \$350,000). If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering are estimated to be \$49,162,500, before deducting the expenses of the Offering.

Principal Purposes

The Company expects to use the net proceeds of the Offering to advance its long term strategy, including: (1) investing in expanded facilities and increased manufacturing capacity; (2) providing flexibility to take advantage of opportunities for accretive acquisitions of complementary technologies and businesses; (3) increasing the Company's attractiveness as a stable and reliable long-term supplier; (4) strengthening the Company's balance sheet to provide additional working capital to meet customer requirements in connection with potential additional large orders, as well as new program and contract opportunities; and (5) for general corporate purposes. The anticipated use of the net proceeds from the Offering after deducting the Underwriters' Fees (assuming no exercise of the Over-Allotment Option) are more particularly set forth in the following table:

<u>Principal Purpose</u>	<u>Approximate Amount</u>
Capital expenditures including increased capacity and leasehold improvements ⁽¹⁾	\$12,200,000
Continue to build and acquire sensor and systems products	\$12,200,000
Supply chain/parts and inventory ⁽²⁾	\$9,000,000
General corporate purposes and working capital ⁽³⁾	\$9,000,000
Offering expenses ⁽⁴⁾	\$350,000
Total	\$42,750,000

Notes:

- (1) Additional manufacturing space and equipment in Newfoundland, Nova Scotia and Rostock, Germany to expand existing production capacity to be able to more quickly fulfil large orders in our products business.
- (2) Improvements in the supply chain to reduce cycle times including additional inventory.
- (3) Includes expenditures to expand and advance products and services in new geographies and software development. In addition, approximately \$6,000,000 will be allocated towards increasing the number of highly skilled and qualified employees and the costs associated therewith.
- (4) Represents the total expenses in connection with the Offering, including the estimated Underwriters' expenses of \$75,000.

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. Actual expenditures may differ from the estimates set forth above. There may be circumstances where for sound business reasons, the Company reallocates the use of proceeds, see “*Risk Factors – Discretion in Use of Proceeds*”.

Until applied, the net proceeds 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. Unallocated funds from the Offering will be added to the working capital of the Company, and will be expended at the discretion of management.

If the Over-Allotment Option is exercised in full for Over-Allotment Shares, the Company will receive additional net proceeds of \$6,412,500. The net proceeds from the exercise of the Over-Allotment Option, if any, is expected to be added to general working capital.

The Company confirms that there have been no changes to the business objectives it intends to achieve using the net proceeds from the May 2024 Bought Deal, or the anticipated time period or cost of achieving those objectives.

Business Objectives and Milestones

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

1. Continue expanding profile in the minehunting technologies sector and pursue appropriate strategic opportunities that arise from anticipated increased demand for our products and services that address dual defense and commercial technologies for subsea security, surveillance and infrastructure.
2. Pursue opportunities to grow revenue from our subsea pressure tolerant batteries by onboarding new UUV customers and executing and growing with our current customers.
3. Expand and advance our products and services into new geographies and markets by increasing manufacturing capacity including potential investment in facilities.
4. Continue to build out our corporate organizational structure to support the acceleration and scaling of our business.
5. Invest in long lead parts and inventory to shorten production times and be able to meet demand for shorter turn order cycles.

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

<u>Significant Event</u>	<u>Anticipated Time Period</u>	<u>Anticipated Cost</u>
Continued execution with existing customers and onboarding of potential new clients and partners for demos and field evaluation trials	To be completed by the end of 2026.	\$5,500,000
Continue to meet manufacturing and delivery milestones for our Remote Minehunting and Disposal Program and maintain production and sales levels of our KATFISH™ and ALARS, subsea batteries, SAS sensor systems and the deployment of our Sub-Bottom Imager™ and Acoustic Corer™ technology	To be completed by the end of 2025.	\$3,600,000
Identify and engage on opportunities to augment manufacturing capacity and equipment for subsea power activities.	To be completed by the end of Q2 2025.	\$14,300,000
Identify appropriate personnel to support the acceleration and scaling of our business, including in project management, engineering, quality, and customer support.	To be completed by the end of 2025.	\$6,300,000
Continue to build and acquire sensor and system products for use in our services business.	To be completed by the end of 2025.	\$12,700,000

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase, as principals on the Closing Date, 28,125,000 Offered Shares at the Offering Price for aggregate gross proceeds of \$45,000,000 payable in cash to the Company against delivery of the Offered Shares. The Offering Price and the other terms of the Offering were determined by arm's length negotiation between the Company and the Lead Underwriter on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares. The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "disaster out", "material change out", "regulatory out" and "breach out" 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 Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement.

