



KRAKEN ROBOTICS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH PERIOD ENDING September 30, 2025
(Expressed in thousands of Canadian dollars unless otherwise stated)

This Management Discussion and Analysis ("MD&A") of Kraken Robotics Inc. (the "Company" or "Kraken") provides analysis of the Company's financial results for the three and nine-month periods ending September 30, 2025 and should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2024, which are available on SEDAR+ at www.sedarplus.com. The information presented in the MD&A is as of November 21, 2025, the date of preparation.

The September 30, 2025 condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. These financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Company's consolidated financial statements for the year ended December 31, 2024. These condensed consolidated interim financial statements do not include all disclosures required by IFRS for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024 prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in thousands of Canadian dollars, unless otherwise stated.

Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures are defined at the end of this MD&A under the heading "Non-IFRS Measures".

Notice Regarding Forward-Looking Statements

*This MD&A, and, in particular, the sections below entitled "Use of Estimates and Judgments", "Capital Management", "Financial Instruments and Risk Management" and "Risks and Uncertainties" contain "forward-looking statements" and "forward-looking information" (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation.*

In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "seek", "potential", "estimate", "anticipate", "believe", "could", "would", "should", "continue", "plans", "target", "is/are likely to", or the negative of these terms, or similar expressions intended to identify forward-looking statements. Within this MD&A, forward-looking statements may include, without limitation, statements with respect to Kraken's future plans, strategies and objectives, including:

- *expectations regarding revenue, expenses and operations;*
- *the ability to profitably execute on its contracts announced for products including: SAS, KATFISH™, ALARS, Remote Minehunting and Disposal System ("RMDS"), and SeaPower™ batteries; and services using the Sub Bottom Imager™ ("SBI"), Acoustic Corer™ ("AC"), KATFISH™, LiDAR and SeaVision® 3D laser system.*
- *anticipated cash needs and the Company's needs for, and the Company's ability to secure, additional financing and/or government funding for working capital needs, debt repayment obligations and other contractual obligations of the Company;*
- *the Company's ability to maintain current and projected revenue if it fails to effectively compete for additional contracts;*
- *our ability and intention to expand Robotics as a Service and data analytics revenue;*
- *the Company's ability to protect, maintain and enforce its intellectual property rights;*
- *the Company's ability to defend itself against third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by the Company;*
- *the adverse affect of natural disasters, terrorist acts, civil unrest, pandemics and other disruptions and dislocations on the Company;*
- *the Company's ability to attract new customers;*

- the Company's reliance on information technology systems or a material disruption in the Company's computer systems;
- the Company's ability to attract and retain personnel; and
- the Company's competitive position and its expectations regarding competition and its future success in competitive bidding processes.

Forward-looking statements reflect the Company's current views with respect to future events and are subject to various known and unknown risks and uncertainties, which are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Kraken, are inherently beyond the ability of the Company to control or predict, that may cause the Company's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to the factors referred to below under "Risks and Uncertainties". For additional information with respect to certain of these risks or uncertainties, reference should be made to the section entitled "Risks and Uncertainties" in this MD&A and to Kraken's continuous disclosure materials filed from time to time with the Canadian Securities Regulatory Authorities, including the Company's most recent Annual Information Form under the section entitled "Risk Factors", quarterly and annual reports, and supplementary information, which are available under the Company's profile on SEDAR+ at www.sedarplus.ca. Additional risks and uncertainties not presently known to the Company or that Kraken believes to be less significant may also adversely affect the Company.

The Company undertakes no obligation to update forward-looking statements except as required by applicable law. Such forward-looking statements represent management's best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

COMPANY OVERVIEW

Kraken Robotics Inc. was incorporated on May 14, 2008 under the Business Corporations Act, British Columbia and its registered office is at 100 King Street West, #1600, Toronto, Ontario, M5X 1G5.

Kraken Robotics Inc. is a marine technology company providing ultra-high-resolution sensors, power systems, subsea batteries and underwater robotics equipment and services. The Company is recognized as world leading innovators in sonar design, remote sensing, and signal processing for Synthetic Aperture Sonar ("SAS") - a revolutionary underwater imaging technology that dramatically improves seabed surveys by providing ultra-high resolution imagery at superior coverage rates and 3D optical imaging. Both military and commercial markets are showing significant growth and are now incorporating unmanned vehicles, intelligent sensors and subsea power solutions in their procurement plans and budgets. Kraken Robotics Services specializes in high-resolution 3D acoustic imaging solutions for the sub-seabed with offices in Canada, the United States and the United Kingdom.

