KRAKEN ROBOTICS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTH PERIODS ENDING DECEMBER 31, 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 year ended December 31, 2025 and should be read in conjunction with the Company’s audited consolidated financial statements, and the notes thereto, for the years ended December 31, 2025 and 2024, which are available under the Company’s profile on SEDAR+ at www.sedarplus.ca. This MD&A is dated and current as at April 15, 2026.

The Company’s audited consolidated financial statements for the for the years ended December 31, 2025 and 2024 have been prepared in accordance with International Financial Reporting Standards (“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 non-IFRS financial measures, non-IFRS ratios, and other specified financial measures that are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS. For further information, including reconciliations of non-IFRS financial measures to the IFRS measures to which they are most comparable, see “Non-IFRS Measures” at the end of this MD&A.

Notice Regarding Forward-Looking Statements

This MD&A, and, in particular, the sections below entitled "Use of Estimates and Judgements", “Capital Management”, "Financial Instruments and Risk Management" and "Risks and Uncertainties" contain "forward-looking information" (“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 timing and completion of the Covelya Acquisition;*
- *the financing of the cash purchase price for the Covelya Acquisition;*
- *the satisfaction of all closing conditions in connection with the Covelya Acquisition;*
- *the anticipated use of proceeds of the Subscription Receipt Offering and the new credit facility;*

- *the attractiveness and anticipated benefits of the Covelya Acquisition;*
- *the expected effect of the Covelya Acquisition and related transactions on the financial condition, financial performance and cash flows of the Company;*
- *the release and availability of the net proceeds from the Subscription Receipt Offering;*
- *the availability of funds under the new credit facility*
- *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 Administrators, 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 was continued under the Canada Business Corporations Act on February 17, 2015 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, high-capacity subsea batteries and underwater robotics systems. The Company is recognized as world leading innovators in sonar design, remote sensing, and signal processing for Synthetic Aperture Sonar ("SAS") – an advanced 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 and LiDAR imaging solutions for the sub-seabed with offices in Canada, the United States and the United Kingdom.

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 all of the shares of 3D at Depth, Inc. ("3D at Depth"), a privately held subsea technology and services company headquartered in Colorado, USA, specializing in high resolution LiDAR imaging and measurements. The consideration paid by the Company to acquire 3D at Depth was US$16,526 (C$23,712) in cash, net of adjustments of US$235 (C$336). 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 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. Fair value of property and equipment and right-of-use assets has been determined based on market comparison and replacement cost techniques. Replacement cost of these assets has been determined and depreciated replacement cost reflects fair value.

FINANCIAL HIGHLIGHTS

Consolidated revenue in Q4 2025 was $28,394 compared to $28,109 in Q4 2024, and $102,210 for 2025, compared to $91,292 for 2024.

Revenue growth in the year was driven by SeaPower™ subsea batteries, SAS products and a strong year for the services business including the acquisition of 3D at Depth.

Adjusted EBITDA[1] in Q4 2025 was $9,516 (Q4 2024 – $7,020). Adjusted EBITDA for the year ended December 31, 2025 was $24,963 (2024 – $20,711), an increase due to revenue volumes and improved gross profit.

Net income for Q4 2025 was $54 (Q4 2024 – $13,674) or $0.00 per share compared to $0.05 in the prior year. Net income for the year ended December 31, 2025 was $2,860 compared to $20,089 for the year ended December 31, 2024 or $0.01 per share compared to $0.09 in the prior year. This year over year change is partly a result of deferred tax asset recognition in the prior year along with increased administration expenses related to transaction costs of $4,988 (2024 - $224).

SUMMARY OF RESULTS

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 Q4 2025 decreased 4% to $17,767 compared to $18,558 in Q4 2024. The decline related primarily to lower KATFISH™ and RMDS revenue with subsea power and SAS revenue increasing significantly in Q4 2025.