The Company has granted to the Underwriters an Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, to purchase up to an additional 4,218,750 Over-Allotment Shares at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Shares forming part of the Underwriters' over-allocation position acquires those Over-Allotment Shares under this Prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In consideration for the services provided by the Underwriters in connection with the Offering, and pursuant to the terms of the Underwriting Agreement, the Company has agreed to pay the

Underwriters' Fee consisting of a cash fee equal to 5.0% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option).

The Offering is being made in each of the provinces of Canada, excluding Québec. The Offered Shares will be offered in each of the relevant provinces through the Underwriters or their affiliates who are registered to offer the Offered Shares for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Offered Shares in such other jurisdictions outside of Canada and the United States as agreed between the Company and the Underwriters.

The Company has applied to list the Offered Shares (including any issuable upon exercise of the Over-Allotment Option) on the TSXV. Listing will be subject to the Company fulfilling all of the requirements of the TSXV.

The Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Shares at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to the Company.

Upon completion of the Offering, the Company agrees not to, for a period ending 90 days from the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, authorize, sell or issue or announce its intention to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of the Company (including those that are convertible or exchangeable into securities of the Company) other than: (i) pursuant to the Offering (including the Over-Allotment Option); (ii) 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; (iii) the exercise of outstanding convertible securities; (iv) obligations of the Company in respect of existing agreements; (v) the issuance of securities by the Company in connection with acquisitions in the normal course of business; or (vi) 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 further acknowledges and understands that it will cause its officers, directors and use reasonable commercial efforts to cause certain shareholders holding more than 10% of the Common Shares to enter into an agreement in favour of the Underwriters pursuant to which each of such individuals will agree, for a period ending 90 days after the Closing Date, not to directly or indirectly, offer, sell, contract to sell, grant any option to purchase, make any short sale, or otherwise dispose of, or transfer, or announce any intention to do so, any Common Shares, whether now owned directly or indirectly, or under their control or direction, or with respect to which each has beneficial ownership, or enter into any transaction or arrangement that has the effect of transferring, in whole or in part, any of the economic consequences of ownership of Common Shares, whether such transaction is settled by the delivery of Common Shares, other securities, cash or otherwise other than pursuant to a take-over bid or any other similar transaction made generally to all of the shareholders of the Company.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions including: (a) a bid or purchase permitted under 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 the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. Consistent with these requirements, and in connection with this distribution, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on the TSXV, in the over-the-counter market or otherwise.

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about October 22, 2024, or such other date as may be agreed upon by the Company and the Underwriters, but in any event not later than 42 days after the date of the receipt of the final short form prospectus.

Pursuant to the terms of the Underwriting Agreement, the Company has agreed to reimburse the Underwriters for certain expenses incurred in connection with the Offering and to indemnify the Underwriters and their directors, officers, employees, and agents against certain liabilities and expenses and to contribute to payments the Underwriters may be required to make in respect thereof.

Non-Certificated Inventory System

It is anticipated that the Offered Shares will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer from or through which the Offered Shares are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Offered Shares on behalf of owners who have purchased Offered Shares in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required.

Notice to Prospective Investors in the United States

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered, sold or delivered, directly or indirectly, in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, it will not offer or sell the Offered Shares at any time in the United States as part of its distribution. The Underwriting Agreement permits the Underwriters acting through their registered United States broker-dealer affiliate to re-offer and re-sell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to Qualified Institutional Buyers in the United States in compliance with Rule 144A under the U.S. Securities Act, and in compliance and pursuant to similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Offered Shares that are offered or sold in the United States 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 any applicable state securities laws 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 applicable state securities laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within 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 otherwise than in accordance with exemptions from registration under the U.S. Securities Act and applicable state securities laws.

Notice to Prospective Investors in Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Offered Shares. The Offered Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Offered Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offered Shares constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Offered Shares may be publicly distributed or otherwise made publicly available in Switzerland.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

Kraken is authorized to issue an unlimited number of Common Shares, of which 203,207,035 Common Shares are issued and outstanding as of October 4, 2024.

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.

PRIOR SALES

The following table sets forth the details regarding all issuances of Common Shares, including issuances of all securities convertible or exchangeable into Common Shares, during the 12-month period before the date of this Prospectus.

