

# Kraken Robotics Inc.



## Condensed Consolidated Interim Financial Statements

For the Three and Nine-months ended September 30, 2025 and 2024  
(Expressed in thousands of Canadian Dollars unless otherwise noted)

(Unaudited)

**Q3 Fiscal 2025**



September 30, 2025

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**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in thousands of Canadian Dollars)**

	September 30, 2025	December 31, 2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 126,626	\$ 58,518
Trade and other receivables (note 4)	29,620	18,699
Contract asset (note 8)	17,867	17,707
Current tax receivable	19	-
Investment tax credits recoverable	1,054	1,018
Inventory (note 5)	29,047	19,058
Prepayments	8,808	2,772
	<b>213,041</b>	<b>117,772</b>
Prepayments	972	1,226
Property and equipment (note 7)	31,403	19,611
Long-term investment tax credit recoverable	1,817	1,571
Right-of-use assets (note 14)	13,563	3,107
Intangible assets (note 6)	14,412	4,656
Goodwill (note 6)	15,676	4,511
Deferred tax asset	10,659	10,159
<b>TOTAL ASSETS</b>	<b>301,543</b>	<b>162,613</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Trade and other payables	14,701	18,759
Contract liabilities (note 8)	8,435	1,083
Current tax payable	2,982	1,699
Current portion of long-term obligations (note 13)	1,203	754
Current portion of lease liabilities (note 14)	1,843	1,061
	<b>29,164</b>	<b>23,356</b>
Long-term obligations (note 13)	22,859	15,023
Lease liabilities (note 14)	12,118	2,499
Deferred tax liability	1,551	-
Shareholders' equity:		
Share capital (note 15)	232,125	121,890
Contributed surplus	3,412	1,812
Accumulated other comprehensive loss	(795)	(270)
Retained Earnings/(deficit)	1,109	(1,697)
	<b>235,851</b>	<b>121,735</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 301,543</b>	<b>\$ 162,613</b>

Commitments (note 20)

**On Behalf of the Board:**

*"Greg Reid"*

Director

*"Shaun McEwan"*

Director

The accompanying notes form part of the condensed consolidated financial statements.



**Condensed Consolidated Interim Statements of Net Income and Comprehensive Income**  
**(Unaudited)**  
**For the Three and Nine-Months Ended September 30, 2025 and 2024**  
**(Expressed in thousands of Canadian Dollars except per share and share amounts)**

	Three-months ended		Nine-months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Product Revenue (note 8)	\$ 18,258	\$ 12,492	\$ 43,966	\$ 47,755
Service Revenue (note 8)	13,040	7,058	29,850	15,428
	31,298	19,550	73,816	63,183
Cost of sales (note 5)	12,719	9,293	30,357	31,973
	18,579	10,257	43,459	31,210
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 (note 15 (b))	646	414	1,722	501
Investment tax credits recoverable	(270)	(149)	(810)	(447)
	14,289	7,953	37,942	22,315
<b>Income from operating activities</b>	<b>4,290</b>	<b>2,304</b>	<b>5,517</b>	<b>8,895</b>
Foreign exchange loss (gain)	(213)	343	47	412
Interest income	(909)	-	(1,428)	-
Gain on sale of property and equipment	-	(3)	-	(3)
Financing costs (note 17)	973	636	2,655	1,583
	(149)	976	1,274	1,992
<b>Net income before income taxes</b>	<b>4,439</b>	<b>1,328</b>	<b>4,243</b>	<b>6,903</b>
Income tax expense (recovery)	1,149	(303)	1,437	488
<b>Net income</b>	<b>\$ 3,290</b>	<b>\$ 1,631</b>	<b>\$ 2,806</b>	<b>\$ 6,415</b>
Basic earnings per share (note 9)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Diluted earnings per share (note 9)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03

The accompanying notes form part of the condensed consolidated financial statements.



**Condensed Consolidated Interim Statements of Net Income and Comprehensive Income**  
**(Unaudited)**  
**For the Three and Nine-Months Ended September 30, 2025 and 2024**  
**(Expressed in thousands of Canadian Dollars except per share and share amounts)**

	Three-months ended		Nine-months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net income	\$ 3,290	\$ 1,631	\$ 2,806	\$ 6,415
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation adjustment	2,869	461	(525)	343
<b>Other comprehensive income (loss)</b>	<b>2,869</b>	<b>461</b>	<b>(525)</b>	<b>343</b>
<b>Comprehensive income</b>	<b>\$ 6,159</b>	<b>\$ 2,092</b>	<b>\$ 2,281</b>	<b>\$ 6,758</b>