Product revenue for the year ended December 31, 2025 decreased 7% to $61,733 (2024 - $66,313). While revenue from subsea battery systems and SAS grew at a significant rate the revenue from RMDS was lower in the current year due to the near completion of the project and KATFISH™ revenue was lower due to the timing of project awards.

Kraken's service business consists of a robotics as a service (RaaS) portfolio of equipment including our Sub-Bottom Imager™, Acoustic Corer™, KATFISH™, LiDAR and SeaVision. Service revenue in Q4 2025 increased 11% to $10,627 (Q4 2024 - $9,551), and increased 62% to $40,477 for full year 2025 from $24,979 in the prior year due to the acquisition of 3D at Depth and higher utilization of services equipment fleet.

The Company's 2025 revenue was driven by significant demand in Kraken's SeaPower batteries and SAS products, as well as strong results in the subsea services division. This growth, however, was partially offset by the decline in sonar-related product revenue due to the timing of KATFISH projects and the acquisition component of the Canadian Navy Remote Mine Disposal System ("RMDS") integration project nearing its completion which resulted in lower revenue than planned.

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[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 a detailed reconciliation to the most directly comparable IFRS measures, see "Non-IFRS Measures" in this MD&A.

$000's	Three-months ended December 31, 2025	December 31, 2024	Twelve months ended December 31, 2025	December 31, 2024
Product Revenue	**$17,767**	$18,558	**$61,733**	$66,313
Service Revenue	**10,627**	9,551	**40,477**	24,979
Total revenue	**28,394**	28,109	**102,210**	91,292
Cost of sales	**8,408**	14,627	**38,765**	46,600
Gross profit[2]	**19,986**	13,482	**63,445**	44,692
Gross profit margin[3]	**70%**	48%	**62%**	49%
Administrative expenses	**12,124**	6,432	**37,161**	20,037
Research and development costs	**2,190**	1,805	**7,861**	6,233
Depreciation and Amortization	**2,756**	1,498	**9,078**	5,726
Share-based compensation	**620**	447	**2,342**	948
Investment tax credits recoverable	**(742)**	(1,620)	**(1,552)**	(2,067)
Income from operating activities	**3,038**	4,920	**8,555**	13,815
Foreign exchange (gain) loss	**1,049**	(369)	**1,096**	43
Financing costs	**880**	852	**3,535**	2,435
Gain (loss) on sale of property and equipment	**-**	-	**-**	(3)
Interest income	**(774)**	(688)	**(2,202)**	(688)
Net income before income taxes	**1,883**	5,125	**6,126**	12,028
Income tax expense (recovery)	**1,829**	(8,549)	**3,266**	(8,061)
Net income	**$54**	$13,674	**$2,860**	$20,089

Basic income per share	**$ 0.00**	$ 0.05	**$ 0.01**	$ 0.09
Diluted income per share	**$ 0.00**	$ 0.05	**$ 0.01**	$ 0.09
Adjusted EBITDA	**$9,516**	$7,020	**$24,963**	$20,711
Adjusted EBITDA margin[4]	**34%**	25%	**24%**	23%

Cost of Sales and Gross Profit

Cost of sales reflects the recognition of costs 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 $8,408 (Q4 2024 - $14,627), the decrease is due to lower project costs during the quarter. During Q4 2025, the Company realized gross profit of $19,986 (Q4 2024 – $13,482) resulting in a gross profit margin of 70% compared to 48% in Q4 2024. Gross profit was higher in the quarter due to lower than anticipated material costs on one project.

[2] Gross profit is calculated as revenue minus cost of good sales.
[3] Gross profit margin is calculated as gross profit divided by total revenue.
[4] Adjusted EBITDA margin is a non-IFRS financial ratio based on Adjusted EBITDA, with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For further information, see "Non-IFRS Measures" in this MD&A.

Cost of sales for the twelve-month period ended December 31, 2025 were $38,765 (2024 - $46,600). As a result, gross profit in year ended December 31, 2025 increased to $63,445 (2024 - $44,692). Gross profit margin year-to-date was 62% compared to 49% for the comparable period. Gross profit was higher in the year due to lower than anticipated material costs on one project.