Date	Number of Securities Issued	Type	Issuance / Exercise Price Per Security
October 10, 2023	18,750	Common Shares ⁽¹⁾	\$0.395
November 29, 2023	100,000	Common Shares ⁽¹⁾	\$0.395
November 30, 2023	37,500	Common Shares ⁽¹⁾	\$0.395
December 1, 2023	200,000	Common Shares ⁽¹⁾	\$0.395
December 11, 2023	25,000	Common Shares ⁽¹⁾	\$0.395
January 12, 2024	20,000	Common Shares ⁽¹⁾	\$0.395
January 16, 2024	200,000	Common Shares ⁽¹⁾	\$0.395
February 26, 2024	125,000	Common Shares ⁽¹⁾	\$0.50

<u>Date</u>	<u>Number of Securities Issued</u>	<u>Type</u>	<u>Issuance / Exercise Price Per Security</u>
February 27, 2024	206,000	Common Shares ⁽¹⁾	\$0.50
February 28, 2024	275,000	Common Shares ⁽¹⁾	\$0.50
February 29, 2024	75,000	Common Shares ⁽¹⁾	\$0.50
March 5, 2024	75,000	Common Shares ⁽¹⁾	\$0.50
March 13, 2024	75,000	Common Shares ⁽¹⁾	\$0.50
March 15, 2024	100,000	Common Shares ⁽¹⁾	\$0.50
March 18, 2024	69,000	Common Shares ⁽¹⁾	\$0.50
May 21, 2024	21,185,300	Common Shares ⁽²⁾	\$0.95
May 31, 2024	50,000	Common Shares ⁽¹⁾	\$0.37
May 31, 2024	25,000	Common Shares ⁽¹⁾	\$0.395
June 4, 2024	20,000	Common Shares ⁽¹⁾	\$0.395
June 12, 2024	1,500	Common Shares ⁽¹⁾	\$0.63
June 13, 2024	18,750	Common Shares ⁽¹⁾	\$0.395
June 13, 2024	198,500	Common Shares ⁽¹⁾	\$0.63
June 17, 2024	400,000	Common Shares ⁽¹⁾	\$0.63
June 18, 2024	60,000	Common Shares ⁽¹⁾	\$0.395
June 18, 2024	29,000	Common Shares ⁽¹⁾	\$0.63
June 19, 2024	27,500	Common Shares ⁽¹⁾	\$0.63
June 20, 2024	7,500	Common Shares ⁽¹⁾	\$0.63
June 21, 2024	135,100	Common Shares ⁽¹⁾	\$0.63
June 24, 2024	200,000	Common Shares ⁽¹⁾	\$0.63
July 10, 2024	5,990,000	Options ⁽³⁾	\$1.14
July 15, 2024	60,000	Common Shares ⁽¹⁾	\$0.395
August 23, 2024	50,000	Options ⁽⁴⁾	\$1.46
September 10, 2024	75,000	Common Shares ⁽¹⁾	\$0.395

Notes:

- (1) Issued upon exercise of options granted under the Company's option plan.
- (2) Issued in connection with the completion of the May 2024 Bought Deal.
- (3) Issued to directors, officers and employees of the Company under the Company's option plan.
- (4) Issued to employees of the Company under the Company's option plan.

TRADING PRICE AND VOLUME

The outstanding Common Shares are currently traded on the TSXV under the trading symbol "PNG" and on the OTCQB under the trading symbol "KRKNF". The following table sets forth the reported high and low prices and monthly trading volumes of the Common Shares on the TSXV for the 12-month period prior to the date of this Prospectus.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October 1 - 4	\$1.84	\$1.65	6,587,925
September 2024	\$1.82	\$1.38	14,678,330
August 2024	\$1.67	\$1.12	18,667,409
July 2024	\$1.28	\$1.03	13,285,645
June 2024	\$1.04	\$0.92	8,394,341
May 2024	\$1.06	\$0.96	11,616,773
April 2024	\$1.15	\$0.94	13,293,656
March 2024	\$1.11	\$0.96	8,186,528
February 2024	\$1.04	\$0.72	18,713,222
January 2024	\$0.84	\$0.62	9,591,753
December 2023	\$0.67	\$0.58	3,424,514
November 2023	\$0.67	\$0.45	5,751,932
October 2023	\$0.57	\$0.40	3,610,039

On October 4, 2024, the last day of trading prior to the date of this Prospectus, the closing price per Common Share on the TSXV was \$1.80, and on the OTCQB was US\$1.33.

ELIGIBILITY FOR INVESTMENT

In the opinion of Gowling WLG (Canada) LLP, counsel to the Company, and Goodmans LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder, in force as of the date hereof and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Offered Shares, if issued on the date hereof, would be qualified investments for trusts governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account, or first home savings account, as those terms are defined in the Tax Act (collectively referred to as “**Registered Plans**”) or a deferred profit sharing plan (as defined in the Tax Act), provided that the Offered Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSXV), or the Company otherwise qualifies as a “public corporation” (as defined in the Tax Act).