Kraken's common shares are publicly traded on the TSX Venture Exchange under the symbol PNG and on the OTCQB under the symbol KRKNF.

VISION, MISSION AND VALUES

The Company's mission is driven by innovation. We develop unique subsea intelligence solutions for clients to overcome the challenges in our oceans – safely, efficiently, and sustainably. Our vision is to transform the future of subsea intelligence and enable our clients to explore, power, and protect the planet. Our core values involve safety and quality first, by being agile and accountable, while delivering value to our clients and stakeholders, and continuously driving innovation, thinking globally and acting locally.

3D AT DEPTH ACQUISITION

On April 1, 2025, the Company, through its wholly owned U.S. subsidiary, completed the acquisition of substantially all of the assets of 3D at Depth, Inc. ("3D at Depth"), a privately held company headquartered in Colorado, USA, specializing in advanced subsea LiDAR laser scanning and data services for offshore energy, defense, and scientific applications. The total purchase consideration was \$23.5 million, comprised of cash on closing and the assumption of certain liabilities and subject to customary working capital adjustments.

The acquisition of 3D at Depth expands Kraken’s presence in the United States, adds a proven and complementary technology to our product and services portfolio, and enhances our capacity to deliver integrated subsea survey and inspection solutions. 3D at Depth’s proprietary LiDAR technology offers sub-millimeter accuracy for subsea metrology, which, when combined with Kraken’s existing sonar, sub-bottom, and robotics platforms, will enable broader service offerings to our offshore energy and defense customers. The acquisition also provides access to a highly experienced technical and operations team as well as an established customer base.

The acquisition was accounted for as a business combination under IFRS 3, *Business Combinations*. The purchase price allocation (“PPA”) is preliminary and subject to change as the Company finalizes the fair value assessment of the acquired assets and liabilities, including identifiable intangible assets and goodwill. As at September 30, 2025, the provisional allocation resulted in the recognition of intangible assets related to technology, customer relationships, and trademarks, as well as goodwill reflecting expected synergies.

FINANCIAL HIGHLIGHTS

Consolidated revenue in Q3 2025 increased 60% to \$31,298 (Q3 2024 - \$19,550). Revenue in the quarter was driven by continued growth in our subsea battery business, organic growth within our service business and the acquisition of 3D at Depth. Consolidated revenue for the nine-month period ending September 30, 2025, increased 17% to \$73,816 (2024 - \$63,183) as growth seen in our subsea battery and services businesses was offset by lower product revenue in the current year from our RMDS project and the timing of KATFISH™ projects. Adjusted EBITDA¹ in Q3 2025 was \$7,979 (Q3 2024 – \$4,148), while Adjusted EBITDA¹ for the nine-month period ended September 30, 2025, was \$15,447 (2024 – \$13,693).

Revenue

The Company’s product and service revenue can fluctuate significantly on a quarterly basis due to the timing of orders, lead times on part purchases and seasonality.

Kraken’s product business consists primarily of our SAS, KATFISH™ systems and subsea battery systems.

Product revenue in Q3 2025 increased 46% to \$18,258 (Q3 2024 - \$12,492). Product revenue growth in the quarter was driven by our revenue from subsea battery systems and SAS. Product revenue for the nine-month period ended September 30, 2025, decreased 8% to \$43,966 (2024- \$47,755). For the nine-month period, revenue from subsea battery system and SAS grew at a significant pace, while revenue from RMDS was lower in the current year due to the near completion of the project and KATFISH™ revenue was lower due to timing of projects.

Kraken’s service business consists of a robotics as a service (RaaS) portfolio of equipment including our Sub-Bottom Imager™, Acoustic Corer™, KATFISH™, SeaVision and subsea LIDAR imaging.

Service revenue in Q3 2025 increased 85% to \$13,040 (Q3 2024- \$7,058) due to the acquisition of 3D at Depth, organic growth in our Sub-Bottom Imager™ business offset by lower Acoustic Corer™ revenue compared to the prior year. Service revenue in the nine-month period ended September 30, 2025, increased 93% to \$29,850 (2024 - \$15,428) due to a high utilization of Sub-Bottom Imager™ assets, the addition of 3D at Depth offset by lower Acoustic Corer™ revenue.

