

KRAKEN ROBOTICS INC.

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Mount Pearl, NL
A1N 4P6

Tel: 709 757-5757

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NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

The 2024 Annual General and Special Meeting of the shareholders of Kraken Robotics Inc. (the “**Company**”) will be held virtually by teleconference on Monday, June 24, 2024 at 1:00 p.m. (Eastern Daylight Time) (the “**Meeting**”) for the following purposes:

1. To receive the Company’s most recently audited financial statements and the auditor’s report and management’s discussion and analysis thereon;
2. To appoint an auditor for the next year and to authorize the directors to fix the auditor’s remuneration;
3. To fix the number of directors of the Company at five (5) and to elect the directors of the Company for the ensuing year;
4. To consider and, if thought fit, to pass, with or without variation, an ordinary resolution approving the Company’s stock option plan;
5. To consider and, if thought fit, to pass, with or without variation, an ordinary resolution approving the Company’s restricted share unit plan;
6. To consider and, if thought fit, to pass, with or without variation, a special resolution approving an amendment to the articles of the Company to consolidate the issued and outstanding common shares of the Company at a ratio of between two (2) and seven (7) pre-consolidation common shares for every one (1) post-consolidation common share, as and when determined by the board of directors of the Company; and
7. To transact any other business that may properly come before the Meeting and any adjournment thereof.

A management proxy circular (the “**Management Proxy Circular**”) and a form of proxy (“**Proxy**”) accompany this Notice. The Management Proxy Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice.

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxyholder to attend and vote in his or her place, as detailed below. If you are unable to attend the Meeting or any adjournment thereof in person, please read the notes accompanying the enclosed form of Proxy and then complete, sign, and date the Proxy and return it within the time and to the location set out in the notes. The Company’s management is soliciting the enclosed form of Proxy but, as set out in the notes, you may amend the Proxy if you wish by striking out the names listed and inserting in the space provided the name of the person you want to represent you at the Meeting.

Registered shareholders and proxyholders who have completed the Company’s virtual meeting advance registration process will be able to attend the Meeting via teleconference and vote. Non-registered shareholders who appoint themselves as proxyholder through their intermediary will be permitted to attend the Meeting via teleconference and vote. Non-registered shareholders who have not duly appointed themselves as proxyholder will not be permitted to attend the Meeting. This procedure is in place to ensure that the Company and its transfer agent can verify the identity of any voting shareholder at the Meeting. The Company and its transfer agent do not have a record of the Company’s non-registered shareholders and, as a result, will have no knowledge of their shareholdings or entitlement to vote unless they appoint themselves as proxyholder.

Pursuant to an exemption obtained by the Company under the *Canada Business Corporations Act*, the Company is using the notice-and-access provisions under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators (the “CSA”) to provide shareholders with electronic access to the Notice of Meeting, Management Proxy Circular, audited financial statements of the Company for the year ended December 31, 2023 and the accompanying management’s discussion and analysis (collectively, the “**Meeting Materials**”) instead of mailing paper copies. The notice-and-access provisions are a set of rules developed by the CSA that reduce the volume of materials that must be physically mailed to shareholders by allowing the Company to post its Meeting Materials online. The Meeting Materials are available on the Company’s website at www.krakenrobotics.com/investors and under the Company’s profile on SEDAR+ at www.sedarplus.ca. The use of the notice-and-access provisions expedites shareholders’ receipt of Meeting Materials, is environmentally friendly and reduces costs to the Company.

To request a paper copy of the Meeting Materials by mail or to receive additional information about notice-and-access, shareholders can call the Company at 709-757-5757 or email investors@krakenrobotics.com. There is no cost to you for requesting a paper copy of the Meeting Materials. Any shareholder wishing to request a paper copy of the Meeting Materials should do so by 4:00 p.m. ET on June 14, 2024 (in order to receive and review the Meeting Materials and submit their vote by 1:00 p.m. ET on June 20, 2024, as set out in the Proxy or voting instruction form accompanying this Notice).

In order to streamline the Meeting process, the Company encourages shareholders to vote in advance of the Meeting using the voting instruction form or the Proxy and submitting them by no later than 1:00 p.m. ET on June 20, 2024, the cut-off time for deposit of proxies prior to the Meeting.

Non-registered shareholders who received a voting instruction form accompanying this Notice through a broker or other intermediary must deliver the voting instruction form in accordance with the instructions provided by such intermediary. Failure to do so may result in your common shares not being eligible to be voted by proxy at the Meeting. Non-registered shareholders must make additional arrangements through such intermediary to vote in person at the Meeting.

Advance registration for the Meeting is required by emailing the following information to investors@krakenrobotics.com: (a) the name of the registered shareholder in which common shares of the Company (“Common Shares”) are held; (b) the Proxy control number given in respect of such Common Shares (unless the person is registering as a proxyholder); and (c) an email address and/or telephone number at which a Company representative may contact such shareholder in order to provide the Meeting ID number and passcode, or request additional information, as necessary.

The teleconference number will only be provided to shareholders and proxyholders who complete the virtual meeting advance registration process using the instructions provided above.

Please advise the Company of any change in your address.

DATED at Mount Pearl, Newfoundland, this 13th day of May, 2024.

BY ORDER OF THE BOARD OF DIRECTORS

“Peter Hunter”

Peter Hunter, Chair of the Board

KRAKEN ROBOTICS INC.

189 Glencoe Drive
Mount Pearl, NL
A1N 4P6

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MANAGEMENT PROXY CIRCULAR

**This Management Proxy Circular contains information as of May 13, 2024
(unless otherwise noted)**

PERSONS MAKING THIS SOLICITATION OF PROXIES

This Management Proxy Circular is furnished to you in connection with the solicitation of proxies by management of Kraken Robotics Inc. (“we”, “us” or the “Company”) for use at the upcoming annual general and special meeting (the “Meeting”) of the shareholders of the Company to be held on June 24, 2024, for the purposes set forth in the accompanying notice of meeting (the “Notice of Meeting”), and at any adjournment thereof. The Company will conduct its solicitation primarily by mail, using notice-and-access provisions, and our officers, directors and employees may, without receiving special compensation, contact shareholders by telephone, electronic means or personal contact. We will not specifically engage employees or soliciting agents to solicit proxies. We will pay the expenses of this solicitation. No director of the Company has informed management of the Company that he intends to oppose any action intended to be taken by management of the Company.

VIRTUAL MEETING

Shareholders as of the close of business on May 8, 2024 (the “**Record Date**”) will have an equal opportunity to participate at the Meeting by teleconference, regardless of geographic location.

Registered shareholders and proxyholders who have completed the Company’s virtual meeting advance registration process will be able to attend the Meeting via teleconference and vote. Non-registered shareholders who appoint themselves as proxyholder through their intermediary will be permitted to attend the Meeting via teleconference and vote. Non-registered shareholders who have not duly appointed themselves as proxyholder will not be permitted to attend the Meeting. This procedure is in place to ensure that the Company and its transfer agent can verify the identity of any voting shareholder at the Meeting. The Company and its transfer agent do not have a record of the Company’s non-registered shareholders and, as a result, will have no knowledge of their shareholdings or entitlement to vote unless they appoint themselves as proxyholder. Please see “*Appointment of Proxyholder*” and “*Revocability of Proxy*” below.

In order to streamline the Meeting process, the Company encourages shareholders to vote in advance of the Meeting using the voting instruction form (a “VIF”) or the form of proxy (the “Proxy”) and submitting them by no later than 1:00 p.m. ET on June 20, 2024, the cut-off time for deposit of proxies prior to the Meeting.

Advance registration for the Meeting is required by emailing the following information to investors@krakenrobotics.com: (a) the name of the registered shareholder in which common shares of the Company (“Common Shares”) are held; (b) the proxy control number given in respect of such Common Shares (unless the person is registering as a proxyholder); and (c) an email address and/or telephone number at which a Company representative may contact such shareholder in order to provide the Meeting ID number and passcode, or request additional information, as necessary.

The teleconference number will only be provided to shareholders and proxyholders who complete the virtual meeting advance registration process using the instructions provided above.

It is the shareholders responsibility to ensure connectivity during the Meeting and the Company encourages its shareholders to allow sufficient time to log in to the Meeting before it begins.

APPOINTMENT OF PROXYHOLDER

The persons named as proxyholders in the enclosed proxy (the “**Proxy**”) are the Company’s directors or officers (the “**Management Proxyholders**”). **As a shareholder, you have the right to appoint a person other than a Management Proxyholder to attend and act on your behalf at the Meeting. To exercise this right, you must either insert the name of your representative in the blank space provided in the Proxy and strike out the other names or complete and deliver another appropriate Proxy. A proxyholder need not be a shareholder.**

A Proxy will not be valid unless it is dated and signed by you or your attorney duly authorized in writing or, if you are a corporation, by an authorized director, officer, or attorney of the corporation.

COMPLETION AND VOTING OF PROXIES

Voting at the Meeting will be by verbal affirmation via teleconference with each shareholder having one vote, unless a ballot on the questions is required or demanded, in which case each shareholder is entitled to one vote for each Common Share held. In order to approve a motion proposed at the Meeting, a simple majority of greater than 50% of the votes cast will be required (an “**ordinary resolution**”) unless the motion requires a special resolution (a “**special resolution**”) in which case a special majority of two-thirds (2/3) of the votes cast will be required.

A shareholder or intermediary acting on behalf of a shareholder may indicate the manner in which the persons named in the enclosed Proxy are to vote with respect to any matter by checking the appropriate space. Common Shares represented by a properly executed Proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with your instructions on any ballot that may be called for and if you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

If you do not specify a choice and you have appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.

If you do not specify a choice and you have appointed other than one of the Management Proxyholders as proxyholder, the proxyholder may vote in his/her discretion for the matters specified in the Proxy.

If you or an intermediary acting on your behalf wishes to confer a discretionary authority with respect to any matter, then the space should be left blank. **IN SUCH INSTANCE, THE PROXYHOLDER, IF ONE PROPOSED BY MANAGEMENT, INTENDS TO VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE MOTION.** The enclosed Proxy, when properly signed, also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may be properly brought before the Meeting. At the time of printing this Management Proxy Circular, our management is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. If, however, other matters which are not now known to management should properly come before the Meeting, the persons named in the Proxy intend to vote on such other business in accordance with their best judgment.