Notwithstanding the foregoing, the holder or subscriber of, or an annuitant under a Registered Plan, as the case may be, (the “**Controlling Individual**”) will be subject to a penalty tax in respect of Offered Shares held in the Registered Plan if such securities are a “prohibited investment” (as defined in the Tax Act) for the particular Registered Plan. An Offered Share generally will be a “prohibited investment” for a Registered Plan if the Controlling Individual does not deal at arm’s length with the Company for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in the Company. The Offered Shares generally will not be a “prohibited investment” if they are “excluded property” (as defined in the Tax Act) for purposes of the prohibited investment rules for a Registered Plan.

Prospective purchasers who intend to hold Offered Shares in their Registered Plan or deferred profit sharing plan should consult their own tax advisors having regard to their own particular circumstances.

RISK FACTORS

An investment in the Offered Shares is speculative and involves certain risks. When evaluating the Company and its business, prospective purchasers of the Offered Shares should consider carefully the information set out in this Prospectus and the risks described below and in the documents incorporated by reference in this Prospectus, including those risks identified and discussed under the headings “*Risk Factors*” in the Annual Information Form and “*Risks and Uncertainties*” in the Company’s management discussion and analysis dated August 21, 2024 for the three and six month periods ended June 30, 2024, which are incorporated by reference.

The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also adversely affect the Company and its business.

Risks Related to the Business

Public Health Crises

A local, regional, national or international outbreak of a contagious disease, such as or similar to COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for materials required all along the supply chain the Company currently relies upon and will rely upon for its development and expansion plans. Such an event could affect the Company's ability to conduct operations and may result in temporary shortages of staff to the extent the Company's work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on the business, financial condition, results of operations and cash flows.

Risks Related to the Offering

An Investment in the Offered Shares is Speculative

An investment in the Offered Shares 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 included in documents incorporated by reference in this Prospectus.

Discretion in the Use of Proceeds

Management will have discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditure. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering other than as described under the heading "Use of Proceeds" if they believe it would be in the Company's best interest to do so and 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.

Volatile Market Price of the Common Shares

The market price of the Common Shares 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 Common Shares to sell their securities at an advantageous

price. Market price fluctuations in the Common Shares 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 Common Shares.

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 Common Shares 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 Common Shares may be materially adversely affected.

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.

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.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not 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 adviser.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon on behalf of the Company by Gowling WLG (Canada) LLP, and on behalf of the Underwriters by Goodmans LLP. As at the date hereof, the partners and associates of Gowling WLG (Canada) LLP and Goodmans LLP, each as a group, beneficially own, directly and indirectly, in the aggregate, less than one percent of the Common Shares.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Our audited consolidated financial statements for the year ended December 31, 2023 incorporated by reference into this Prospectus have been audited by Ernst & Young LLP, as indicated in their report dated May 15, 2024, which is also incorporated by reference herein, who have confirmed that they are independent of the Company in the context of the CPA Rules of Professional Conduct of the Association of Chartered Professional Accountants Newfoundland and Labrador.

Our audited consolidated financial statements for the year ended December 31, 2022 incorporated by reference into this Prospectus have been audited by KPMG LLP, as indicated in their report dated April 28, 2023, which is also incorporated by reference herein.

Effective September 14, 2023, KPMG LLP resigned as auditors of the Company, and the directors of the Company appointed Ernst & Young LLP as successor auditors in their place. KPMG LLP was independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation up until the notice of change of auditor on September 14, 2023.

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.

CERTIFICATE OF THE COMPANY

October 7, 2024

This short form 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 short form prospectus as required by the securities legislation in each of the provinces of Canada, excluding Québec.

(signed) "Greg Reid"

Chief Executive Officer

(signed) "Joseph MacKay"

Chief Financial Officer

On behalf of the Board of Directors:

(signed) "Peter Hunter"

Director

(signed) "Shaun McEwan"

Director

CERTIFICATE OF THE UNDERWRITERS

October 7, 2024

To the best of our knowledge, information and belief, this short form 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 short form prospectus as required by the securities legislation in each of the provinces of Canada, excluding Québec.

CORMARK SECURITIES INC.

(signed) "Alfred Avanesy"

Managing Director, Head of
Investment Banking

BEACON SECURITIES LIMITED

(signed) "Michael Flynn"

Managing Director

CANACCORD GENUITY CORP.

(signed) "Myles Hiscock"

Managing Director

SCOTIA CAPITAL INC.

(signed) "Kevin Berry"

Managing Director

RAYMOND JAMES LTD.

(signed) "Marwan Kubursi"

Managing Director