Administration Expenses

Administration expenses in Q4 2025 increased to $9,022 (Q4 2024 - $6,432) excluding transaction and restructuring costs. At the end of the quarter, Kraken employed 433 employees compared to 283 in same period of the prior year. Notable items in the administration expense category include: salaries and benefits expenses of $4,683 (Q4 2024 - $2,774), travel related costs of $1,008 (Q4 2024 - $733), software subscriptions costs of $861 (Q4 2024 - $610), accounting and legal costs of $257 (Q4 2024 - $657) and office and shop supplies of $150 (Q4 2024 - $60). Administration expenses have increased partly due to the acquisition of 3D at Depth.

Administration expenses for the twelve-month period ended December 31, 2025 increased 62% to $32,173 compared to $19,813 in the prior year due to growth of the Company excluding transaction and restructuring costs. Notable items in the administration expense category year-to-date include: salaries and benefits expenses of $15,570 (2024 - $9,207), travel related costs of $3,065 (2024 - $1,802), software subscriptions of $2,934 (2024 - $2,095), and professional fees of $4,942 (2024- $1,486). Administration expenses have increased partly due to the acquisition of 3D at Depth.

Transaction and restructuring costs for Q4 2025 were $3,102 (Q4 2024 - $143). Year-to-date, transaction and restructuring costs total $4,988 (2024 - $212).

Research and Development (“R&D”) Expenses

R&D expenses in Q4 2025 increased 21% to $2,190 compared to $1,805 in the same period of the prior year, due to the timing of expenditures on various R&D programs as well as the timing of government assistance which is netted against R&D. Investment tax credits (“ITCs”) recoverable decreased to $742 (Q4 2024 - $1,620) related to timing of scientific research and experimental development activities.

Year-to-date, R&D expenses increased 26% to $7,861 compared to $6,233 in the prior year resulting from the timing of R&D expenditures on various R&D programs and government assistance. Year-to-date, ITCs were $1,552 compared to $2,067 in the prior year.

Depreciation and Amortization

Depreciation in Q4 2025 increased 57% to $1,762 compared to $1,122 in the same period of the prior year. For the twelve-month period ended December 31, 2025, depreciation increased 41% to $6,122 compared to $4,323 in the prior year. Depreciation increased in part due to the acquisition of 3D at Depth along with an increasing pool of assets in service. In Q4 2025, amortization of intangible assets increased to $994 compared to $376 in the prior year and increased to $2,956 for the twelve-month period ended December 31, 2025, compared to $1,403 in the prior year. The increase in amortization is due to the amortization of intangibles recognized from the acquisition of 3D at Depth.

Share-based compensation

Share-based compensation expense increased in Q4 2025 to $620 compared to $447 in the same period of the prior year, while year-to-date share-based compensation increased to $2,342 compared to $948, due to the timing of stock option grants. During the twelve-month period ended December 31, 2025, the Company granted 3,755,000 stock options to employees and directors. The options have seven-year terms, with vesting in four equal instalments on the annual year anniversaries of the initial date of each grant.

Financing Costs

Financing costs in Q4 2025 increased 3% to $880 compared to $852 in the same period of the prior year. Year-to-date, financing costs increased 45% to $3,535 compared to $2,435 with the increase due to the amortization of credit facility transaction costs and the US$5,000 debt secured in Q2 2025.

$000's	Three-months ended		Twelve-months ended	
	December 31, 2025	December 31, 2024	**December 31, 2025**	December 31, 2024
Interest on lease liabilities	**140**	74	**728**	340
Letters of credit and interest expense	**544**	518	**1,743**	1,420
Amortization of credit facility transaction costs	**196**	260	**1,064**	675
	880	852	**3,535**	2,435

Adjusted EBITDA and Net Income

In Q4 2025, adjusted EBITDA increased 36% to $9,516, compared to $7,020 in Q4 2024, and a 34% adjusted EBITDA margin compared to 25% in Q4 2024. Adjusted EBITDA for the twelve-month period ended December 31, 2025 increased 20% to $24,963 compared to $20,711 for the prior year, and a 24% adjusted EBITDA margin compared to 23% for the prior year. Adjusted EBITDA increased due to increased product and service revenue during the period.