The Proxy must be dated and signed by you or by your attorney authorized in writing or by the intermediary acting on your behalf. In the case of a corporation, the Proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

COMPLETED PROXIES TOGETHER WITH THE POWER OF ATTORNEY OR OTHER AUTHORITY, IF ANY, UNDER WHICH IT WAS SIGNED OR A NOTARIALY CERTIFIED COPY THEREOF MUST BE DEPOSITED WITH THE COMPANY'S TRANSFER AGENT, COMPUTERSHARE INVESTOR SERVICES INC., OF 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, M5J 2Y1, AT LEAST 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF. UNREGISTERED SHAREHOLDERS WHO RECEIVED THE PROXY THROUGH AN INTERMEDIARY MUST DELIVER THE PROXY IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN BY SUCH INTERMEDIARY. YOU MAY ALSO VOTE BY TELEPHONE AND INTERNET. PLEASE SEE THE PROXY FOR INSTRUCTIONS REGARDING TELEPHONE AND INTERNET VOTING.

ADVICE TO NON-REGISTERED HOLDERS OF COMMON SHARES

Only shareholders whose names appear on our records or validly appointed proxyholders are permitted to vote at the Meeting. Most of our shareholders are "non-registered" shareholders because their Common Shares are registered in the name of a nominee, such as a brokerage firm, bank, trust company, trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan or a clearing agency such as CDS Clearing and Depository Services Inc. (a "Nominee"). If you purchased your Common Shares through a broker, you are likely a non-registered shareholder.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to us are referred to as "NOBOs". Those non-registered shareholders who have objected to their Nominee disclosing ownership information about themselves to us are referred to as "OBOs".

In accordance with the securities regulatory policy, we will have distributed copies of the Meeting Materials, being the Notice of Meeting, this Management Proxy Circular, and the Proxy, using the notice-and-access provisions, directly to NOBOs and to the Nominees for onward distribution to OBOs. The Company does not intend to pay for Nominees to forward to OBOs the Meeting Materials, and OBOs will not receive the Meeting Materials unless the OBOs' Nominees assume the cost of such delivery.

Nominees are required to forward the Meeting Materials to each OBO unless the OBO has waived the right to receive them. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered shareholder. Meeting Materials sent to non-registered holders who have not waived the right to receive Meeting Materials are accompanied by a request for a VIF, instead of a Proxy. By returning the VIF in accordance with the instructions noted on it, a non-registered holder is able to instruct the registered shareholder (or Nominee) how to vote on behalf of the non-registered shareholder. VIF's, whether provided by the Company or by a Nominee, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the Common Shares, which they beneficially own. Non-registered holders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. **Should a non-registered holder who receives a VIF wish to attend the Meeting or have someone else attend on his/her behalf, the non-registered holder may request (in writing) to the Company or its Nominee, as applicable, without expense to the non-registered holder, that the non-registered holder or his/her Nominee be appointed as proxyholder and have the right to attend and vote at the Meeting.**

NOTICE-AND-ACCESS

Pursuant to an exemption obtained by the Company under the *Canada Business Corporations Act* (the “CBCA”), the Company is using the notice-and-access provisions under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators (the “CSA”) to provide shareholders with electronic access to the Notice of Meeting, Management Proxy Circular, audited financial statements of the Company for the year ended December 31, 2023 and the accompanying management’s discussion and analysis (collectively, the “**Meeting Materials**”) instead of mailing paper copies. The notice-and-access provisions are a set of rules developed by the CSA that reduce the volume of materials that must be physically mailed to shareholders by allowing the Company to post its Meeting Materials online. The Meeting Materials are available on the Company’s website at www.krakenrobotics.com/investors and under the Company’s profile on SEDAR+ at www.sedarplus.ca. The use of the notice-and-access provisions expedites shareholders’ receipt of Meeting Materials, is environmentally friendly and reduces costs to the Company.

Pursuant to the notice-and-access provisions, registered and non-registered holders of Common Shares will be sent a notice package explaining how to access the Meeting Materials and containing a form of Proxy or VIF, as applicable and in each case with a supplemental mail list return box for shareholders to request they be included in the Company’s supplementary mailing list for receipt of the Company’s annual and interim financial statements for the 2024 fiscal year. To request a paper copy of the Meeting Materials by mail or to receive additional information about notice-and-access, shareholders can call the Company at 709-757-5757 or by email at investors@krakenrobotics.com. There is no cost to you for requesting a paper copy of the Meeting Materials. Any shareholder wishing to request a paper copy of the Meeting Materials should do so by 4:00 p.m. ET on June 14, 2024, in order to receive and review the Meeting Materials and submit their vote by 1:00 p.m. ET on June 20, 2024, as set out in the Proxy or VIF.

REVOCABILITY OF PROXY

Any registered shareholder and NOBO who has returned a Proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered shareholder and NOBO, his attorney authorized in writing or, if the registered shareholder or NOBO is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a Proxy by instrument in writing, including a Proxy bearing a later date. The instrument revoking the Proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. OBOs who wish to change their vote must, at least 7 days before the Meeting, arrange for their Nominees to so act on their behalf.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

None of the directors or executive officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, approval of the Stock Option Plan (as defined herein) and the approval of the RSU Plan (as defined herein), all described in this Management Proxy Circular.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting of Common Shares – General

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the Record Date, a total of 207,712,985 Common Shares were issued and outstanding. Each Common Share carries the right to one vote at the Meeting.

Persons who are registered shareholders at the close of business on the Record Date, will be entitled to receive notice of, attend, and vote at the Meeting or any adjournment thereof.

Principal Holders of Common Shares

To the knowledge of the directors and senior officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the outstanding voting rights of the Company other than:

Name	Number of Shares Held	Percentage of Issued and Outstanding
PenderFund Capital Management Ltd.	23,584,900	11.35%

ELECTION OF DIRECTORS

Directors are elected at each annual meeting and hold office until the next annual meeting of shareholders of the Company or until that person sooner ceases to be a director. In the absence of instructions to the contrary, the enclosed Proxy will be voted for the nominees listed in this Management Proxy Circular.

Amendments to the CBCA, which came into force on August 31, 2022, establish a majority voting requirement for uncontested elections. Specifically, the CBCA now requires that, for elections at which there is only one candidate nominated for each position available on the board of directors (the “**Board**”), shareholders vote “for” or “against” individual directors (rather than “for” or “withhold”) and each candidate is elected only if they receive a majority of votes cast in their favor. The CBCA provides that if an incumbent director is not elected in those circumstances, the director may continue in office until the earlier of (i) the 90th day after the day of the election, and (ii) the day on which their successor is appointed or elected. In addition, the Board may appoint the incumbent director who was a candidate and who was not elected during the election to ensure that the Board is composed of the required number of (i) Canadian residents; and (ii) directors who are not officers or employees of the Company. The election of directors at the Meeting will be governed by the majority voting requirements under the CBCA.

Shareholders will be asked to pass an ordinary resolution to fix the number of directors at five for the next year, subject to any increases permitted by the Company’s constating documents.

The Company is required to have an audit committee (the “**Audit Committee**”). Members of the Audit Committee are set out below.

Management proposes to nominate the persons named in the table below for election as directors. Each director will hold office until the next annual general meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the Company’s by-laws. Management does not contemplate that any of the nominees will be unable to serve as a director. If before the Meeting any vacancies occur in the slate of nominees listed below, the person named in the Proxy will exercise his or her discretionary authority to vote the Common Shares represented by the Proxy for the election of any other person or persons as directors.

Unless otherwise instructed, the Management Proxyholders intend to vote FOR the election of the proposed nominees as directors.

The information concerning the proposed nominees has been furnished by each of them.

Name, Province or State and Country of Residence and Present Office Held	Periods Served as Director	Number of Common Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised ⁽¹⁾	Principal Occupation and, if Not Previously Elected, Principal Occupation during the Past Five Years
Greg Reid Toronto, ON Director, President and CEO of the Company	January 1, 2023 to present	8,155,049	President & CEO, Kraken Robotics Inc. COO, Kraken Robotics Inc., CFO Kraken Robotics Inc.
Shaun McEwan ⁽²⁾⁽³⁾ Ottawa, ON Audit Chair	December 1, 2016 to present	275,000	President, ADGA Group Consultants Inc.
Peter Hunter ⁽²⁾ Boston, MA Chair of the Board	November 20, 2023, to present	Nil	Chairman and Managing Partner, Artemis Capital Partners, L.P.
Admiral Michael Connor ⁽³⁾ Mystic, CT, USA Director	October 4, 2017 to present	300,000	Chief Executive Officer of ThayerMahan Inc.; US Navy Admiral
Bernard Mills ⁽²⁾⁽³⁾ Halifax, NS Director	November 30, 2022 to present	Nil	Managing Director, Stelia North America Inc., President of Ultra Sonar Systems

Notes:

- (1) The approximate number and percentage of Common Shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each director or executive officer as of May 13, 2024. This information is not within the knowledge of the management of the Company and has been furnished by the respective directors.
- (2) Denotes a member of the Audit Committee.
- (3) Denotes a member of the Compensation Committee.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Company's management, no proposed director of the Company:

- (a) is, as at the date of the Management Proxy Circular, or has been within 10 years before the date of the Management Proxy Circular, a director, CEO, CFO of any company (including the Company) that:
 - (i) was subject to a cease trade or similar order or an order that denied such other issuer access to any exemption under securities legislation for more than thirty consecutive days, that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
 - (ii) was subject to a cease trade or similar order or an order that denied such other issuer access to any exemption under securities legislation for more than thirty consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO and which

resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; or

- (b) is, as at the date of this Management Proxy Circular, or has been within 10 years before the date of the Management Proxy Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

EXECUTIVE COMPENSATION

Compensation discussion and analysis

Compensation, Philosophy and Analysis

The primary objectives of the Company's executive compensation program are to attract, motivate and retain highly trained, experienced and committed executive officers who have the necessary skills, education, experience and personal qualities required to manage the Company's business for the benefit of its shareholders, and to align their success with that of the shareholders. The level of compensation paid to an executive is based on the executive's overall experience, responsibility and performance.