**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**(Unaudited)**  
**For the Nine-Months Ended September 30, 2025 and 2024**  
**(Expressed in thousands of Canadian Dollars except share amounts)**

				Accumulated other comprehensive loss	Retained Earnings/(Deficit)	
2025	Number of Shares	Share capital (note 15)	Contributed Surplus			Total
Balance at January 1, 2025	262,688,338	\$ 121,890	\$ 1,812	\$ (270)	\$ (1,697)	\$ 121,735
Net income	-	-	-	-	2,806	2,806
Other comprehensive loss	-	-	-	(525)	-	(525)
Transactions with shareholders, recorded directly in equity:						
Issue of common shares on stock option exercises	463,750	353	(122)	-	-	231
Issue of common shares on bought deal financing	43,240,000	115,018	-	-	-	115,018
Share-based compensation	-	-	1,722	-	-	1,722
Share issue costs	-	(5,136)	-	-	-	(5,136)
<b>Shareholders' equity as at September 30, 2025</b>	<b>306,392,088</b>	<b>\$ 232,125</b>	<b>\$ 3,412</b>	<b>\$ (795)</b>	<b>\$ 1,109</b>	<b>\$ 235,851</b>

  

				Accumulated other comprehensive loss	Deficit	
2024	Number of Shares	Share capital (note 15)	Contributed Surplus			Total
Balance at January 1, 2024	206,492,985	\$ 52,684	\$ 1,671	\$ (510)	\$ (21,786)	\$ 32,059
Net income	-	-	-	-	6,415	6,415
Other comprehensive loss	-	-	-	343	-	343
Transactions with shareholders, recorded directly in equity:						
Issue of common shares on stock option exercises	2,528,750	2,115	(781)	-	-	1,334
Issue of common shares on bought deal financing	21,185,300	20,126	-	-	-	20,126
Share-based compensation	-	-	501	-	-	501
Share issue costs	-	(1,865)	-	-	-	(1,865)
<b>Shareholders' equity as at September 30, 2024</b>	<b>230,207,035</b>	<b>\$ 73,060</b>	<b>\$ 1,391</b>	<b>\$ (167)</b>	<b>\$ (15,371)</b>	<b>\$ 58,913</b>

The accompanying notes form part of the condensed consolidated financial statements.



**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited)**  
**For the Nine-Months Ended September 30, 2025 and 2024**  
**(Expressed in thousands of Canadian Dollars)**

	September 30, 2025	September 30, 2024
<b>Cash flows used in operating activities</b>		
Net income	\$ 2,806	\$ 6,415
<b>Adjustments for items not involving cash:</b>		
Depreciation	4,361	3,201
Amortization of intangible assets	1,961	1,027
Share-based compensation	1,722	501
Investment tax credit recognized	(282)	(447)
Interest on lease liability	588	266
Interest on long-term obligations	963	562
Income tax expense	1,437	488
Changes in non-cash working capital, net of effects from acquisition	(22,773)	(21,980)
<b>Net cash flows used in operating activities</b>	<b>(9,217)</b>	<b>(9,967)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of 3D at Depth, Inc. (net of cash acquired) (note 6)	(23,519)	-
Purchase of property and equipment	(15,362)	(1,717)
Purchase of intangible assets	(1,823)	(904)
<b>Net cash flows provided by (used in) investing activities</b>	<b>(40,704)</b>	<b>(2,621)</b>
<b>Cash flows provided by (used in) financing activities</b>		
Proceeds from exercise of options	231	1,334
Proceeds from equity offerings	109,882	18,261
Payment of principal on leases	(1,584)	(1,794)
Payment of interest on leases	(588)	(266)
Payment of principal on long-term obligations	(930)	(624)
Payment of interest on long-term obligations	(963)	(562)
Proceeds from long term obligations	9,731	14,684
Decrease in bank indebtedness	-	(9,133)
<b>Net cash flows provided by financing activities</b>	<b>115,779</b>	<b>21,900</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>65,858</b>	<b>9,312</b>
<b>Effect of foreign exchange on cash</b>	<b>2,250</b>	<b>451</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>58,518</b>	<b>5,173</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 126,626</b>	<b>\$ 14,936</b>



**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

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**1. Corporate Information:**

Kraken Robotics Inc. ("Kraken" or the "Company") was incorporated on May 14, 2008 under the *Business Corporations Act, British Columbia*, is a publicly traded company, and has its registered office located at 100 King Street. West, #1600, Toronto, Ontario, M5X 1G5.

The Company's principal business is supplying advanced sonar and optical sensors, batteries, and underwater robotics equipment and services for military and commercial applications.