¹ Adjusted EBITDA is a non-IFRS financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information and detailed reconciliations to the most directly comparable IFRS measures, see “Non-IFRS Measures” in this MD&A.

	Three-months ended		Nine-months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Product Revenue	\$ 18,258	\$ 12,492	\$ 43,966	\$ 47,755
Service Revenue	13,040	7,058	29,850	15,428
Total revenue	31,298	19,550	73,816	63,183
Cost of sales	12,719	9,293	30,357	31,973
Gross profit²	18,579	10,257	43,459	31,210
Gross profit margin³	59%	52%	59%	49%
Administrative expenses	9,142	4,464	25,037	13,605
Research and development costs	2,367	1,794	5,671	4,428
Depreciation and Amortization	2,404	1,430	6,322	4,228
Share-based compensation	646	414	1,722	501
Investment tax credits recoverable	(270)	(149)	(810)	(447)
Income from operating activities	4,290	2,304	5,517	8,895
Foreign exchange loss (gain)	(213)	343	47	412
Financing costs	973	636	2,655	1,583
Interest income	(909)	-	(1,428)	-
Gain (loss) of sale of property and equipment	-	(3)	-	(3)
Net income before taxes	4,439	1,328	4,243	6,903
Income tax expense (recovery)	1,149	(303)	1,437	488
Net income	\$ 3,290	\$ 1,631	\$ 2,806	\$ 6,415
Basic income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Diluted income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Adjusted EBITDA ⁴	7,979	4,148	15,447	13,693
Adjusted EBITDA margin ⁵	25%	21%	21%	22%

² Gross profit is a non-IFRS financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information and detailed reconciliations to the most directly comparable IFRS measures, see “Non-IFRS Measures” in this MD&A.

³ Gross profit margin is a non-IFRS financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information and detailed reconciliations to the most directly comparable IFRS measures, see “Non-IFRS Measures” in this MD&A.

⁴ Adjusted EBITDA is a non-IFRS financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information and detailed reconciliations to the most directly comparable IFRS measures, see “Non-IFRS Measures” in this MD&A.

⁵ Adjusted EBITDA margin is a non-IFRS financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information and detailed reconciliations to the most directly comparable IFRS measures, see “Non-IFRS Measures” in this MD&A.

Cost of Sales and Gross Profit

Cost of sales reflects the recognition of products based on shipments and the cost of delivery of services revenue as well as the allocation of wages of employees primarily engaged in product and services activities.

Cost of sales in the quarter were \$12,719 (Q3 2024 - \$9,293), an increase due to higher revenue in the quarter as well as a change of revenue mix. During Q3 2025, the Company realized gross profit of \$18,579 (Q3 2024 - \$10,257) resulting in a gross profit margin of 59% compared to 52% in Q3 2024. The increase in gross profit margin is due to revenue mix, with a higher percentage of revenue coming from higher margin products and services in the quarter compared to the prior year.

Cost of sales for the nine-month period ended September 30, 2025 were \$30,357 (2024 - \$31,973). As a result, gross profit in year ended September 30, 2025 increased to \$43,459 (2024 - \$31,210). Gross profit margin year-to-date was 59% compared to 49% for the comparable period and increased due an improved mix of higher margin products and service year-to-date.

Administration Expenses

Administration expenses in Q3 2025, excluding transaction and restructuring costs, increased to \$8,503 (Q3 2024 - \$4,464) with the increase due in part from the acquisition of 3D at Depth as well as increased resources to execute on the business opportunities we see in front of us. At the end of the quarter, Kraken employed 421 employees compared to 272 in the same period of the prior year. Notable items in the administration expense category include: salaries and benefits expenses of \$3,440 (Q3 2024 - \$2,161), travel related costs of \$788 (Q3 2024 - \$435), insurance costs of \$394 (Q3 2024- \$151), software subscriptions costs of \$802 (Q3 2024 - \$512), accounting and legal costs of \$739 (Q3 2024 - \$192) and office and shop supplies of \$621 (Q3 2024 - \$314).