The Company's executive compensation program is comprised of two elements: (i) the payment of cash where appropriate; and (ii) long-term incentive compensation in the form of incentive stock options ("**Options**") pursuant to the Company's stock option plan (the "**Stock Option Plan**") and restricted share units ("**RSUs**") pursuant to the Company's restricted share unit plan (the "**RSU Plan**"). As the Company is generating revenues, salaries will be paid to its executive officers as determined by the Board. The Board will review both components in assessing the compensation of individual executive officers and the Company as a whole. Salary, which may be paid by way of consulting fees, is intended to provide current compensation, while Options are granted to encourage long-term commitment to the Company and to align the interests of those individuals with those of the Company's shareholders.

When determining executive compensation, the Board will review the compensation policies of companies engaged in similar businesses. Although the Company has not obtained any industry reports regarding compensation, at the appropriate time the Board will review publicly available information with respect to compensation paid to the executives of companies that are also engaged in businesses comparable to the Company.

The Board determines an appropriate amount of compensation for its executives, reflecting the need to provide incentive and compensation for the time and effort expended by the executives while taking into account the financial and other resources of the Company. The Board did not consider the implications of the risks associated with the Company's compensation practices; however, given the Company's size and nature of compensation provided to its executives in the last financial year, the Board does not view significant risk that would be likely to have a material adverse effect on the Company.

The duties and responsibilities of the CEO, CFO and COO are typical of those of a business entity of the Company's size in a similar business and include direct reporting responsibility to the Board, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The Company has a compensation committee ("**Compensation Committee**") which did not meet during the most recently completed financial year. The full Board dealt with compensation matters during the most recently completed financial year and to the extent the discussions were held about an executive officer, the executive officer recused himself from such deliberations. The Company anticipates that the Compensation Committee will assume responsibility for decisions regarding compensation matters in the upcoming financial year.

Analysis of Elements

The Company's Stock Option Plan is intended to attract, retain and motivate officers and directors of the Company in key positions, and to align the interests of those individuals with those of the Company's shareholders. The Stock Option Plan provides such individuals with an opportunity to acquire a proprietary interest in the Company's value growth through the exercise of Options.

The Company considers the granting of Options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's (as defined herein) efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Options are generally awarded to directors, officers, consultants and employees at the commencement of their appointment or employment with the Company and periodically thereafter. During the year ended December 31, 2023, the Company granted 400,000 Options to a director.

Risk Management

Executive compensation is comprised of short-term compensation in the form of a base salary and long-term ownership through the Company's Stock Option Plan. This structure ensures that a significant portion of executive compensation (Options) is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their short-term compensation at the expense of the Company and the shareholders is extremely limited. Furthermore, the short-term component of executive compensation (base salary) represents a relatively small part of the total compensation. As a result, it is unlikely an officer would take inappropriate or excessive risks at the expense of the Company or the shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Risks, if any, may be identified and mitigated through Board meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Hedging of Economic Risks in the Company's Securities

The Company has not adopted a policy prohibiting directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by directors or officers. However, the Company is not aware of any directors or officers having entered into this type of transaction.

The Company's management is not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by management.

Long Term Compensation and Equity Based Awards

The Company's long-term incentive plans consist of the Stock Option Plan and the RSU Plan, both of which were approved by shareholders at the last annual general and special meeting on June 27, 2023. The Company's directors, officers, employees, and consultants are entitled to participate in both the Stock Option Plan and the RSU Plan. The Stock Option Plan and the RSU Plan are designed to encourage Common Share ownership and entrepreneurship on the part of the senior management, directors, employees, and consultants. The Board determines the allocation and terms of any Option and any RSU grants taking into account the number of Options and RSUs that have already been granted.

See "Particulars of Matters to be Acted Upon" for a description of the Stock Option Plan, the RSU Plan and the process the Company uses to grant security-based compensation awards.

Compensation Governance

The Compensation Committee comprises of Michael Connor, Bernard Mills and Shaun McEwan. All of the members of the Compensation Committee are independent.

- Mr. Connor is a retired Vice Admiral in the United States Navy who has commanded at the ship, squadron and task force levels. He served as commander of U.S. submarine forces from September 2012 until September 2015. Vice Admiral Connor led the US Navy Submarine Force into robotic undersea systems, achieving key milestones including the first operational deployment and recovery of an unmanned underwater vehicle from a submarine. His education includes a B.A. in Physics from Bowdoin College and an M.A. in National Security Studies from the United States Naval War College. Vice Admiral Connor is currently the CEO of ThayerMahan Inc., a company he founded to accelerate the United States' ability to effectively and efficiently monitor ocean activity using autonomous systems.
- Mr. Mills is CEO and Managing Director at Stelia North America, part of the Airbus Group and a leading manufacturer of composites and metallic structures for the aerospace industry. An internationally experienced executive specializing in defense and critical infrastructure sectors, he was previously President of Ultra Sonar Systems, leading an international business unit of over 850 staff delivering underwater sensing technologies to the world's most advanced navies. Earlier in his career, Mr. Mills worked for another underwater systems major in Thales, with roles in both France and Australia. He sits on the Board of CADSI, Canada's leading defense industry association.
- Mr. McEwan is the President of ADGA Group and owner of Kin Vineyards Inc. Prior to his current role he was the CFO for Quarterhill Inc., a TSX listed company, focused on the Industrial Internet of Things. Prior to his role at Quarterhill, Mr. McEwan was the CFO of WiLan, which was a leading intellectual property licensing company. Mr. McEwan has extensive finance and executive leadership in public and private high-tech companies and has also served as the CFO of Breconridge

Manufacturing Solutions, and the CFO of Calian Technologies. Mr. McEwan is a Chartered Professional Accountant – Chartered Accountant.

The Board is responsible for overseeing compensation matters (including compensation of officers and other senior management personnel). The Compensation Committee assists the Board with these responsibilities. See “Corporate Governance” for additional disclosure on compensation.

For the year ended December 31, 2023, the Company did not retain a compensation consultant or advisor to assist the Board or Compensation Committee in determining the compensation for any of the directors and officers.

Summary Compensation Table

For the purposes of this Management Proxy Circular, a “**Named Executive Officer**” of the Company means each of the following individuals:

- (a) our CEO;
- (b) our CFO; and
- (c) each of our three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the financial year ended December 31, 2023, whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 52-102F6, for that financial year.

We had five Named Executive Officers during our financial year ended December 31, 2023, being Greg Reid, President and CEO, Joseph MacKay, CFO, David Shea, Executive Vice President – Products and Chief Technology Officer, Karl Kenny, former Executive Chair and Moya Cahill, former Executive Vice President – Services.

The table below sets out particulars of compensation paid to the Named Executive Officers for services to the Company during the three most recently completed financial years for which such information is available. For information regarding compensation related to earlier years, please see the Company’s prospectus and previous Management Proxy Circulars available on SEDAR+ at www.sedarplus.ca.

Summary Compensation Table

Name and principal position as at December 31, 2023	Year	Salary, consulting fee, retainer or commission (\$)	Share-based awards (\$)	Option-based awards ⁽⁶⁾ (\$)	Non-equity incentive plan compensation (\$)			All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans	Pension value (\$)		
Greg Reid ⁽¹⁾ Director, CEO & President	2023	\$350,000	Nil	Nil	Nil	Nil	Nil	\$177,980	\$527,980
	2022	\$260,417	Nil	\$42,472	Nil	Nil	Nil	\$7,200	\$262,033
	2021	\$250,000	Nil	\$4,833	Nil	Nil	Nil	\$107,200	\$327,392
Joseph MacKay CFO & Corporate Secretary ⁽²⁾	2023	\$275,000	Nil	Nil	Nil	Nil	Nil	\$160,780	\$435,780
	2022	\$246,734	Nil	\$42,472	Nil	Nil	Nil	\$41,607	\$330,813
	2021	\$225,000	Nil	\$34,721	Nil	Nil	Nil	Nil	\$259,721
David Shea Executive Vice President – Products and Chief Technology Officer ⁽³⁾	2023	\$275,000	Nil	Nil	Nil	Nil	Nil	\$160,780	\$435,780
	2022	\$242,917	Nil	\$42,472	Nil	Nil	Nil	Nil	\$224,833
	2021	\$220,000	Nil	\$4,833	Nil	Nil	Nil	\$130,000	\$320,208
Karl Kenny ⁽⁴⁾ Former Executive Chair	2023	\$100,000	Nil	Nil	Nil	Nil	Nil	\$100,000	\$200,000
	2022	\$350,000	Nil	\$42,472	Nil	Nil	Nil	\$9,000	\$389,873
	2021	\$350,000	Nil	\$30,873	Nil	Nil	Nil	\$159,000	\$511,128
Moya Cahill Executive Vice President – Services ⁽⁵⁾	2023	\$251,250	Nil	Nil	\$808,894	Nil	Nil	\$188,479	\$1,248,623
	2022	\$335,000	Nil	\$142,061	Nil	Nil	Nil	\$39,871	\$374,871
	2021	\$139,583	Nil	Nil	Nil	Nil	Nil	\$103,000	\$384,644

Notes:

- (1) Mr. Reid's salary was increased to \$275,000 effective August 1, 2022. Mr. Reid was paid an annual car allowance of \$7,200. Effective January 1, 2023, Mr. Reid resigned as Chief Operating Officer and was appointed as President and CEO of the Company entitled to a salary of \$350,000. Mr. Reid's salary relates to his role as President and CEO and not as a director.
- (2) Mr. MacKay's employment started July 15, 2019, at an annual salary of \$170,000 and increased to \$225,000 effective July 13, 2020, and \$275,000 effective August 1, 2022. Mr. MacKay was granted 1,000,000 Options under his employment contract. Effective January 1, 2023, Mr. MacKay was appointed Corporate Secretary of the Company.
- (3) Mr. Shea was appointed Senior Vice President from Vice President of Engineering on July 15, 2019, at an annual salary of \$165,000 and increased to \$220,000 effective July 13, 2020, and \$275,000 effective August 1, 2022. Effective August 3, 2021, Mr. Sheas was appointed Executive Vice President – Products. Effective January 10, 2023, Mr. Shea was appointed as Chief Technology Officer of the Company.
- (4) Mr. Kenny's salary relates to his role as CEO and not as a director prior to his resignation from both roles. Mr. Kenny was paid an annual car allowance of \$9,000 in 2021 and 2022. Effective January 1, 2023, Mr. Kenny resigned as President and CEO and was appointed as Executive Chair of the Company with a salary of \$200,000. Effective June 26, 2023, Mr. Kenny retired from the Company and received a retirement package of \$200,000 payable over 12 months from Mr. Kenny's retirement date.
- (5) Ms. Cahill joined the Company on July 30, 2021, as Executive Vice President – Services. Ms. Cahill's employment contract set her salary at \$335,000, an RRSP contribution of the greater of \$25,000 or the maximum percentage of allowable annual contribution, a car allowance of \$600 per month and the grant of 1,000,000 Options. Ms. Cahill's contract also included a guaranteed bonus of \$250,000 over the first 24 months of her contract. Effective September 18, 2023, Ms. Cahill retired from the Company and per her employment contract will receive \$429,815 paid over 72 months.
- (6) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value and relied on the following key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 3.71% (ii) expected dividend yield of 0%; (iii) expected volatility of 57.43; and (iv) an expected term of 3.64 years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

Incentive Plan Awards

Outstanding share-based awards and Option-based awards

The following table sets out, for the Company's Named Executive Officers, the awards outstanding as at December 31, 2023.