**2. Basis of presentation:**

**(a) Statement of compliance:**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting. 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® Accounting Standards ("Accounting Standards") 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.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 21, 2025.

**(b) Basis of measurement:**

These condensed consolidated financial statements have been prepared on a historical cost basis.

The condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

**(c) Basis of consolidation**

These condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its wholly owned subsidiaries):

Subsidiary	Domiciled
Kraken Robotic Systems Inc	Canada
Kraken Robotics Services Ltd	Canada
PGH Capital Inc	Canada
Kraken Robotics US Inc	United States of America
Kraken Robotics Brasil Ltda	Brazil
Kraken Robotics Services UK Limited	United Kingdom
Kraken Robotik GmbH	Germany
Kraken Power GmbH	Germany
Kraken Robotics Denmark ApS	Denmark
3D at Depth, Inc.	United States of America
3D at Depth, Ltd.	United Kingdom



**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

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**2. Basis of presentation (continued):**

(d) Critical accounting estimates and judgments:

The preparation of condensed consolidated financial statements in accordance with IFRS Accounting Standards requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods. The more significant areas requiring the use of management estimates and judgments are discussed below:

i) Revenue recognition

The Company has multi-year contracts with its customers and must make judgments about when the Company has satisfied the performance obligations to its customers, either over a period of time or at a point in time. Revenue from some contracts are recognized over time using the input cost method, measured by the percentage of costs incurred to date to the estimated total costs for each contract. Judgement is used in determining the estimates of costs to complete.

ii) Estimates of useful lives of property and equipment

Useful lives and residual value of property and equipment are reviewed by management on a regular basis to ensure assumptions are still valid. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized. Any changes in estimates would impact on the useful lives and the residual values of the assets and, therefore, future depreciation charges could be revised.

iii) Recovery of deferred tax assets

Deferred tax assets, including those arising from tax loss carryforwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amounts of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of net loss and comprehensive loss.

**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

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**3. Adoption of new accounting pronouncements:**

- (a) The IASB issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period. The Company intends to adopt these standards, amendments and interpretations when they become effective.

*Classification and Measurement of Financial Instruments ("IFRS 7 and "IFRS 9")*

In May 2024, the IASB issued amendments to IFRS 7 and IFRS 9, Classification and Measurement of Financial Instruments to clarify that financial liabilities are derecognized on the 'settlement date'. The amendments also provide clarification on how to assess cash flow characteristics for financial assets including environmental, social, and governance ("ESG")-linked features, and the treatment of non-recourse assets and contractually linked instruments. The amendments further require additional disclosures in IFRS 7 for equity instruments classified at fair value through other comprehensive income, and financial assets and liabilities that include contractual terms referencing a contingent event.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026 and must be applied retrospectively. The Company is currently evaluating the impact of these amendments on its consolidated financial statements and intends to adopt the amendments on the required effective date.

*Lack of Exchangeability ("IAS 21")*

In August 2023, the IASB issued amendments to IAS 21, Lack of Exchangeability. The amendments specify how entities are to assess whether a currency is exchangeable, and how to determine a spot exchange rate when a lack of exchangeability is present.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Company is currently evaluating the impact of these amendments on its consolidated financial statements and intends to adopt the amendments on the required effective date.

*Presentation and Disclosure in Financial Statements ("IFRS 18")*

In April 2024, the IASB issued IFRS 18. The objective of the new standard is to improve comparability and transparency of communication in financial statements. This standard introduces new requirements on presentation and disclosure within the statement of net income (loss) and requires disclosure of management-identified performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements and the notes. The standard is effective for annual periods beginning after January 1, 2027, with early adoption permitted. The Company is assessing the impact of this new standard on its consolidated financial statements and intends to adopt the new standard on the required effective date with restatement of the prior period comparatives.



**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**4. Trade and other receivables:**

Trade and other receivables consist of the following:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Trade receivables (net of expected credit loss of \$2,064 (2024 - \$204))	<b>\$ 25,349</b>	\$ 17,404
Government assistance receivable and other	<b>4,271</b>	1,295
	<b>\$ 29,620</b>	\$ 18,699

**5. Inventory:**

Inventory consists of the following:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Raw materials	<b>\$ 21,999</b>	\$ 15,430
Work in progress	<b>7,048</b>	3,628
	<b>\$ 29,047</b>	\$ 19,058

Included in the cost of sales for the three-months and nine-months ended September 30, 2025 is inventory of \$6,774 (2024 - \$4,393) and \$17,405 (September 30, 2024 - \$19,739). Inventory write-downs consisted of \$Nil (2024 - \$Nil).