Administration expenses for the nine-month period ended September 30, 2025, excluding transaction and restructuring costs, increased to \$23,151 compared to \$13,605 in the prior year due to the acquisition of 3D at Depth as well as the continued investment in business development, systems and technology. Notable items in the administration expense category year-to-date include: salaries and benefits expenses of \$10,887 (2024 - \$6,433), travel related costs of \$2,057 (2024 - \$1,069), insurance costs of \$1,133 (2024 - \$524), software subscriptions of \$2,074 (2024 - \$1,485), and accounting and legal costs of \$1,641 (2024- \$829).

Transaction and restructuring costs for Q3 2025 were \$639 (Q3 2024 - \$nil). Year-to-date, transaction and restructuring costs total \$1,886 (2024 - \$69).

Research and Development ("R&D") Expenses

R&D expenses in Q3 2025 increased 32% to \$2,367 (Q3 2024 - \$1,794) in the same period of the prior year, due to the timing of expenditures on various programs as well as the timing of government assistance which is netted against R&D as well as the acquisition of 3D at Depth. Investment tax credits ("ITCs") recoverable increased to \$270 (Q3 2024 - \$149) related to timing of scientific research and experimental development activities.

Year-to-date, R&D expenses increased 28% to \$5,671 (2024 - \$4,428) from the timing of R&D expenditures on various programs, government assistance and the addition of 3D at Depth. Year-to-date, ITCs were \$810 (2024 - \$447).

Depreciation and Amortization

Depreciation in Q3 2025 increased 47% to \$1,599 (Q3 2024 - \$1,085). For the nine-month period ended September 30, 2025, depreciation increased 36% to \$4,361 (2024 - \$3,201) due to increased capital expenditures as well as the acquisition of 3D at Depth. In Q3 2025, amortization of intangible assets increased to \$805 (Q3 2024- \$345) and increased to \$1,961 for the nine-month period ended September 30, 2025 (2024 - \$1,027) in the prior year, due to the additions to intangible assets including those associated with the acquisition of 3D at Depth.

Share-based compensation

Share-based compensation expense increased in Q3 2025 to \$646 (Q3 2024 - \$414), while year-to-date share-based compensation increased to \$1,722 (2024 - \$501), due to the timing of stock option grants.

Financing Costs

Financing costs in Q3 2025 increased to \$973 (Q3 2024 - \$636) in the same period of the prior year. Year-to-date, financing costs increased to \$2,655 (2024 - \$1,583) with the increase due to the amortization of credit facility transaction costs.

	Three-months ended		Nine-months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Interest on lease liabilities	\$ 191	\$ 105	\$ 588	\$ 266
Letters of credit and interest expense	485	298	1,199	887
Amortization of credit facility transaction costs	297	233	868	430
	\$ 973	\$ 636	\$ 2,655	\$ 1,583

Adjusted EBITDA and Net Income (loss)

In Q3 2025, Adjusted EBITDA increased 92% to \$7,979 (Q3 2024 - \$4,148) in Q3 2024, a 25% adjusted EBITDA margin compared to 21% in Q3 2024. Adjusted EBITDA for the nine-month period ended September 30, 2025, increased 13% to \$15,447 (2024 - \$13,693), an 21% adjusted EBITDA margin compared to 22% in the prior year.

Net income in Q3 2025 was \$3,290 and comprehensive income was \$6,159, as compared to net income of \$1,631 and comprehensive income of \$2,092 for the same period of prior year. Net income for the nine-month period ended September 30, 2025, was \$2,806 and comprehensive income decreased to \$2,281 as compared to net income of \$6,415 and comprehensive income of \$6,785 for the prior year.

Please refer to “Non-IFRS Measures” section below for further detail.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2025, the Company had working capital of \$183,877 (September 30, 2024 – \$43,270). Cash as at September 30, 2025, was \$126,626 as compared to \$14,936 as at September 30, 2024.

During the nine-month period ended September 30, 2025, the Company experienced cash outflows of \$9,217 (2024 – cash outflows of \$9,967) from operating activities. Cash outflows from investing activities were \$40,704 versus \$2,621 for the same period in 2024. Financing activities resulted in inflows of \$115,779 versus \$21,900 for the same period in 2024.