Name and Position as at December 31, 2023	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾	Number of Common Shares or Units of Common Shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Greg Reid CEO and President	400,000	\$0.395	May 3, 2027	\$102,000	N/A	N/A	N/A
Joseph MacKay CFO and Corporate Secretary	400,000 1,000,000	\$0.395 \$0.63	May 3, 2027 July 15, 2024	\$102,000 \$20,000	N/A	N/A	N/A
David Shea Executive Vice-President Products and Chief Technology Officer	400,000	\$0.395	May 3, 2027	\$102,000	N/A	N/A	N/A
Karl Kenny ⁽²⁾ Former Executive Chair	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moya Cahill Executive Vice President – Services ⁽³⁾	1,000,000	\$0.50	March 17, 2024	\$150,000	N/A	N/A	N/A

Notes:

- (1) This amount is calculated as the difference between the market value of securities underlying the Options on December 31, 2023, being the last trading day of the Common Shares for the financial year ended December 31, 2023, and the exercise price of the Options. The closing market price per Common Share on December 31, 2023, was \$0.65.
- (2) Effective June 26, 2023, Mr. Kenny retired from the Company.
- (3) Effective September 18, 2023, Ms. Cahill retired from the Company.

Incentive Plan Awards – value vested or earned during the year

The following table sets out, for the Company's Named Executive Officers, the value of all incentive plan awards issued during the financial year ended December 31, 2023.

Name	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Greg Reid CEO and President	N/A	N/A	N/A
Joseph MacKay CFO and Corporate Secretary	N/A	N/A	N/A
David Shea Executive Vice President Engineering and Chief Technology Officer	N/A	N/A	N/A
Karl Kenny ⁽²⁾ Former Executive Chair	N/A	N/A	N/A
Moya Cahill Executive Vice President – Services ⁽³⁾	N/A	N/A	N/A

Notes:

- (1) The Company granted Options which vest over a period of five years. The fair value of those Options that vested during 2023 was calculated using the Black-Scholes pricing model under the following assumptions: (i) risk free interest rate of 3.71% (ii) expected dividend yield of 0%; (iii) expected volatility of 57.43; and (iv) an expected term of 3.64 years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.
- (2) Effective June 26, 2023, Mr. Kenny retired from the Company.
- (3) Effective September 18, 2023, Ms. Cahill retired from the Company.

Pension Plan Benefits

The Company does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

Kraken Executive Employment Agreements

The Company entered into an executive employment agreements with its CEO on January 1, 2023, and with its CFO and Chief Technology Officer effective as of August 1, 2022 (collectively, the “**Executive Employment Agreements**”), all of which contain substantially the same terms (except with respect to base salary and incentive eligibility) as set out below.

The Executive Employment Agreements have no fixed term and provide for an annual base salary, subject to annual review and increases at the discretion of the Board (see “Summary Compensation Table” for the salary for fiscal 2023 for each of Messrs. Reid, Shea and MacKay). The Executive Employment Agreements also provide for short- and long-term incentive plan compensation conditioned upon the respective executive officer’s active employment with the Company on December 31st of the year for which such bonus amount may be payable or equity compensation may be granted. For Mr. Reid, the annual short-term incentive plan bonus is valued at an amount equal to between nil and 30% of the then-current base salary; for Messrs. MacKay and Shea, the annual short-term incentive plan bonus is valued at an amount equal to between nil and 25% of the then-current base salary. For Mr. Reid, the annual long-term incentive award in any year of employment is valued at an amount equal to between nil and 70% of the then-current base salary; for Messrs. MacKay and Shea, the annual long-term incentive award in any year of employment is valued at an amount equal to between nil and 50% of the then-current base salary.

In the event of termination of employment by the Company without cause, the Company will pay to the applicable executive officer (i) any unpaid base salary, and any expenses properly incurred by such executive officer in accordance with the applicable Executive Employment Agreement and which the executive officer is owed at the time of termination (the “**Accrued Salary and Expense Payment**”); and (ii) the greater of (A) the executive officer’s entitlements under the Newfoundland and Labrador Labour Standards Act (“**LSA**”) upon termination, including, without limitation, notice, severance (if applicable), vacation accrual and benefit continuation; or (B) one year of base salary at the executive officer’s then rate (the “**Termination Payment**”). The executive officer’s benefits in place prior to the termination date and vacation accrual shall continue throughout the applicable statutory notice period as established by the LSA.

Further, in the event of termination of employment by the Company without cause within 12 months immediately following the occurrence of a Change of Control (as defined below), in addition to the amounts noted above, the Company shall be liable to the executive officer for an amount equal to 1.5 times the executive officer’s base salary in effect at the time such notice of termination is given. For greater certainty, where the executive officer is entitled to payment due to termination following a Change of Control (as defined below), the payment required by this paragraph will be in addition to the Accrued Salary and Expense Payment but in lieu of and not in addition to the Termination Payment.

The Executive Employment Agreements also include (i) non-solicitation and non-competition covenants in favour of the Company for 12 months following termination of the executive officer’s employment with

the Company; and (ii) non-disclosure covenants requiring the executive officer to maintain the confidentiality of the Company's confidential information and prohibiting its use other than on behalf of and for the benefit of the Company, both during employment and for an indefinite period thereafter.

Change of Control Payment Chart

For purposes of the Executive Employment Agreements, "Change of Control" shall mean the occurrence of one of the following:

- (1) the issuance, acquisition or continuing ownership of the voting shares of the Company (or any subsidiaries thereof) as a result of which a person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the CBCA with any such person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially own voting shares of the Company (or any subsidiaries thereof) that would entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the Company (or any subsidiaries thereof) that may be cast to elect directors of the Company (or any subsidiaries thereof); or
- (2) the exercise of the voting power of all or any of such voting shares (other than those owned or controlled by the executive officer and any person related to the executive officer) so as to cause or result in the election of less than a majority of the nominees of the management of the Company to the Board at any shareholders meeting at which an election of directors takes place after the occurrence of the event contemplated in paragraph (a) above; or
- (3) the sale, lease or transfer of at least 50% of the Company's assets to any other person or persons other than to an affiliate that assumes all of the obligations of the Company in respect of the executive officer including the assumption of this Agreement; or
- (4) the entering into of a merger, amalgamation, arrangement or other reorganization by the Company (or any subsidiaries thereof) with another unrelated corporation resulting in a person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the CBCA with any such person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially owning voting shares of the Company (or any subsidiaries thereof) that would entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the Company (or any subsidiaries thereof) that may be cast to elect directors of the Company (or any subsidiaries thereof).

The estimated payments that would have been made to Named Executive Officers pursuant to the Executive Employment Agreements in the event of termination without cause or after a Change of Control are detailed below:

Executive Officer	Termination Without Cause	Termination on a Change of Control
Greg Reid	\$350,000	\$525,000
Joseph MacKay	\$275,000	\$412,500
David Shea	\$275,000	\$412,500

Compensation of Directors

As at the financial year ended December 31, 2023, the Company had five directors, one of whom was also a Named Executive Officer. For a description of the compensation paid to the Named Executive Officer of the Company who also act as a director, see “Summary Compensation Table”.

The following table sets forth all amounts of compensation provided to the Directors, who are each not also a Named Executive Officer, for the Company’s financial year end dated December 31, 2023:

Director Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Michael Connor	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Peter Hunter	Nil	Nil	\$37,201	Nil	Nil	Nil	\$37,201
Shaun McEwan	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Bernard Mills	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value, and relied on the following the key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 3.71% (ii) expected dividend yield of 0%; (iii) expected volatility of 57.43; and (iv) an expected term of 3.64 years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

Due to our size and our early-stage of development, we do not pay retainers or meeting fees to our non-executive directors. Accordingly, we only compensate directors through Option grants.

Incentive Plan Awards

Outstanding share-based awards and Option-based awards

The following table discloses the particulars for each director, other than the Company’s Named Executive Officers, for awards outstanding at the end of the financial year ended December 31, 2023:

Director Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾	Number of Common Shares or Units of Common Shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Michael Connor	400,000	\$0.395	May 3, 2027	\$102,000	N/A	N/A	N/A
Shaun McEwan	400,000	\$0.395	May 3, 2027	\$102,000	N/A	N/A	N/A
Peter Hunter	400,000	\$0.495	November 20, 2028	\$62,000	N/A	N/A	N/A
Bernard Mills	400,000	\$0.59	December 7, 2027	\$24,000	N/A	N/A	N/A

Note:

- (1) This amount is calculated as the difference between the market value of securities underlying the Options on December 31, 2023, being the last trading day of the Common Shares for the financial year ended December 31, 2023, and the exercise price of the Options. The closing market price per Common Share on December 31, 2023, was \$0.65.

Incentive Plan Awards – value vested or earned during the year

The following table sets forth the value of Option-based awards and share-based awards which vested or were earned during the financial year ended December 31, 2023, for each director who was not also a Named Executive Officer.

Name	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Michael Connor	\$19,289	N/A	N/A
Shaun McEwan	\$19,289	N/A	N/A
Peter Hunter	\$37,201	N/A	N/A
Bernard Mills	\$39,283	N/A	N/A

Note:

- (1) The Company granted Options which vest over a period of five years. The fair value of those Options that vested during 2023 was calculated using the Black-Scholes pricing model under the following assumptions: (i) risk free interest rate of 3.64% (ii) expected dividend yield of 0%; (iii) expected volatility of 57.43; and (iv) an expected term of 3.64 years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has an incentive Stock Option Plan under which Options are granted. Options have been determined by the Company's Board and are only granted in compliance with applicable laws and regulatory policies. The policies of the TSX Venture Exchange (the "**Exchange**") limit the granting of Options to employees, officers, directors and consultants of the Company and provide limits on the length of term, number and exercise price of such Options. The Exchange also requires annual approval of rolling stock option plans by shareholders. See below under "Particulars of Matters to be Acted Upon - Incentive Stock Option Plan".