**6. Business combination:**

On April 1, 2025, the Company acquired a 100% interest in 3D at Depth, Inc. ("3D at Depth"). The consideration paid by the Corporation to acquire 3D at Depth was US\$16,391 (C\$23,519) in cash, net of a preliminary working capital adjustment of US\$369 (C\$529). The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date. Fair value of cash, accounts receivable, inventory and trade and other payables were deemed to be approximate to their carrying amounts due to the short-term nature of these assets and liabilities. The fair values shown below for property and equipment are preliminary pending the finalization of the depreciated replacement cost of fixed assets. Deferred tax liability is preliminary pending finalization of taxes on the acquisition. Intangibles (patents and trade secrets, customer relationships and non-compete agreements) and goodwill of 3D at Depth are preliminary, pending finalization of the independent valuation report. If new information is obtained about facts and circumstances that existed at the date of acquisition, results in adjustments to the amounts below, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**6. Business combination (continued):**

<b>Fair value of assets acquired and liabilities assumed</b>	<b>US\$</b>	<b>Canadian \$</b>
Cash	\$ 110	\$ 158
Accounts Receivable	1,532	2,198
Inventory	139	200
Prepays	283	407
Property and equipment	823	1,181
Right-of-use asset	727	1,043
Intangibles	7,138	10,242
Intangibles: goodwill	8,277	11,875
Trade and other payables	(1,408)	(2,020)
Lease liabilities	(718)	(1,031)
Deferred tax liability	(512)	(734)
<b>Fair value of assets acquired and liabilities assumed</b>	<b>\$ 16,391</b>	<b>\$ 23,519</b>

The accounts receivables comprise of gross contractual amounts due of \$2,565, of which \$367 was expected to be uncollectable at the date of acquisition.

The goodwill recognized in connection with the acquisition of 3D at Depth is attributable to the synergies and market opportunities gained through the transaction. Goodwill also includes other intangibles such as an assembled workforce that do not qualify for separate recognition under IFRS.

Since the date of acquisition, 3D at Depth contributed revenue of \$13,361 and net income of \$4,278 excluding the amortization of acquired intangible assets. The Corporation incurred \$1,311 for the nine-month and \$399 for the three-months ended September 30, 2025 in acquisition costs related to the acquisition, which has been expensed as administrative expenses in the consolidated statements of net income.



**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)  
For the Three and Nine-Months Ended September 30, 2025 and 2024  
(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**7. Property and equipment:**

- (a) As at September 30, 2025 property and equipment are pledged as security of a Long-term obligation (note 13).  
(b) Reconciliation of property and equipment:

	<b>Furniture, tools and equipment</b>	<b>Computer equipment</b>	<b>Construction in progress</b>	<b>Leasehold improvements</b>	<b>Marine Equipment</b>	<b>Software</b>	<b>Total</b>
<b>Cost</b>							
<b>Balance at January 1, 2024</b>	<b>\$ 4,784</b>	<b>\$ 1,937</b>	<b>\$ 3,284</b>	<b>\$ 1,908</b>	<b>\$ 11,650</b>	<b>\$ 1,904</b>	<b>\$ 25,467</b>
Additions	553	384	1,018	31	1,059	12	3,057
Transfers from right-of-use asset <sup>1</sup>	-	-	-	-	1,183	-	1,183
Foreign Exchange	14	3	-	1	-	-	18
<b>Balance at December 31, 2024</b>	<b>\$5,351</b>	<b>\$2,324</b>	<b>\$4,302</b>	<b>\$1,940</b>	<b>\$13,892</b>	<b>1,916</b>	<b>\$29,725</b>
Additions	731	368	10,984	57	3,222	-	15,362
Purchase of 3D at Depth	81	68	-	24	994	14	1,181
Government assistance applied	-	-	(2,094)	-	-	-	(2,094)
Transfers from construction in progress	-	-	(190)	-	190	-	-
Disposals	(8)	-	-	-	-	-	(8)
Foreign Exchange	168	22	-	16	34	8	248
<b>Balance at September 30, 2025</b>	<b>\$6,323</b>	<b>\$2,782</b>	<b>\$13,002</b>	<b>\$2,037</b>	<b>\$18,332</b>	<b>\$1,938</b>	<b>\$44,414</b>
<b>Accumulated depreciation</b>							
<b>Balance at January 1, 2024</b>	<b>\$ 1,741</b>	<b>\$ 1,067</b>	<b>\$ -</b>	<b>\$ 1,198</b>	<b>\$ 2,462</b>	<b>285</b>	<b>\$ 6,753</b>
Depreciation	549	380	-	338	1,707	387	3,361
<b>Balance at December 31, 2024</b>	<b>2,290</b>	<b>1,447</b>	<b>-</b>	<b>1,536</b>	<b>4,169</b>	<b>672</b>	<b>10,114</b>
Depreciation	431	318	-	153	1,698	297	2,897
<b>Balance at September 30, 2025</b>	<b>\$2,721</b>	<b>\$1,765</b>	<b>-</b>	<b>\$1,689</b>	<b>\$5,867</b>	<b>\$969</b>	<b>\$13,011</b>
<b>Carrying amounts</b>							
<b>At December 31, 2024</b>	<b>3,061</b>	<b>877</b>	<b>4,302</b>	<b>404</b>	<b>9,723</b>	<b>1,244</b>	<b>19,611</b>
<b>At September 30, 2025</b>	<b>\$ 3,602</b>	<b>\$ 1,017</b>	<b>\$ 13,002</b>	<b>\$ 348</b>	<b>\$ 12,465</b>	<b>\$ 969</b>	<b>\$ 31,403</b>