During 2024 the Company closed two bought deal equity financings for gross proceeds of \$71.9 million by issuing 21,185,300 common shares at a price of \$0.95 per share in May 2024 and 32,343,750 common shares at a price of \$1.60 per share in October 2024. In 2025 the Company closed a bought deal equity financing in July 2025 for gross proceeds of \$115 million by issuing 43,240,000 common shares at a price of \$2.66 per share

The net proceeds of the offerings are expected to be used by the Company to (i) to facilitate its long term strategy, including potential investment in facilities, expanding manufacturing capacity, anticipated working capital for expansion of sole-source/single award programs and high probability pipeline opportunities; (ii) to further strengthen the Company’s balance sheet in anticipation of upcoming customer and partners decisions and source selection on additional large, new program and contract opportunities; and (iii) for general corporate purposes.

Per the final short form prospectus, the anticipated and approximate amounts used are below:

Principal Purpose	Anticipated Amount	Approximate Amount Used
Capital expenditures	\$ 26,200	\$ 16,295
Supply chain/parts and inventory	32,200	22,865
General corporate purposes and working capital	111,349	22,983
Offering expenses	1,050	1,050
Total	\$ 170,799	\$ 63,193

The Company's credit facilities consist of: (i) a revolving 3-year term facility of up to \$35 million (subject to meeting certain borrowing base requirements based on eligible receivables and inventory); (ii) a \$10 million revolving capital expenditure line of credit; (iii) a \$10 million uncommitted letter of credit facility; and (iv) an uncommitted accordion facility of up to \$30 million (the "Accordion").

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be used to finance the growth of its business.

RISKS AND UNCERTAINTIES

The Company faces competitive risks in the underwater sonar and robotics sector and will face all the risks inherent in developing a business including: access to capital, ability to attract and retain qualified employees, ability to attract and maintain customers and the ability to put in place appropriate operating and control procedures.

Industry specific risks include, but are not limited to:

- *Competitive risk* – Competition within the market of the Company may reduce its ability to procure future contracts and sales. The industry in which the Company operates is competitive. Many of the competitors of the Company are large, diversified corporations in the sensor and marine robotics products and services industry. Some of the competitors of the Company may have more extensive or more specialized engineering, manufacturing, and marketing capabilities. There can be no assurance that the Company can continue to compete effectively with these companies;
- *Technology risk* – The future success of the Company will depend on its ability to develop new technologies that achieve market acceptance. The marine sensor, robotics and battery markets are characterized by rapidly-changing technologies and evolving industry standards;
- *Protection of Intellectual Property*: The Company may be unable to adequately protect its intellectual property rights, which could affect its ability to compete. Protecting the Company's intellectual property rights is critical to its ability to compete and succeed as a company. The Company currently has trademark registrations and relies on a combination of copyright, trademark, and trade secret laws, confidentiality procedures, contractual provisions and other measures to protect its proprietary information. However, all of these measures afford only limited protection;
- *Outside suppliers*: The Company's operations depend on component availability and the manufacture and delivery by key suppliers of certain products and services. Further, the Company's operations are dependent on the timely delivery of materials by outside suppliers. The Company cannot be sure that materials, components, and subsystems will be available in the quantities required, if at all, or at reasonable cost. If any of the suppliers fail to meet the needs of the Company, it may not have readily available alternatives;
- *Government contracts*: The Company will depend, in part, on government contracts, which may only be partially funded, subject to termination, heavily regulated, and audited. The termination of one or more of these contracts could have a negative impact on the operations of the Company. The termination of funding for a government program would result in a loss of anticipated future revenues attributable to that program that could have a negative impact on the operations of the Company; and
- *Competitive bidding*: The Company will derive significant revenue from contracts awarded through a competitive bidding process, which can impose substantial costs upon it, and the Company could fail to maintain its current and projected revenue if it fails to compete effectively.

The geopolitical risk currently being experienced globally may cause economic volatility and impact the supply chain. The Company has experienced in the past minor delays in procuring components.

CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to maintain a financial position suitable for supporting its operations and growth strategies, to provide an adequate return to shareholders and to meet its current obligations.