The following table provides information as at December 31, 2023 regarding the number of Common Shares to be issued pursuant to the Company's Stock Option Plan. The Company does not have any equity compensation plans that have not been approved by its shareholders.

Plan Category	Number of securities to be issued upon exercise of outstanding Options (a)	Weighted-average exercise price of outstanding Options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (Stock Option Plan)	7,807,500	\$0.458	12,841,798
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	7,807,500	\$0.458	12,841,798

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Company, or proposed nominees for election as director of the Company or associates or affiliates of such persons are or have been indebted to the Company at any time since the beginning of the Company's last completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's financial year ended December 31, 2023, no informed person of the Company, nominee for director or any associate or affiliate of an informed person or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. An "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its Common Shares.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee Charter, the text of which is attached as Schedule "A" to this Management Proxy Circular, was adopted by our Audit Committee and the Board.

Composition of the Audit Committee

The Audit Committee is composed of the following members:

Name	Independent⁽¹⁾	Financially Literate⁽¹⁾
Shaun McEwan	Yes	Yes
Peter Hunter	Yes	Yes
Bernard Mills	Yes	Yes

Note:

(1) As such term is defined in National Instrument 52-110 *Audit Committees* (“NI 52-110”).

Relevant Education and Experience

The educational background or experience of the Audit Committee members has enabled each to perform his/her responsibilities as an Audit Committee member and has provided the member with an understanding of the accounting principles we use to prepare our financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves as well as experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more individuals engaged in such activities and an understanding of internal controls and procedures for financial reporting.

Each member of the Audit Committee has a general understanding of the accounting principles we use to prepare our financial statements and will seek clarification from our auditor, where required. Each of the members of the Audit Committee also has direct experience in understanding accounting principles for private and reporting companies and experience in supervising one or more individuals engaged in the accounting for estimates, accruals and reserves and experience in preparing, auditing, analyzing or evaluating financial statements similar to our financial statements.

- Mr. McEwan is the President of ADGA Group and owner of Kin Vineyards Inc. Prior to his current role he was the CFO for Quarterhill Inc., a TSX listed company, focused on the Industrial Internet of Things. Prior to his role at Quarterhill, Mr. McEwan was the CFO of WiLan, which was a leading intellectual property licensing company. Mr. McEwan has extensive finance and executive leadership in public and private high-tech companies and has also served as the CFO of Breconridge Manufacturing Solutions, and the CFO of Calian Technologies. Mr. McEwan is a Chartered Professional Accountant – Chartered Accountant.
- Mr. Hunter is founder, Chairman, and Managing Partner of Artemis Capital Partners, L.P., a Boston-based private equity firm. An attorney and CPA, Mr. Hunter has over 30 years of experience as an investor and operator. Mr. Hunter brings subsea technology expertise to the Board, having served 3 years as the Chairman of Hydroid, LLC, an industry leader in unmanned underwater vehicles (UUVs) with its REMUS UUV brand.
- Mr. Mills is CEO and Managing Director at Stelia North America, part of the Airbus Group and a leading manufacturer of composites and metallic structures for the aerospace industry. An internationally experienced executive specializing in defense and critical infrastructure sectors, he was previously President of Ultra Sonar Systems, leading an international business unit of over 850 staff delivering underwater sensing technologies to the world’s most advanced navies. Earlier in his career, Mr. Mills worked for another underwater systems major in Thales, with roles in both France and Australia. He sits on the Board of CADSI, Canada’s leading defense industry association.

Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the commencement of the Company’s most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4, 6.1.1(4), 6.1.1(5), 6.1.1(6) or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit

services to be provided by the auditors, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total amount of fees payable to the auditor in the financial year in which the non-audit services were provided. Sections 6.1.1(4), (5) and (6) provide exemptions from a majority of the Audit Committee being composed of executive officers, employees or control persons. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for engagement of non-audit services as described in the Audit Committee Charter set out in Schedule “A” to this Management Proxy Circular.

External Auditor Service Fees (By Category)

The table below sets out all fees billed by our external auditor in each of the last three financial years. In the table below, “Audit Fees” are fees billed by our external auditor for services provided in auditing our financial statements for the financial year. “Audit-Related Fees” are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to performing the audit or reviewing our financial statements. “Tax Fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All Other Fees” are fees billed by the auditor for products and services not included in the previous categories.

Effective September 14, 2023, KPMG LLP, former auditor of the Company, resigned as auditors at the Company’s request and the Board appointed Ernst & Young LLP, Chartered Accountants, as its successor auditor.

The fees noted in the table below were paid to KPMG LLP:

Financial Year Ending	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2023	\$32,329	\$65,300	nil	\$5,368
December 31, 2022	\$351,620	\$88,500	\$53,000	\$20,698
December 31, 2021	\$440,007	\$57,520	\$22,650	\$131,634

For the year ended December 31, 2023, the Company paid Ernst & Young LLP, Chartered Accountants, as follows: \$340,000 for audit fees, \$30,000 for audit related fees, nil for tax fees and nil for all other fees.

Exemption

The Company is relying on the exemption provided in section 6.1 of NI 52-110 by virtue of the fact that it is a venture issuer. Section 6.1 exempts the Company from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110 and allows for the short form of disclosure of Audit Committee procedures set out in Form 52-110F2 and disclosed in this Management Proxy Circular.

CORPORATE GOVERNANCE

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) prescribes certain disclosure by the Company of its corporate governance practices. The disclosure required by NI 58-101 is presented below.

The independent members of the Board are Shaun McEwan, Peter Hunter, Michael Connor and Bernard Mills. Greg Reid is not an independent director by virtue of being the current President and CEO of the Company.

1. Board Mandate

The mandate of the Board, as prescribed by the CBCA, is to manage or supervise management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its committees.

The Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions.

The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

2. Directorships

None of the directors of the Company are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction.

3. Orientation and Continuing Education

The Board is responsible for providing orientation for all new recruits to the Board. Each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation to the nature and operations of the Company's business will be necessary and relevant to each new director. The Company provides continuing education for its directors as the need arises and encourages open discussion at all meetings, which format encourages learning by the directors.

4. Ethical Business Conduct

The Board relies on the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law to ensure the Board operates independently of management and in the best interests of the Company. The Board has found that these, combined with the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient.

5. Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders. The Board takes into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee. The Board is responsible for recruiting new members to the Board and planning for the succession of Board members.

6. Compensation

The Board is responsible for determining all forms of compensation, including long-term incentive in the form of Options, to be granted to the CEO of the Company and the directors, and for reviewing the CEO's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its officers, the Board considers: (a) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (b) providing fair and competitive compensation; (c) balancing the interests of management and the Company's shareholders; (d) rewarding performance, both on an individual basis and with respect to operations in general; and (e) permitted compensation under Exchange policies.

7. Committees of the Board

The Board does not have any committees other than the Audit Committee and the Compensation Committee.

8. Assessments

The Board annually reviews its own performance and effectiveness as well as reviews the Audit Committee Charter and recommends revisions as necessary. Neither the Company nor the Board has adopted formal procedures to regularly assess the Board, the Audit Committee, the Compensation Committee or the individual directors as to their effectiveness and contribution. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of individual directors are informally monitored by the other Board members, bearing in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees.

The Board believes its corporate governance practices are appropriate and effective for the Company, given its size and operations. The Company's corporate governance practice allows the Company to operate efficiently, with checks and balances that control and monitor management and corporate functions without excessive administrative burden.

Diversity of the Board and Senior Management

As a federal distributing corporation, incorporated under the CBCA, the Company is required to disclose information annually to its shareholders and Corporations Canada on the diversity of its Board and senior management on the representation of women, Indigenous peoples (First Nations, Inuit and Metis), persons with disabilities, members of visible minorities or otherwise self-represent as being within designated groups (as that term is defined in the *Employment Equity Act* (Canada)) (the "**Designated Groups**").

Diversity of the Board and Senior Management

The Company has not adopted a formal written policy regarding the diversity of the Board or senior management. The Company does not believe a formal policy would increase the representation of Designated Groups beyond how the Company currently nominates and appoints individuals to the Board and senior management. The Company considers all qualified individuals for each position that may arise.

While the Company believes that nominations to the Board and appointments to senior management should be based on merit, the Company recognizes that diversity supports balanced debate and discussion which, in turn, enhances decision-making and the level of representation of members of the Designated Groups is

one factor taken into consideration during the search process for directors and members of the senior management.

In assessing potential directors and members of the senior management, the Company focuses on the skills, expertise, experience and independence which the Company requires to be effective. Due to the small size of the Board and the management team, and the stage of development of the Company's business, the Board believes that the qualifications and experience of proposed new directors and members of senior management should remain the primary consideration in the selection process. The Company will include diversity (including the level of representation of members of Designated Groups) as a factor in its future decision-making when identifying and nominating candidates for election or re-election to the Board and for senior management positions.

Director Term Limits and Other Mechanism of Board Renewal

The Company has not adopted term restrictions for directors or other mechanism of Board renewal that would limit the time an individual could serve on the Board. Imposing a term limit would require the Company to remove an individual that has acquired an extensive knowledge and understanding of the operations of the Company. Accordingly, the Company believes that removing an individual solely on length of service would not benefit the shareholders of the Company. Each member of the Board is put forth, for election or re-election, to shareholders annually.

Targets for Representation of Designated Groups on the Board and among Senior Management

The Company has not established quotas or targets for representation of individuals from the Designated Groups to the Board or senior management. The Company believes that focusing on a quota or target rather than on skills and experience would limit the Company's ability to provide shareholders with a Board or senior management that meets the qualifications and needs of the Company and its shareholders.

Representation of Designated Groups among Board and Senior Management

As of the date hereof, there are no members of a Designated Group that hold a position on the Board and one member of a Designated Group who holds a senior management position with a subsidiary of the Company out of a total of eight members of senior management, or 12.5%.

MANAGEMENT CONTRACTS

The management functions of the Company are not to any substantial degree performed by any person other than the executive officers and directors of the Company. The Company has not entered into any contracts, agreements or arrangements with parties other than its directors and executive officers for the provision of such management functions.