<sup>1</sup> In July 2024, the Company exercised the purchase option on leased marine equipment and transferred the asset from ROU Asset to Marine Equipment at the net book value at the date the purchase option was exercised.

**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**8. Revenue:**

*Disaggregation of revenues*

The following table groups the Company's revenue based on the timing of revenue recognition for its products and services:

	<b>Three-months ended September 30, 2025</b>	<b>Nine-months ended September 30, 2025</b>	Three-months ended September 30, 2024	Nine-months ended September 30, 2024
Product sales – transferred at a point in time	<b>\$ 17,488</b>	<b>\$ 39,087</b>	\$ 1,755	\$ 5,965
Product sales – transferred over time	<b>770</b>	<b>4,879</b>	10,737	41,790
Service revenue - transferred over time	<b>13,040</b>	<b>29,850</b>	7,058	15,428
	<b>\$ 31,298</b>	<b>\$ 73,816</b>	\$ 19,550	\$ 63,183

Refer to note 18 for external revenue by geographic areas.

*Contract balances*

The timing of revenue recognition may differ from the timing of invoicing to customers. The Company recognizes contract assets where professional services are performed or products are delivered prior to the Company's ability to invoice in accordance with the contract terms, or contract liabilities when revenue is recognized subsequent to invoicing.

The following tables detail the changes in contract assets and contract liabilities during the period.

	<b>Contract assets</b>
Opening balance – January 1, 2025	<b>\$ 17,707</b>
Increase in unbilled from revenue recognized	<b>9,091</b>
Decrease in unbilled from transfer to trade receivables and other adjustments	<b>(8,931)</b>
<b>Ending Balance – September 30, 2025</b>	<b>\$ 17,867</b>
	<b>Contract liabilities</b>
Opening balance – January 1, 2025	<b>\$ 1,083</b>
Increase in contract liabilities from payments received, excluding revenue recognized	<b>15,306</b>
Decreases in contract liabilities from revenue recognized	<b>(7,954)</b>
<b>Ending Balance – September 30, 2025</b>	<b>\$ 8,435</b>



**Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**9. Earnings per common share:**

	<b>Three-months ended</b>		<b>Nine-months ended</b>	
	<b>September 30, 2025</b>	September 30, 2024	<b>September 30, 2025</b>	September 30, 2024
Net income (loss)	<b>\$ 3,290</b>	\$ 1,631	<b>\$ 2,806</b>	\$ 6,415
Weighted average number of common shares	<b>302,976,674</b>	230,138,557	<b>276,338,880</b>	218,140,091
Dilutive securities:				
Effect of share options	<b>7,247,093</b>	3,564,941	<b>8,249,453</b>	3,669,157
Weighted average number of diluted common shares	<b>310,223,767</b>	233,703,498	<b>284,588,333</b>	221,809,248
Basic earnings per share	<b>\$ 0.01</b>	\$ 0.01	<b>\$ 0.01</b>	\$ 0.03
Diluted earnings per share	<b>\$ 0.01</b>	\$ 0.01	<b>\$ 0.01</b>	\$ 0.03

**10. Financial instruments:**

**Credit Risk:**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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

Credit risk is defined as the Company's exposure to a financial loss if a debtor fails to meet its obligations in accordance with the terms and conditions of its arrangements with Kraken. The Company is exposed to credit risk on accounts receivable and certain other assets through normal commercial activities. The Company is also exposed to credit risk through the normal treasury activities on cash and cash equivalents. Credit risks arising from normal commercial activities are managed with regards to customer credit risk. The Company's customers are mainly established companies as well as government agencies, which facilitates risk assessment and monitoring. In addition, the Company frequently receives substantial advance payments for contracts with customers. The Company does not hold any collateral as security. The credit risk on cash and cash equivalents and restricted cash is mitigated by the fact that the majority of the cash is held with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Trade receivables include a provision for expected credit losses. As of September 30, 2025, the amount is \$2,064 (December 31, 2024 - \$204).