The Company's capital structure consists of shareholders' equity, lease liabilities, bank indebtedness, and long-term obligations. The Company will make adjustments to the capital structure depending on economic conditions, its financial

position and performance. In order to maintain or adjust the capital structure, the Company may issue new shares, buyback shares, issue debt or sell assets to reduce debt.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2025, the Company's risk exposures and the impact of the Company's financial instruments are summarized below:

Credit Risk:

The maximum exposure to credit risk at the reporting date was:

	September 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 126,626	\$ 58,518
Trade and other receivables	29,620	18,699
Investment tax credits recoverable	1,054	1,018
Long-term investment tax credits recoverable	1,817	1,571
Current Tax Receivable	19	-
Contract assets	17,867	17,707
	177,003	\$ 97,513

At September 30, 2025, 65% of the trade receivables were owing from two customers (September 30, 2024 - 95% of trade receivables were owing from two customers). At September 30, 2025, the Company had recorded contract liabilities of \$8,435 (December 31, 2024 – \$1,083).

Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. As of September 30, 2025, the Company had a cash balance of \$126,626 (December 31, 2024 - \$58,518). The Company's ability to meet obligations as they come due is dependent on the Company's future generation of cash from operations, ability to obtain financing and to manage contract negotiations with payments to be received in advance to fulfill contracts. There can be no assurance that the Company will generate sufficient cash flows from operations to meet its contractual obligations as they come due. The failure of the Company to generate sufficient cash flows or to obtain additional financing could materially adversely affect the Company's financial condition and results of operations.

Market Risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

At September 30, 2025, the Company has drawn \$nil against its operating line of credit in Kraken Power GmbH. The drawn operating line of credit bears interest annually at bank prime plus 3.95%, payable monthly. The Company has also drawn \$14,684 against the term revolving credit facility, which bears interest at bank prime plus margin, payable monthly. An increase (decrease) of 1,000 basis points in the interest rate would have increased (decreased) the Company's net income by approximately \$2. The company has also drawn \$6,760 on a term loan of US\$5,000 bearing interest at bank prime plus margin, repayable in quarterly installments of 3.75% over 5 years. An increase (decrease) of 1,000 basis points in the interest rate would have increased (decreased) the Company's net income by approximately \$1

(b) Foreign currency risk

The Company's exposure to foreign currency risk is limited to sales in USD, GBP, EUR, DKK and BRL. The Company does not use any form of hedging against fluctuations in foreign exchange.

The Company's exposure to foreign currency risk was as follows:

	September 30, 2025	December 31, 2024
Financial liabilities denominated in foreign currency:		
Trade and other payables USD	\$ 6,442	\$ 2,473
Trade and other payables GBP	4,299	920
Trade and other payables EUR	2,677	3,268
Trade and other payables DKK	152	129
Trade and other payables BRL	806	382
Long-term debt EUR	193	503
Financial assets denominated in a foreign currency:		
Trade and other receivables USD	9,717	5,944
Trade and other receivables GBP	392	427
Trade and other receivables EUR	185	336
Trade and other receivables DKK	4	4
Trade and other receivables BRL	212	373

For the nine-month period ended September 30, 2025, with other variables remaining constant, a 10% increase (decrease) in the exchange rate of the US dollar, British Pound, Euro, Brazilian Real and Danish Krone to the Canadian dollar exchange rate would have increased (decreased) the Company's net income by approximately \$728 (2024 - \$1,897).

Fair Value:

During the three-months and nine-months ended September 30, 2025, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Company's financial instruments are considered to approximate the carrying amounts.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

OUTSTANDING SHARE DATA AS AT NOVEMBER 21, 2025:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	306,517,535

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	3,397,500	3,397,500	0.395	May 3, 2027
Options	40,000	40,000	0.37	September 6, 2027
Options	400,000	400,000	0.59	December 7, 2027
Options	75,000	56,250	0.63	January 30, 2028
Options	100,000	75,000	0.58	February 27, 2028
Options	400,000	266,667	0.495	November 17, 2028
Options	5,749,500	1,377,833	1.14	July 9, 2031
Options	3,400,000	62,500	2.42	June 4, 2032
Options	30,000	-	3.46	August 22, 2032
Options	300,000	37,500	4.59	October 1, 2032
	13,892,000	5,713,250	\$ 1.47	

NON-IFRS MEASURES

The Company has included certain non-IFRS financial measures and non-IFRS ratios in this MD&A, including adjusted EBITDA, adjusted EBITDA margin, gross profit, gross profit margin, and working capital. Management believes that non-IFRS financial measures and non-IFRS ratios, when supplementing measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-IFRS financial measures and non-IFRS ratios do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Adjusted EBITDA and Adjusted EBITDA Margin

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, adjusted EBITDA is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without certain non-cash and non-recurring items. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense and non-recurring impact transactions, if any.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Total Revenue.