PARTICULARS OF MATTERS TO BE ACTED UPON

Appointment of Auditor

At the Meeting, Ernst & Young LLP, Chartered Accountants, will be recommended by management and the Board for appointment as auditor of the Company at a remuneration to be fixed by the Board.

Effective September 14, 2023, KPMG LLP resigned as auditors of the Company. KPMG LLP audited the consolidated financial statements for the year ended December 31, 2022.

Ernst & Young LLP, Chartered Accountants, is the Company's auditor, and was first appointed as the Company's auditor on September 21, 2023, by the Board, upon the recommendation of the Audit Committee.

Unless otherwise instructed, the Management Proxyholders intend to vote FOR the re-appointment of Ernst & Young LLP, Chartered Accountants, as the auditors of the Company to hold office for the ensuing year at remuneration to be fixed by the Board.

Approval of Incentive Stock Option Plan by Ordinary Resolution

The Stock Option Plan was approved by shareholders at the Company's annual general and special meeting on June 27, 2023. The Stock Option Plan was established to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Company. The Exchange policies respecting the granting of Options require that all companies listed on the Exchange adopt a stock option plan and that any stock option plan that reserves a maximum of 10% of the issued and outstanding share capital of the Company at the time of grant must be approved and ratified by shareholders on an annual basis.

Terms of the Stock Option Plan

Shareholders may obtain copies of the Stock Option Plan from the Company prior to the Meeting on written request. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Stock Option Plan. The description of the Stock Option Plan set forth below is qualified in its entirety by the Stock Option Plan.

The following is a summary of the material terms of Stock Option Plan:

Number of Common Shares Reserved. The number of Common Shares reserved for issuance under the Stock Option Plan is 10% of the number of Common Shares outstanding at any given time, less the number of RSUs issuable pursuant to the RSU Plan.

Administration. The Stock Option Plan is to be administered by the Board or by a committee to which such authority is delegated by the Board from time to time.

Eligible Persons. The Stock Option Plan provides that Options may be issued only to directors, officers, employees and consultants and management company employees of the Company or of any of its affiliates or subsidiaries. Such persons and entities are referred to herein as "**Eligible Persons**".

Board Discretion. The Stock Option Plan provides that, generally, the number of Common Shares subject to each Option, the exercise price, the expiry time, the extent to which such Option is exercisable and other terms and conditions relating to such Options shall be determined by the Board or any committee to which such authority is delegated by the Board from time to time.

Maximum Term of Options. Options granted under the Stock Option Plan will be for a term not exceeding ten years from the date of grant.

Maximum Options per Person. The number of Common Shares reserved for issuance to any one Eligible Person pursuant to Options granted under the Stock Option Plan during any twelve month period may not exceed 5% (or, in the case of a consultant, 2%) of the outstanding Common Shares of the Company at the time of grant date (unless the Company has obtained Disinterested Shareholder Approval, as such term is defined in the Stock Option Plan). The number of Common Shares reserved for issuance to consultants and employees who are engaged in investor relations activities is limited to an aggregate of 2% of the outstanding Common Shares of the Company at the time of grant and must vest in stages over a period of 12 months, with no more than ¼ of those Options vesting in any three-month period.

No Assignment. The Options may not be assigned or transferred.

Termination Prior to Expiry. If an Optionee ceases to be a director, officer, employee or consultant for any reason other than death, then such Optionee's Options will terminate within a reasonable period to be determined by the administrator of the Stock Option Plan (the "**Exercise Period**") commencing on the effective date the Optionee ceases to be employed by or provide services to the Company (but only to the extent that such Options have vested on or before the date the Optionee ceased to be so employed or provide services to the Company) as provided for in the written option agreement between the Company and the Optionee, and all rights to purchase Common Shares under such Options will expire as of the last day of such Exercise Period, provided however that the maximum Exercise Period shall be six (6) months, unless the Optionee has entered into a valid employment or consulting agreement that provides for a longer Exercise Period, but in no case shall the Exercise Period be greater than one (1) year unless prior Exchange approval has been given. If an Option holder dies, the Options of the deceased Option holder will be exercisable by his or her estate for a period not exceeding 12 months or the balance of the term of the Options, whichever is shorter.

The Stock Option Plan provides additional clarity on the rights of the Company and an Optionee upon termination of employment or services.

Exercise Price. Options granted under the terms of the Stock Option Plan will be exercisable at a price which is not less than the Discounted Market Price (as defined in Exchange policies), or such other minimum price as is permitted by the Exchange in accordance with its policies from time to time.

Full Payment for Shares. The Company will not issue Common Shares pursuant to Options granted under the Stock Option Plan unless and until the Common Shares have been fully paid for. The Company will not provide financial assistance to Option holders to assist them in exercising their Options.

Reduction of Exercise Price. The exercise price of Options granted to Insiders (as defined in Exchange policies) may not be decreased without Disinterested Shareholder Approval.

Blackout Periods. Should the expiry date for an Option fall within an interval of time during which the Company has determined that one or more Option holders may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with the Company's insider-trading policy or applicable securities legislation (a "**Blackout Period**"), the expiry date for such Option shall be automatically extended without any further act or formality to that day which is the tenth (10th) business day after the end of the Blackout Period.

Acceleration of Vesting. Upon the occurrence of certain transactions including but not limited to an amalgamation, merger, arrangement or other reorganization, the terms of any outstanding Options shall be adjusted in accordance with the Stock Option Plan. Upon the occurrence of a Change of Control (as defined in the Stock Option Plan) or take-over, the vesting terms of all outstanding Options shall be accelerated and all Options will become immediately exercisable for Common Shares.

Amendment of the Stock Option Plan by the Board. Subject to the policies of the Exchange and to the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, amend or modify the Stock Option Plan or any Option granted as follows: (i) it may make amendments which are of a typographical, grammatical or clerical nature only; (ii) it may change the vesting provisions of an Option granted hereunder; (iii) it may make amendments necessary as a result in changes in securities laws applicable to the Company; (iv) if the Company becomes listed or quoted on a stock exchange or stock market senior to the Exchange, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and (v) amend the Stock Option Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Option holders (before a particular Option is granted) subject to the other terms hereof.

Amendment of the Stock Option Plan Requiring Disinterested Shareholder Approval. Unless approved by a majority of the votes cast at a duly constituted shareholders' meeting, excluding votes attaching to securities beneficially owned by Insiders (as defined in Exchange policies) to whom Common Shares may be issued pursuant to the Stock Option Plan, and their Associates (as defined in the Stock Option Plan) approval is obtained, under no circumstances will the Stock Option Plan, together with all of the Company's other previously established and outstanding stock option plans or grants, be amended at any time to result in: (i) the combined number of Common Shares reserved for issuance pursuant to RSUs and Options granted to Insiders (as defined in Exchange policies) under the RSU Plan and the Stock Option Plan, respectively, exceeding 10% of the outstanding Common Shares at the time of grant; (ii) the grant to Insiders (as defined in Exchange policies), within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares at the time of granting the Options; (iii) the issuance to any one Option holder, within a 12 month period, of a number of Common Shares exceeding 5% of the outstanding Common Shares at the time of granting the Options; (iv) a change in the termination provision of an Option granted hereunder; (v) any reduction in the exercise price of Options granted to any person who is an Insider (as defined in Exchange policies) at the time of the proposed reduction or (vi) an extension of the term of an Option if the participant is an Insider (as defined in Exchange policies) at the time of the proposed amendment.

Termination of Plan. The Stock Option Plan will terminate pursuant to a resolution of the Board or the Company's shareholders.

The Stock Option Plan has been approved by the Board and conditionally approved by the Exchange, subject to the approval by shareholders at the Meeting by way of an ordinary resolution in the following form (the "**Stock Option Plan Resolution**"):

"BE IT RESOLVED, as an ordinary resolution, that:

1. The Company's stock option plan be approved;
2. The Board of Directors be authorized on behalf of the Company to make any further amendments to the stock option plan as may be required by regulatory authorities, without further approval of the shareholders of the Company, in order to ensure adoption of the stock option plan;
3. The Company file the stock option plan with the TSX Venture Exchange for acceptance; and
4. Any one director or officer of the Company is authorized and directed to do all such acts and things and to execute and deliver all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution."

Recommendation of Directors

The Company's Board unanimously recommends that shareholders vote FOR the Stock Option Plan Resolution.

In order to be effective, the Stock Option Plan Resolution must be approved by a simple majority of the votes cast by shareholders who vote in respect of the Stock Option Plan Resolution.

Unless the shareholder has specified in the enclosed Proxy that the Common Shares represented by such Proxy are to be voted against the Stock Option Plan Resolution, the persons named in the enclosed Proxy will vote FOR the Stock Option Plan Resolution.

Approval of Restricted Share Unit Plan by Ordinary Resolution

The RSU Plan was approved by shareholders at the Company's annual general and special meeting on June 27, 2023. The purpose of the Company's proposed RSU Plan is to strengthen the alignment of interests between the RSU Participants (as defined below) and the shareholders, and for the purposes of advancing the interests of the Company through the motivation, attraction and retention of the RSU Participants (as defined herein).

Pursuant to the RSU Plan, the Board may, from time to time, in its discretion and in accordance with Exchange requirements, grant ("**Grants**") to directors, officers and employees of the Company and its affiliates (collectively, the "**RSU Participants**"), restricted share units of the Company (the "**RSUs**"). The terms and conditions attached to the Grants will be determined by the Board, in its sole discretion. The Board has the power and discretionary authority to determine the terms and conditions of the Grants, including the individuals who will receive the Grants, the number of RSUs subject to each Grant, the limitations or restrictions on vesting of Grants, acceleration of vesting or the waiver of forfeiture or other restrictions on Grants, the form of consideration payable on settlement of RSUs and the timing of the Grants. The Board also has the power to establish procedures for payment of withholding tax obligations with cash.

The maximum number of Common Shares available for the purposes of the RSU Plan and all other security based compensation arrangements of the Company, is 10% of the Company's issued and outstanding Common Shares at any given time, less the number of Options issued as at the date of grant. The aggregate number of Common Shares that may be reserved for issuance to any one person under the RSU Plan and all other security based compensation arrangements of the Company will not exceed 5% of the then outstanding Common Shares. The RSU Plan limits insider participation such that the aggregate number of Common Shares (i) issuable to insiders of the Company pursuant to the RSU Plan and all other security-based compensation arrangements of the Company will not, at any time, exceed 10% of the total number of Common Shares then outstanding, and (ii) issued to insiders of the Company pursuant to the RSU Plan and all other security based compensation arrangements of the Company will not, within a one year period, exceed 10% of the total number of Common Shares then outstanding.