Revenues from the top three customers represented 54% of the Company's revenue in the period ended September 30, 2025 (2024 – top three customers represented 67% of revenue). At September 30, 2025, 65% of the trade receivables balance was owing from two customers (December 31, 2024 – 72% of trade receivables was owing from two customers). At September 30, 2025, the Company had recorded contract liabilities of \$8,435 (December 31, 2024 – \$1,083).

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**(Unaudited)**
**For the Three and Nine-Months Ended September 30, 2025 and 2024**
**(Expressed in thousands of Canadian Dollars except share price and share amounts)**
**10. Financial instruments (continued):**
**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.

The following are the contractual maturities of financial liabilities based on the earliest date on which the Company can be required to repay such liabilities:

	0-12 months	1-2 years	2-4 years	Beyond four years
Trade and other payables	14,701	-	-	-
Long-term obligations	1,203	1,141	17,301	4,417
Current tax payable	2,982	-	-	-
Lease liabilities	1,843	1,549	1,188	9,381
	20,729	2,690	18,489	13,798

**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 lines of credit. An increase (decrease) of 10% in interest would have (decreased) increased the Company's net income by approximately \$nil. 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 \$95. The Company has drawn \$765 against the revolving capital expenditure facility. 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 and certain purchases in USD, EUR, GBP, DKK and BRL. The Company does not use any form of hedging against fluctuations in foreign exchange.



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(Unaudited)**

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**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**10. Financial instruments (continued):**

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
Bank indebtedness EUR	-	-
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 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 (decreased) increased the Company's net income by approximately \$728 (2024 - increased (decreased) net loss by approximately \$1,897).

**Fair Value:**

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and bank indebtedness approximate their fair values due to their short term to maturity.

The fair values of the long-term obligations is \$24,062 and the valuation uses level 2 inputs using a discounted cash flow valuation technique.

**12. Credit facilities**

As at September 30, 2025, Kraken Power GmbH has a €500 line of credit for general operating purposes. The line bears interest of 3.95%, payable monthly. As at September 30, 2025 a total of \$nil (December 31, 2024 - \$nil) was drawn against this facility. The line of credit is guaranteed by a German regional economic development organization.



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(Unaudited)**

**For the Three and Nine-Months Ended September 30, 2025 and 2024**

**(Expressed in thousands of Canadian Dollars except share price and share amounts)**

**13. Long-term obligations:**

The term facility consists 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) (the “Revolver”); (ii) a \$10 million revolving capital expenditure line of credit; (iii) a \$10 million uncommitted letter of credit facility; and (iv) an uncommitted accordion facility of up to \$30 million (the “Accordion”).

The revolving credit facility of up to \$35 million is subject to borrowing base requirements. Interest is payable monthly at Bank Prime plus a margin (between 1.00% and 1.75% based on the Company’s total leverage ratio) with repayments and reborrow advances on a revolving basis. The facility is secured substantially by the Company’s assets and is guaranteed by its material subsidiaries. Financial covenants include the following: (i) a total leverage ratio not greater than 3.00 to 1; and (ii) a fixed charge coverage ratio at greater than or equal to 1.15 to 1. As at September 30, the Company is compliant with its financial covenants, and the Company expects to be compliant over the next 12 months.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Loan, bearing interest at 1.2%, in the amount of €89, repayable in equal installments of €1 over 72 months, and maturing on December 31, 2026.	<b>\$ 30</b>	<b>\$ 44</b>
Loan, bearing interest at 1.23%, repayable in equal installments over 67 months plus interest, and maturing on September 30, 2026.	<b>286</b>	<b>459</b>
Promissory Note on acquisition of Marine equipment, in amount of \$1,145 bearing interest at 6% per annum, repayable in equal monthly instalments over 24 months, and maturing on December 21, 2025.	<b>151</b>	<b>590</b>
Term revolving credit facility of up to \$35,000, bearing interest at bank prime plus margin, interest payable monthly, and maturing on April 18, 2027.	<b>14,684</b>	<b>14,684</b>
Atlantic Canada Opportunities Agency (“ACOA”) loan, non-interest bearing, repayable in monthly installments of \$28, payments beginning in December 2026, and maturing in November 2035. As of September 30, 2025, \$2,000 has been drawn on this facility.	<b>1,386</b>	<b>-</b>
Capex facility, bearing interest at bank prime + 1%, interest only payable monthly.	<b>765</b>	<b>-</b>
Term loan, of US\$5,000 bearing interest at bank prime plus margin, repayable in quarterly installments of 3.75% over 5 years.	<b>6,760</b>	<b>-</b>
	<b>24,062</b>	<b>15,777</b>
Less current portion of long-term obligations	<b>(1,203)</b>	<b>(754)</b>
	<b>\$22,859</b>	<b>\$ 15,023</b>



## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

For the Three and Nine-Months Ended September 30, 2025 and 2024

(Expressed in thousands of Canadian Dollars except share price and share amounts)

### 13. Long-term obligations (continued):

The following tables detail the changes in long-term obligations during the period:

Opening balance – January 1, 2025	\$ 15,777
Proceeds from debt	9,731
Fair value adjustment	(691)
Payment of principle	(930)
Foreign Exchange	175
Ending Balance – September 30, 2025	\$ 24,062

### 14. Leases:

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the year ended September 30, 2025 and comparatives for September 30, 2024:

	Right-of-use assets (Leased Properties)	Lease liabilities
As at January 1, 2024	\$ 4,235	\$ 4,636
Depreciation expense	(812)	-
Interest expense	-	266
Payments	-	(2,060)
Additions	814	815
Disposals	(1,081)	-
Foreign exchange	92	48
Subtotal	3,248	3,705
Less: current portion	-	(1,047)
As at September 30, 2024	\$ 3,248	\$ 2,658
	Right-of-use assets (Leased Properties)	Lease liabilities
As at January 1, 2025	\$ 3,107	\$3,560
Depreciation expense	(1,464)	-
Interest expense	-	588
Payments	-	(2,172)
Purchase of 3D at Depth	1,043	1,031
Additions	10,802	10,803
Foreign Exchange	75	151
Subtotal	13,563	13,961
Less: current portion	-	(1,843)
As at September 30, 2025	\$ 13,563	\$ 12,118



# Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

For the Three and Nine-Months Ended September 30, 2025 and 2024

(Expressed in thousands of Canadian Dollars except share price and share amounts)

## 15. Share capital:

Authorized: Unlimited number of common shares

See the condensed consolidated statements of changes in shareholders' equity for a summary of changes in Share capital and Contributed surplus for the period ended September 30, 2025 and the year ended December 31, 2024.

### (a) Share purchase warrants

At September 30, 2025 and December 31, 2024, there were no share purchase warrants outstanding.

### (b) Share options

The Company has a stock option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based on the market price of the Company's share as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve-month period, with no more than ¼ vesting during any three-month period. Vesting provisions for other options are determined by the Company's Board of Directors.

The following options were outstanding as at September 30, 2025 and December 31, 2024:

	Nine-months ended September 30, 2025		Twelve-months ended December 31, 2024	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	10,901,250	0.82	7,807,500	\$ 0.46
Granted	3,455,000	2.43	6,040,000	1.14
Exercised	(463,750)	0.54	(2,683,750)	0.52
Forfeiture	(192,500)	1.05	(262,500)	0.74
Ending balance	13,700,000	1.22	10,901,250	\$ 0.82
Options exercisable	5,783,750	0.62	3,553,334	\$ 0.43

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
0.395	May 3, 2027	3,502,500	3,502,500	1.59 years
0.37	September 6, 2027	40,000	40,000	1.93 years
0.59	December 7, 2027	400,000	400,000	2.19 years
0.63	January 30, 2028	75,000	56,250	2.33 years
0.58	February 27, 2028	100,000	75,000	2.41 years
0.50	November 17, 2028	400,000	266,667	3.14 years
1.14	July 9, 2031	5,752,500	1,380,833	5.78 years
2.42	June 4, 2032	3,400,000	62,500	6.68 years
3.46	August 22, 2032	30,000	-	6.90 years
<b>\$ 1.22</b>		<b>13,700,000</b>	<b>5,783,750</b>	<b>3.26 years</b>

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**15. Share capital (continued):**

(c) Share-based compensation

The weighted average fair value of the options granted during the nine-month period ended September 30, 2025 was \$1.09. The fair value of the options is estimated using the Black-Scholes option pricing model with the following assumptions:

	<b>Nine-months ended September 30, 2025</b>
Risk-free interest rate	2.76%
Expected life of options	4.41 years
Expected volatility	52.37%
Weighted average share price	\$2.42
Dividend yield	nil

**16. Government assistance:**

During the three-months and nine-months ended September 30, 2025, the Company received government assistance in the amount of \$734 (2024 - \$87) and \$2,148 (2024 - \$1,265). Government assistance for the three-months and nine-months ended September 30, 2025 has been classified as a reduction to Research and development expense of \$nil (2024 - \$78) and \$11 (2024 - \$434), Administrative expense of \$nil (2024 - \$9) and \$43 (2024 - \$86), and Construction in progress of \$734 (2024 - \$nil) and \$2,094 (2024 - \$745).