Net income in Q4 2025 decreased 100% to $54 and comprehensive income (loss) decreased 108% to $(1,044), as compared to net income of $13,674 and comprehensive income of $13,571 for the same period of prior year. Net income for the twelve-month period ended December 31, 2025, decreased 86% to $2,860 and comprehensive income decreased 94% to $1,237 as compared to net income of $20,089 and comprehensive income of $20,329 for the prior year. Net income (loss) and comprehensive income (loss) in the prior year was higher than normal due to the recognition of various deferred tax assets mainly related to loss carry forwards that were not recognized in prior years.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, the Company had working capital[5] of $171,564 (December 31, 2024 – $94,416). Cash as at December 31, 2025 was $120,507 as compared to $58,518 as at December 31, 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.

The following table sets out a comparison of the previously disclosed anticipated use of proceeds from the above financings with the approximate actual amount used as of April 15, 2026:

Principal Purpose	**Anticipated Amount**	**Approximate Amount Used**
Capital expenditures	$ 26,200	$ 27,435
Supply chain/parts and inventory	32,200	27,634
General corporate purposes and working capital	111,349	24,681
Offering expenses	1,050	1,050
Total	$ 170,799	$ 80,800

[5] Working capital is defined as current assets less current liabilities.

The Company remains on track with its objectives of the anticipated use of proceeds, while capital expenditures have surpassed the anticipated amount, due to further investments into the business for future growth.

During the twelve-month period ended December 31, 2025, the Company received proceeds of $341 upon the exercise of 660,500 stock options (2024 – proceeds of $1,395).

During the twelve-month period ended December 31, 2025, the Company experienced cash inflows of $1,489 (2024 – cash inflows of $11,590) from operating activities. Cash outflows from investing activities were $54,051 versus $5,149 for the same quarter in 2024. Financing activities resulted in inflows of $114,864 (2024 – cash outflows $69,880).

Overall, excluding the foreign exchange impact on cash for the twelve-month period ended December 31, 2025, cash increased by $62,302 to $120,507 (2024 – increased by $53,141).

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; (iv) an uncommitted accordion facility of up to $30 million (the "Accordion").; (v) 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; (vi) Capex facility, bearing interest at bank prime + 1%, interest only payable monthly and (vii) Term loan, of US$5,000 bearing interest at bank prime plus margin, repayable in quarterly installments of 3.75% over 5 years.

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 December 31, 2025, the Company's risk exposures and the impact of the Company's financial instruments are summarized below:

Credit Risk:

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

	December 31, 2025	December 31, 2024
Cash and cash equivalents	**$ 120,507**	$ 58,518
Trade and other receivables	**27,319**	18,699
Contract assets	**14,822**	17,707
	$ 162,648	$ 94,924

At December 31, 2025, 83% of the trade receivables were owing from four customers (December 31, 2024 - 63% of trade receivables were owing from two customers). At December 31, 2025 the Company had recorded contract liabilities of $6,596 (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 December 31, 2025, the Company had a cash balance of $120,507 (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 December 31, 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 $14,755 against the term revolving credit facility, which bears interest at bank prime plus margin, payable monthly. An increase (decrease) of 100 basis points in the interest rate would have increased (decreased) the Company's net income by approximately $98. The Company has drawn $1,416 against the revolving capital expenditure facility. An increase (decrease of 100 basis points in the interest rate would have increased (decreased) the Company's net income by approximately $1. The Company has also drawn $5,758 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 100 basis points in the interest rate would have increased (decreased) the Company's net income by approximately $40.