	Q3 2025	Q3 2024	YTD 2025	YTD 2024
Net income	\$ 3,290	\$ 1,631	\$ 2,806	\$ 6,415
Income tax	1,149	(303)	1,437	488
Financing costs	973	636	2,655	1,583
Interest income	(909)	-	(1,428)	-
Foreign exchange loss (gain)	(213)	343	47	412
Share-based compensation	646	414	1,722	501
Gain on disposal of assets	-	(3)	-	(3)
Depreciation and Amortization	2,404	1,430	6,322	4,228
EBITDA – excluding restructuring and transaction costs	7,340	4,148	13,561	13,624
Restructuring and transaction costs	639	-	1,886	69
Adjusted EBITDA	\$ 7,979	\$ 4,148	\$ 15,447	\$ 13,693
Adjusted EBITDA margin	25%	21%	21%	22%

Gross Profit and Gross Profit Margin

Gross profit is defined as revenue less cost of total sales. Gross profit margin is defined as gross profit divided by total sales.

	Q3 2025	Q3 2024	YTD 2025	YTD 2024
Revenue	\$ 31,298	\$ 19,550	\$ 73,816	\$ 63,183
Cost of sales	12,719	9,293	30,357	31,973
Gross profit	\$ 18,579	\$ 10,257	\$ 43,459	\$ 31,210
Gross profit margin	59%	52%	59%	49%

Working capital

Working capital is defined as current assets less current liabilities.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS accounting principles.

TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument NI 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s GAAP.

ADDITIONAL INFORMATION

Summary of Quarterly Information

Selected financial information for each of the eight most recently completed quarters are as follows:

	Revenue (\$)	Operating expenses less share-based payments (\$)	Share-based payments (\$)	Net income (loss) (\$)	Comprehensive income (loss) \$	Basic and diluted income (loss) per share (\$)
Q3 2025	31,298	13,643	646	3,290	6,159	0.01
Q2 2025	26,390	13,339	672	(699)	(3,621)	(0.00)
Q1 2025	16,128	9,238	404	215	(257)	0.00
Q4 2024	28,109	8,115	447	13,674	13,571	0.05
Q3 2024	19,550	7,539	414	1,631	2,092	0.01
Q2 2024	22,758	7,536	30	2,609	2,575	0.01
Q1 2024	20,875	6,739	57	2,175	2,091	0.01
Q2 2024	28,006	7,222	58	2,584	2,464	0.01
Q3 2023	20,342	7,663	61	2,301	2,499	0.01
Q2 2023	13,655	6,151	98	1,997	1,945	0.01
Q1 2023	7,578	4,898	161	(1,336)	(1,320)	(0.01)
Q4 2022	8,813	5,411	178	(1,270)	(1,598)	(0.01)

Note: Operating expenses are defined as administrative expenses, R&D costs and depreciation and amortization.

Quarterly results have been positively impacted over the past two years from the growth of our KATFISH™, subsea battery, sensor and systems, service business and the acquisition of 3D at Depth in April 1, 2025.

Comparative quarterly balance sheet information is presented below:

	Total Assets (\$)	Total Current Assets (\$)	Total Current Liabilities (\$)	Total Liabilities (\$)
Q3 2025	301,543	213,041	29,164	65,692
Q2 2025	184,267	101,986	30,173	65,256
Q1 2025	179,021	123,202	28,634	57,103
Q4 2024	162,613	117,772	23,356	40,878
Q3 2024	101,174	67,647	24,377	42,261
Q2 2024	98,466	64,873	23,894	42,099
Q1 2024	73,467	41,735	35,183	38,676
Q2 2024	76,419	44,075	40,461	44,360
Q3 2023	70,511	40,408	37,574	41,124
Q2 2023	70,487	39,091	40,226	43,660
Q1 2023	65,237	31,315	36,634	40,477
Q4 2022	71,365	37,827	39,862	47,710
Q3 2022	65,492	34,510	32,654	40,552

Total assets increased over the last two years due to the growth of our KATFISH™, subsea battery, sensor and systems, service business, the acquisition of 3D at Depth in April 1, 2025 and equity financings.

OTHER INFORMATION

Additional information regarding the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.krakenrobotics.com.