The Company receives refundable and non-refundable investment tax credits (ITCs) from the Government of Canada in respect of eligible expenditures incurred under various research and development and capital investments. During the three-months and nine-months ended September 30, 2025, the Company recognized \$270 (2024 - \$149) and \$810 (2024 - \$945) respectively of refundable ITCs and \$121 (2024 - \$nil) and \$363 (2024 - \$nil) respectively of non-refundable ITCs.

**17. Financing costs:**

	<b>Three-months ended</b>		<b>Nine-months ended</b>	
	<b>September 30, 2025</b>	<b>September 30, 2024</b>	<b>September 30, 2025</b>	<b>September 30, 2024</b>
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
	<b>\$ 973</b>	<b>\$ 636</b>	<b>\$ 2,655</b>	<b>\$ 1,583</b>



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### 18. Segmented information:

The Company operates in two new reportable operating segments, being: 1) “Products” which is the design, manufacture and sale of equipment including underwater vehicle platforms, Synthetic Aperture Sonar and subsea power equipment; 2) “Services” which is the provision of services for underwater sonar and laser scanner sensor equipment and underwater vehicle platforms.

The following tables present the operations of the Company’s reportable segments as at and for the three months ended September 30, 2025 and September 30, 2024:

September 30, 2025	Products	Services	Consolidated
Revenue	\$ 18,258	\$ 13,040	\$ 31,298
Cost of goods sold, expenses and gain/losses	\$ 19,789	\$ 7,070	\$ 26,859
Segment income (loss)	\$ (1,531)	\$ 5,970	\$ 4,439
Segment capital expenditures	\$ 7,325	\$ 455	\$ 7,780

September 30, 2024	Products	Services	Consolidated
Revenue	\$ 12,492	\$ 7,058	\$ 19,550
Cost of goods sold, expenses and gain/losses	\$ 13,731	\$ 4,491	\$ 18,222
Segment income (loss)	\$ (1,239)	\$ 2,567	\$ 1,328
Segment capital expenditures	\$ 580	\$ 257	\$ 837

The following tables present the operations of the Company’s reportable segments as at and for the nine-months ended September 30, 2025 and September 30, 2024:

September 30, 2025	Products	Services	Consolidated
Revenue	\$ 43,966	\$ 29,850	\$ 73,816
Cost of sales and expenses	\$ 47,307	\$ 22,266	\$ 69,573
Segment income (loss)	\$ (3,341)	\$ 7,584	\$ 4,243
Segment capital expenditures	\$ 14,091	\$ 1,271	\$ 15,362

September 30, 2024	Products	Services	Consolidated
Revenue	\$ 47,755	\$ 15,428	\$ 63,183
Cost of sales and expenses	\$ 44,895	\$ 11,385	\$ 56,280
Segment income	\$ 2,860	\$ 4,043	\$ 6,903
Segment capital expenditures	\$ 2,257	\$ 275	\$ 2,532



## Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in thousands of Canadian Dollars except share price and share amounts)

### 18. Segmented information (continued):

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers.

The following table sets forth external revenue by geographic areas:

	Three-months ended September 30, 2025	Three-months ended September 30, 2024	Nine-months ended September 30, 2025	Nine-months ended September 30, 2024
Total revenues:				
Asia Pacific	\$13,404	\$470	\$36,373	\$ 3,288
Europe, Middle East and Africa	7,178	4,464	16,105	14,863
North America	8,071	14,616	18,044	45,032
South America	2,645	-	3,294	-
	\$31,298	19,550	\$73,816	\$ 63,183

### 19. Change in non-cash working capital:

	September 30, 2025	September 30, 2024
(Increase) decrease in trade and other receivables	\$ (10,921)	\$ 950
Increase in contract assets	(160)	(9,488)
Increase in inventory	(9,989)	(4,002)
Increase in prepayments	(5,782)	(2,730)
Decrease in trade and other payables	(4,058)	(903)
(Decrease) increase in contract liabilities	7,352	(5,807)
Subtotal	\$ (23,558)	\$ (21,980)
Non-cash working capital acquired (note 6)	785	-
Total	\$ (22,773)	\$ (21,980)

### 20. Commitments:

- (a) The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The total value of these short-term lease commitments at September 30, 2025, is \$45.