(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:

	December 31, 2025	December 31, 2024
Financial liabilities denominated in foreign currency:		
Trade and other payables USD	**$ 2,633**	$ 2,473
Trade and other payables GBP	**880**	920
Trade and other payables EUR	**4,821**	3,268
Trade and other payables DKK	**167**	129
Trade and other payables BRL	**560**	382
Long-term debt EUR	**146**	503
Long-term debt USD	**4,438**	-
Financial assets denominated in a foreign currency:		
Trade and other receivables USD	**$ 13,286**	$ 5,944
Trade and other receivables GBP	**3,647**	427
Trade and other receivables EUR	**702**	336
Trade and other receivables DKK	**2**	4
Trade and other receivables BRL	**63**	373

For the twelve-month period ended December 31, 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 $669 (2024 - $107).

Fair Value:

During the three-months and year ended December 31, 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.

SUBSEQUENT EVENTS

Subsequent to December 31, 2025, the Company:

(a) entered into an agreement to acquire, through a wholly owned subsidiary, Covelya Group Limited, a leading international provider of mission-critical underwater technology solutions for a total consideration of $615 million, excluding transaction costs and subject to adjustment, of which $480 million will be paid in cash and $135 million will be satisfied through the issuance of common shares of the Company to the seller pursuant to a share purchase agreement dated March 3, 2026 (the "Covelya Acquisition"). The closing of the Covelya Acquisition is subject to certain closing conditions. The Company anticipates that the completion of the Acquisition will occur in the second quarter of 2026. Completion of the Acquisition is subject to certain conditions, including, among other things, receipt of all required regulatory approvals, including the approval of the TSXV, receipt of applicable approvals or non-objections under foreign direct investment and merger control regulations, other consents and regulatory approvals and other customary closing conditions for a transaction of this nature.

(b) completed a "bought deal" public offering of subscription receipts on March 12, 2026, pursuant to a short form base shelf prospectus dated August 7, 2025, as supplemented by a prospectus supplement dated March 5, 2026 (the "Subscription Receipt Offering"). Under the Subscription Receipt Offering, the Company issued a total of 47,353,550 subscription receipts at a price of $8.50 per subscription receipt, for total gross proceeds of approximately $402,505. The gross proceeds of the Subscription Receipt Offering, less a portion of the reimbursable expenses and commission payable to the underwriters in connection with the Subscription Receipt Offering, were deposited in escrow with an escrow agent pending the satisfaction or release of the Release Conditions (defined below) or the occurrence of a Termination Event (as defined below). Each Subscription Receipt entitles the holder thereof, without payment of any additional consideration or further action on the part of the holder, to receive one common share of the Company upon the satisfaction or waiver of certain conditions, including the satisfaction of all conditions precedent to the completion of the Covelya Acquisition, other than the payment of the purchase price and the satisfaction of conditions precedent that by their nature are to be satisfied at completion (the "Release Conditions"). If such Release Conditions are not satisfied or waived on or prior to 5:00 p.m. (Eastern time) on December 31, 2026, or the Covelya Acquisition is otherwise terminated before that time (a "Termination Event"), the subscription receipts will be cancelled, and the holders of subscription receipts will receive a cash payment equal to the $8.50 per subscription receipt held plus their *pro rata* share of any interest earned on the escrowed proceeds. The subscription receipts began trading on the TSX Venture Exchange under the symbol "PNG.R" on March 12, 2026. The net proceeds of the Subscription Receipt Offering will be used to partially satisfy the cash portion of the purchase price payable by the Company on closing of the Covelya Acquisition.

(c) entered into an amending agreement to its current credit facility, previously set to expire in April 2027, providing for a 5-year $150 million committed, secured, non-revolving term credit facility that may be drawn upon on the closing of the Covelya Acquisition. A portion of the proceeds of the new credit facility will be used to satisfy the balance of the cash portion of the purchase price payable by the Company on closing of the Covelya Acquisition not satisfied by the net proceeds of the Subscription Receipt Offering.