Subject to compliance with applicable laws, rules and regulations (including, where required, applicable rules of the Exchange), the Board is able to amend the RSU Plan or any award at any time provided that (i) such amendment would not cause the RSU Plan to cease to comply with paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the *Income Tax Act* (Canada); and (ii) such amendment cannot be made without obtaining the approval of the holders of the Common Shares, if such amendment would (a) increase the total number of Common Shares issuable pursuant to the RSU Plan; (b) remove or amend the provision relating to the maximum number of Common Shares issuable pursuant to the RSU Plan; (c) remove or amend the amendment and termination provisions; or (d) otherwise require Exchange and shareholder approval under the Exchange rules.

The Company will seek the approval of the RSU Plan from its shareholders at the Meeting, pursuant to the requirements of the Exchange.

The following is a summary of the material terms of RSU Plan:

Number of Common Shares Reserved. The number of Common Shares reserved for issuance under the RSU Plan is 10% of the number of Common Shares outstanding at any given time, less the number of Options issuable pursuant to the Stock Option Plan.

Administration. The RSU Plan is to be administered by the Board or by a committee to which such authority is delegated by the Board from time to time.

RSU Participants. The RSU Plan provides that RSUs may be issued only to directors, officers, employees and consultants of the Company or of any of its affiliates or subsidiaries.

Board Discretion. The RSU Plan provides that, generally, the terms of each Grant shall be determined by the Board or any committee to which such authority is delegated by the Board from time to time.

Expiry of RSUs. RSUs granted under the RSU Plan will expire on December 15th of the third year following the year in which the services giving rise to the Grant were rendered, or such earlier expiry date as may be determined by the Board, in its sole discretion, and set out in the applicable RSU agreement (the “**Expiry Date**”).

Maximum RSUs per Person. The number of Common Shares reserved for issuance to any one RSU Participant pursuant to Grants under the RSU Plan during any twelve month period may not exceed 5% (or, in the case of a consultant, 2%) of the outstanding Common Shares of the Company at the time of Grant. The number of Common Shares reserved for issuance to insiders (as a group), at any time under the Stock Option Plan and the RSU Plan, may not exceed 10% of the outstanding Common Shares of the Company at any point in time unless the Company has obtained Disinterested Shareholder Approval, (as such term is defined in the RSU Plan).

Vesting. The Board or the committee may, in its sole discretion, determine the time during which RSUs shall vest (except that no RSU, or portion thereof, may vest after the Expiry Date) and whether there shall be any other conditions or performance criteria to vesting. However, no RSU shall vest before the date that is one year following the date it is granted or issued. In the absence of any determination by the Board or the committee to the contrary, RSUs will vest and be payable as to one third (1/3) of the total number of RSUs granted on each of the first, second and third anniversaries of the Grant (computed in each case to the nearest whole RSU), provided that in all cases payment in satisfaction of a RSU shall occur prior to the Outside Payment Date (as defined in the RSU Plan). Notwithstanding the foregoing, the committee may, at its sole discretion at any time or in the RSU agreement in respect of any RSUs granted, accelerate or provide for the acceleration of vesting in whole or in part of RSUs previously granted.

No Assignment. The RSUs may not be assigned or transferred.

Termination Prior to Expiry. If an RSU holder ceases to be an RSU Participant for any reason other than death, such RSU Participant’s RSUs will terminate on the date designated by the Company or a subsidiary as the day on which that RSU Participant’s employment with or provision of services to the Company ceases for any reason whatsoever, regardless of whether adequate or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being an RSU Participant. In the case of an RSU Participant who dies, such RSU Participant’s termination date shall be the date of death.

The RSU Plan provides additional clarity on the rights of the Company and an RSU Participant upon termination of employment or services.

Settlement of Vested RSUs. The Company, in its sole discretion, has the option of settling any vested RSUs by way of payment in cash, payment in Common Shares acquired by the Company on the Exchange, or payment in Common Shares issued from treasury.

Blackout Periods. Should the vesting date for an RSU fall within an interval of time during which the Company has determined that one or more RSU Participants may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with the Company’s insider-trading policy or applicable securities legislation (a “**Blackout Period**”), the vesting date for such RSU shall be automatically extended without any further act or formality to that day which is the tenth (10th) business day after the end of the Blackout Period.

Amendment of the RSU Plan by the Board. Subject to the policies of the Exchange and to the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, amend or modify the RSU Plan or any RSU at any time without the consent of an RSU Participant, provided that such amendment does not adversely alter or impair any RSU previously granted under the RSU Plan or any related RSU agreement. The Board may also correct any defect or supply any omission or reconcile any inconsistency in the RSU Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the RSU Plan, and may make such determinations as it deems necessary or desirable for the administration of the RSU Plan.

Amendment of the RSU Plan Requiring Disinterested Shareholder Approval. Unless approved by a majority of the votes cast at a duly constituted shareholders' meeting, excluding votes attaching to securities beneficially owned by Insiders (as defined in Exchange policies) to whom Common Shares may be issued pursuant to the RSU Plan, and their Associates (as defined in the RSU Plan) approval is obtained, under no circumstances will the RSU Plan be amended at any time to result in, without limitation: (i) an increase to the maximum number of Common Shares reserved for pursuant to the RSU Plan; (ii) the cancellation of an RSU and subsequently issuance to the holder of such RSU a new RSU in replacement thereof; (iii) the extension of the term of an RSU, but not beyond its Expiry Date; (iv) the assignment or transfer of an RSU other than as provided for in the RSU Plan; (v) the addition of new categories of RSU Participants; (vi) the amendment or removal of the maximum RSUs per person set out in the RSU Plan.

Termination of Plan. The RSU Plan will terminate pursuant to a resolution of the Board or the Company's shareholders.

The RSU Plan has been approved by the Board and conditionally approved by the Exchange, subject to the approval by shareholders at the Meeting by way of an ordinary resolution in the following form (the "**RSU Plan Resolution**")

"BE IT RESOLVED, as an ordinary resolution, that:

1. The Company's restricted share unit plan (the "**RSU Plan**") is hereby approved;
2. The board of directors be authorized on behalf of the Company to make any further amendments to the RSU Plan as may be required by regulatory authorities, without further approval of the shareholders of the Company, in order to ensure adoption of the RSU Plan;
3. The Company file the RSU Plan with the TSX Venture Exchange for acceptance; and
4. Any one director or officer of the Company is authorized and directed to do all such acts and things and to execute and deliver all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution."

Recommendation of Directors

The Company's Board unanimously recommends that shareholders vote FOR the RSU Plan Resolution.

In order to be effective, the RSU Plan Resolution must be approved by a simple majority of the votes cast by shareholders who vote in respect of the RSU Plan Resolution.

Unless the shareholder has specified in the enclosed Proxy that the Common Shares represented by such Proxy are to be voted against the RSU Plan Resolution, the persons named in the enclosed Proxy will vote FOR the RSU Plan Resolution.

Approval of Share Consolidation by Special Resolution

Shareholders are being asked to consider and, if thought advisable, to approve the special resolution set out herein (the “**Consolidation Resolution**”) authorizing an amendment to the Company’s articles to consolidate its issued and outstanding Common Shares (the “**Share Consolidation**”) at a ratio of between two (2) and seven (7) pre-consolidation Common Shares for every one post-consolidation Common Share, as may be determined by the Board in its sole discretion (the “**Consolidation Ratio**”). Subject to the approval of the Exchange, approval of the Consolidation Resolution by shareholders would give the Board the authority to implement the Share Consolidation and determine the exact Consolidation Ratio, in its sole discretion, at any time within one year of the date of shareholder approval of the Consolidation Resolution. The full text of the Consolidation Resolution approving the proposed Share Consolidation is set out below.

Although shareholder approval for the Share Consolidation is being sought at the Meeting, the Share Consolidation would become effective at a date in the future, if and when the Board of Directors consider it to be in the best interest of the Company to implement the Share Consolidation. Notwithstanding the approval of the proposed Share Consolidation by shareholders, the Board, in its sole discretion, may revoke the Consolidation Resolution and abandon the Share Consolidation without further approval by or prior notice to shareholders.

Reasons for the Share Consolidation

The Board believes that is in the best interests of the Company to have the authority to implement the Share Consolidation for the following reasons:

- (1) *Greater investor interest* – a higher post-consolidation Common Share price could help generate interest in the Company among investors. A higher anticipated Common Share price may (i) meet investing guidelines for certain institutional investors and investment funds that are currently prevented under their investing guidelines from investing in the Common Shares at current price levels; and (ii) allow investors to leverage their investment by meeting margin eligibility requirements;
- (2) *Potential listing on a more senior stock exchange* – a higher post-consolidation Common Share price could help the Company meet the initial listing requirements of more senior stock exchanges in Canada and the United States in the event that the Company determines to pursue such a listing;
- (3) *Reduction of shareholder transaction costs* – shareholders may benefit from relatively lower trading costs associated with a higher Common Share price. In circumstances where commissions are based on the number of Common Shares traded, investors pay lower commissions to trade a fixed value of Common Shares where the per Common Share price is higher; and
- (4) *Improved liquidity* – the combination of increased interest from investors, a potential listing on a more senior stock exchange and potentially lower transaction costs could ultimately improve the trading liquidity of the Common Shares.

There can be no assurance that any increase in the market price per Common Share or improved liquidity would result from the proposed Share Consolidation, that the Company will submit an application for listing on any more senior stock exchange or, if an application is made, that the Company will be successful at achieving such a listing.

Certain Risks Associated with the Share Consolidation

Certain risks associated with the Share Consolidation are as follows:

The Company's total market capitalization immediately after the proposed Share Consolidation may be lower than immediately before the proposed Share Consolidation

There are numerous factors and contingencies that could affect the Common Share price prior to or following the Share Consolidation, including the status of the market for the Common Shares at the time, the status of the Company's reported financial results in future periods, and general economic, geopolitical, stock market and industry conditions. Accordingly, the market price of the Common Shares may not be sustainable at the direct arithmetic result of the Share Consolidation and may be lower.

A decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of a consolidation, and liquidity could be adversely affected following such consolidation.

If the Share Consolidation is implemented and the market price of the Common Shares declines, the percentage decline may be greater than would occur in the absence of the Share Consolidation. The market price of the Common Shares will, however, also be based on the Company's performance and other factors, which are unrelated to the number of Common Shares outstanding.

While the Board believes that a higher Common Share price may provide the benefits described above, the Share Consolidation may not result in a Common Share price that will attract institutional investors or investment funds and may not be sufficient to list the Common Shares on a more senior stock exchange. As a result, the liquidity of the Common Shares may not improve.

Furthermore, the liquidity of the Common Shares could be adversely affected by the reduced number of Common Shares that would be outstanding after the Share Consolidation.

The Share Consolidation may result in some shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis

The Share Consolidation may result in some shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis. "Odd lots" may be more difficult to sell, or require greater transaction costs per Common Share to sell, than Common Shares held in "board lots" of even multiples of 100 Common Shares.

Principal Effects of the Share Consolidation

The principal effects of the Share Consolidation would be:

- (1) *Reduction in number of Common Shares outstanding* – the number of Common Shares issued and outstanding will be reduced from 207,712,985 (as of the date of this Management Proxy Circular) to between approximately 29,673,283 and 103,856,492, depending on the Consolidation Ratio selected by the Board and subject to rounding; and
- (2) *Adjustments to outstanding Options and warrants* – the exercise price and the number of Common Shares issuable under the Company's outstanding Options and warrants will be proportionately adjusted, based on the Consolidation Ratio selected by the Board, with any fraction rounded down to the nearest whole number.

The Board believes that shareholder approval of a range of potential Consolidation Ratios (rather than a single Consolidation Ratio) would provide the Board with maximum flexibility to react to then-current market conditions and achieve the desired results of the Share Consolidation. If the Consolidation Resolution is approved, the Share Consolidation would be implemented, if at all, only upon a determination by the Board that it is in the best interests of the Company at that time. In connection with any determination to implement the Share Consolidation, the Board will set the timing for such Share Consolidation and select

the specific Consolidation Ratio from within the range of ratios set forth in the Consolidation Resolution, subject to receipt of all necessary regulatory approvals, including the approval of the Exchange. The Board's selection of the specific ratio would be based primarily on the price level of the Common Shares at that time and the expected stability of that price level. No further action on the part of shareholders would be required in order for the Board to implement the Share Consolidation.

If approved and implemented, the Share Consolidation will occur simultaneously for all the Common Shares and the Consolidation Ratio will be the same for all the Common Shares. Except for any variances attributable to fractional Common Shares, the change in the number of issued and outstanding Common Shares that will result from the Share Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any shareholder's percentage ownership in the Company, even though such ownership will be represented by smaller number of Common Shares.

In addition, the Share Consolidation will not materially affect any shareholder's proportionate voting rights. Each Common Share outstanding after the Share Consolidation will be fully paid and non-assessable and will entitle the holder to one vote per Common Share.

The Share Consolidation is subject to regulatory approval, including the approval of the Exchange. As a condition to the approval of the consolidation of Common Shares listed for trading on the Exchange, the Exchange requires, among other things, that an Exchange listed issuer continue to meet the Exchange's "Continued Listing Requirements" after the Share Consolidation. In order for the Company to continue to meet the applicable Continued Listing Requirements, the Company must have at least 200 "public shareholders" (as defined under Exchange policies) holding a certain minimum number of Common Shares of the Company, each free of "resale restrictions" (as defined under Exchange policies), after completion of the Share Consolidation.

If the Board does not implement the Share Consolidation within one year from the date of shareholder approval of the Consolidation Resolution, the authority granted by the Consolidation Resolution to implement the Share Consolidation on these terms would lapse and be of no further force or effect. The Consolidation Resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time if it determines, in its sole discretion, to do so. No further approval by or prior notice to shareholders would be required in order for the Board to abandon the Share Consolidation.

Procedure for Implementing the Share Consolidation

If the Consolidation Resolution is approved by shareholders and the Board decides to implement the Share Consolidation, subject to Exchange approval, the Company will file articles of amendment with the Director appointed under the CBCA in the form prescribed by the CBCA to amend the Company's articles of amalgamation. The Share Consolidation will become effective on the date shown in the certificate of amendment issued by the Director appointed under the CBCA or such other date indicated in the articles of amendment.

Effect on Share Certificates

If the proposed Share Consolidation is approved by shareholders and implemented, registered shareholders will be required to exchange their share certificates representing pre-consolidation Common Shares for new share certificates representing post-consolidation Common Shares. Following the announcement by the Company of the Consolidation Ratio selected by the Board and the effective date of the Share Consolidation, registered shareholders will be provided with a letter of transmittal by the Company's transfer agent to be used for the purpose of surrendering their certificates representing the then outstanding Common Shares to the transfer agent in exchange for new share certificates representing Common Shares after giving effect to the Share Consolidation. After the Share Consolidation, share certificates representing pre-consolidation Common Shares will: (i) not constitute good delivery for the purposes of trades of Common Shares post-consolidation; and (ii) be deemed for all purposes to represent the number of

Common Shares to which the shareholder is entitled as a result of the Share Consolidation. No delivery of a new share certificate to a shareholder will be made until the shareholder surrenders its certificates representing the pre-consolidation Common Shares along with the letter of transmittal to the registrar and transfer agent of the Company in the manner detailed therein.

Effect on Non-Registered Holders

Non-registered holders holding their Common Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have specific procedures for processing the Share Consolidation. If you hold your Common Shares with such a bank, broker or other nominee and if you have any questions in this regard, you are encouraged to contact your Nominee.

No Fractional Shares to be Issued

No fractional Common Shares will be issued in connection with the Share Consolidation and, in the event that a shareholder would otherwise be entitled to receive a fractional Common Share upon the Share Consolidation, such fraction will be rounded down to the nearest whole number with no additional consideration.

No Dissent Rights

Under the CBCA, shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

Shareholder Approval of Consolidation Resolution

At the Meeting, shareholders will be asked to pass the Consolidation Resolution in the following form:

“BE IT RESOLVED, as a special resolution, that:

1. The Company is hereby authorized to amend its articles of amalgamation to provide that:
 - (a) the authorized capital of the Company is altered by consolidating all of the issued and outstanding common shares of the Company without par value on the basis of a consolidation ratio to be selected by the Company’s board of directors, in its sole discretion, provided that (i) the ratio may be no smaller than one post-consolidation share for every two (2) pre-consolidation shares and no larger than one post-consolidation share for every seven (7) pre-consolidation shares, and (ii) the number of pre-consolidation shares in the ratio must be a whole number of common shares (the “**Consolidation Ratio**”);
 - (b) in the event that the consolidation would otherwise result in the issuance of a fractional share, no fractional share shall be issued and such fraction will be rounded down to the nearest whole number with no additional consideration; and
 - (c) the effective date of such consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the Canada Business Corporations Act (the “**CBCA**”) or such other date indicated in the articles of amendment provided that, in any event, such date shall be on any date prior to the date that is one year from the date of approval of this special resolution by shareholders;
2. the board of directors of the Company are hereby authorized to determine the Consolidation Ratio within the parameters prescribed in 1(a) above;

3. any officer or director of the Company is hereby authorized for and on behalf of the Company to execute, deliver and file all such documents, whether under the corporate seal of the Company or otherwise, and to do and perform all such acts or things as may be necessary or desirable in order to give effect to the foregoing special resolution, including, without limitation, the determination of the effective date of the consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the CBCA, the execution, delivery or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination; and
4. notwithstanding the foregoing, the directors of the Company are hereby authorized, without further approval of or notice to the shareholders of the Company, to revoke this special resolution at any time before a certificate of amendment is issued by the Director appointed under the CBCA.”

Recommendation of Directors

The Company’s Board unanimously recommends that shareholders vote FOR the Consolidation Resolution.

In order to be effective, the CBCA requires that the Consolidation Resolution be approved by a special resolution of the shareholders, being a majority of not less than two-thirds of the votes cast by shareholders present in person or by proxy at the Meeting.

Unless the shareholder has specified in the enclosed Proxy that the Common Shares represented by such Proxy are to be voted against the Consolidation Resolution, the persons named in the enclosed Proxy will vote FOR the Consolidation Resolution.

ADDITIONAL INFORMATION

Additional information about the Company is available under the Company’s profile on SEDAR+ at www.sedarplus.ca. Financial information is provided in the Company’s financial statements and Management’s Discussion and Analysis (“**MD&A**”) for the financial year ended December 31, 2023, which were filed on SEDAR+ on April 18, 2024.

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, any person or company who wishes to receive interim financial statements from the Company may deliver a written request for such material to the Company or the Company’s agent, together with a signed statement that the persons or company is the owner of securities of the Company. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed mail card, together with the completed Proxy, in the addressed envelope provided, to the Company’s registrar and transfer agent, Computershare Investor Services Inc., **100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, M5J 2Y1**. The Company will maintain a supplemental mailing list of persons or companies wishing to receive interim financial statements.

Shareholders may contact the Company to request copies of the financial statements and MD&A by writing to the Company’s President and CEO, Mr. Greg Reid at the following address:

KRAKEN ROBOTICS INC.
189 Glencoe Drive
Mount Pearl, NL
A1N 4P6

OTHER MATERIAL FACTS

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by the Proxy solicited hereby will be voted on such matter in accordance with the best judgment of the persons voting by Proxy.

DATED at Mount Pearl, Newfoundland, on the 13th day of May, 2024.

BY ORDER OF THE BOARD

KRAKEN ROBOTICS INC.

“Peter Hunter”
Peter Hunter
Chair of the Board

SCHEDULE "A"

Charter of the Audit Committee of the Board of Kraken Robotics Inc. (the "Company")

Article 1 – Mandate and Responsibilities

The Audit Committee is appointed by the Board of the Company (the "**Board**") to oversee the accounting and financial reporting process of the Company and audits of the financial statements of the Company. The Audit Committee's primary duties and responsibilities are to:

- (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) recommend to the Board the compensation of the external auditor;
- (c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor;
- (e) review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;
- (f) be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Company's financial statements, and to periodically assess the adequacy of those procedures;
- (g) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The Board and management will ensure that the Audit Committee has adequate funding to fulfill its duties and responsibilities.

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