OUTSTANDING SHARE DATA:

The Company's common shares are traded on the TSX Venture Exchange under the symbol "PNG" and on the OTCQB under the symbol "KRKNF". On March 12, 2026, the Company issued 47,353,550 subscription receipts of the Company in connection with the Subscription Receipt Offering (see "*Subsequent Events*" above). At April 15, 2026, the Company had 307,175,048common shares outstanding and 47,353,550 subscription receipts outstanding. At December 31, 2025, the details of the outstanding number of shares and share purchase options are as follows:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	306,606,285

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	3,327,500	3,327,500	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	400,000	0.495	November 20, 2028
Options	5,643,250	1,354,083	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
Options	**13,715,750**	**5,752,833**	**$ 1.313**	

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.

$000's	Q4 2025	Q4 2024	2025	2024
Net income	**54**	13,674	**2,860**	20,089
Income tax (recovery)	**1,829**	(8,549)	**3,266**	(8,061)
Financing costs	**880**	852	**3,535**	2,435
Interest income	**(774)**	(688)	**(2,202)**	(688)
Foreign exchange loss/(gain)	**1,049**	(369)	**1,096**	43
Loss/(gain) on disposal of assets	**-**	-	**-**	(3)
Share-based compensation	**620**	447	**2,342**	948
Depreciation and Amortization	**2,756**	1,498	**9,078**	5,726
EBITDA – excluding restructuring and acquisition costs	**6,414**	7,299	**19,975**	20,923
Restructuring and acquisition costs	**3,102**	155	**4,988**	212
Adjusted EBITDA	**9,516**	7,020	**24,963**	20,711
Adjusted EBITDA margin	**34%**	25%	**24%**	23%

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.

$000's	Q4 2025	Q4 2024	2025	2024
Revenue	**28,394**	28,109	**102,210**	91,292
Cost of sales	**8,408**	14,627	**38,765**	46,600
Gross profit	**19,986**	13,482	**63,445**	44,692
Gross profit margin	**70%**	48%	**62%**	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

Selected Annual Information

Statement of Comprehensive Loss	**Year Ended December 31, 2025 ($000's)**	**Year Ended December 31, 2024 ($000's)**	**Year Ended December 31, 2023 ($000's)**
Total Revenues	102,210	91,292	69,581
Cost of Sales	38,765	46,600	35,625
Income from operating activities	6,126	13,815	4,887
Net income	2,860	20,089	5,546
Basic income per share	0.01	0.09	0.03
Diluted income per share	0.01	0.09	0.03

Statement of Financial Position	**Year Ended December 31, 2025 ($000's)**	**Year Ended December 31, 2024 ($000's)**	**Year Ended December 31, 2023 ($000's)**
Total Assets	313,679	162,613	76,419
Total Current Assets	209,477	117,772	44,075
Total Current Liabilities	37,913	23,356	40,461
Total Liabilities	74,344	40,878	44,360
Total Shareholders' Equity	239,335	121,735	32,059

Summary of Quarterly Information

Selected financial information, prepared in accordance with IFRS, for each of the eight most recently completed quarters are as follows:

	Revenue ($000's)	**Operating activity less share based payments ($000's)**	**Share-based payments ($000's)**	**Net income (loss) ($000's)**	**Comprehensive income (loss) ($000's)**	**Basic and diluted income (loss) per share ($)**
Q4 2025	28,394	16,328	620	54	(1,044)	0.00
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

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 and service businesses.

With respect to revenue, in general, the Company has found that government contracts tend to peak in Q3, with deliveries targeted in Q4. However, revenue also fluctuates on the timing of contract negotiations. Lengthy negotiations over significant contracts could cause revenue to be more heavily weighted in some periods.

Comparative quarterly balance sheet information is presented below:

	Total Assets ($000's)	Total Current Assets ($000's)	Total Current Liabilities ($000's)	Total Liabilities ($000's)
Q4 2025	313,679	209,477	37,913	74,344
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

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.