



KRAKEN ROBOTICS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH PERIOD ENDING March 31, 2026
(Expressed in thousands of Canadian dollars unless otherwise stated)

This Management Discussion and Analysis ("MD&A") of Kraken Robotics Inc. (the "Company" or "Kraken") provides analysis of the Company's financial results for the three-month period ending March 31, 2026 and should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2025, which are available on SEDAR+ at www.sedarplus.com. The information presented in the MD&A is as of May 27, 2026, the date of preparation.

The March 31, 2026 condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. These financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Company's consolidated financial statements for the year ended December 31, 2025. These condensed consolidated interim financial statements do not include all disclosures required by IFRS for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025 prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in thousands of Canadian dollars, unless otherwise stated.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

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

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

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

- tariffs and other controls on imports and exports, tax, immigration or other policies that may impact relations with foreign countries or result in retaliatory policies;
- 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 Q1 2026 was \$21,705 compared to \$16,128 in Q1 2025. Revenue in the quarter saw services revenue increase 14%, and product revenue also increased 50%. Adjusted EBITDA¹ in Q1 2026 was \$3,004 (Q1 2025 – \$2,794). Net (loss) income for Q1 2026 was \$(3,326) (Q1 2025 – \$215) or \$(0.01) per share compared to \$0.00 in the prior quarter. Adjusted net(loss) income² for Q1 2026 was \$(4,075) (Q1 2025 - \$550) or \$(0.01) per share compared to \$0.00 in the prior quarter.

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 for the quarter ended March 31, 2026 increased 50% to \$13,774 (2025 - \$9,162). Revenue from batteries and SAS continued to grow at a robust pace in the quarter, while revenue from KATFISH™ and RMDS were lower on a quarter-over-quarter basis.

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 Q1 2026 increased 14% to \$7,931 (Q1 2025 - \$6,966), mainly due to the acquisition of 3D at Depth in April 2025.

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

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

	March 31, 2026	March 31, 2025
Product Revenue	\$13,774	\$9,162
Service Revenue	7,931	6,966
Total revenue	21,705	16,128
Cost of sales	9,469	6,010
Gross profit³	12,236	10,118
Gross profit margin	56%	63%
Administrative expenses	11,363	6,408
Research and development costs	1,067	1,519
Depreciation and Amortization	2,882	1,579
Share-based compensation	909	404
Investment tax credits recoverable	(400)	(268)
Income (loss) from operating activities	(3,585)	476
Foreign exchange loss (gain)	230	(433)
Interest income	(639)	(311)
Financing costs	753	701
Net income (loss) before taxes	(3,929)	519
Income tax expense	(603)	304
Net income (loss)	(3,326)	215
Basic income per share	\$ (0.01)	\$ 0.00
Diluted income per share	\$ (0.01)	\$ 0.00
Adjusted EBITDA	3,004	2,794
Adjusted EBITDA margin ⁴	14%	17%

Cost of Sales and Gross Profit

Cost of sales reflects the recognition of products based on shipments and the cost of delivery of services revenue as well as the allocation of wages of employees primarily engaged in product and services activities. Cost of sales in the quarter were \$9,469 (Q1 2025 - \$6,010), an increase compared to Q1 2025 due to higher product sales in the quarter. During Q1 2026, the Company realized gross profit of \$12,236 (Q1 2025 – \$10,118) resulting in a gross profit margin⁵ of 56% compared to 63% in Q1 2025. The decrease in gross profit margin relates to the revenue mix between product sales year over year.

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

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

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

Administration Expenses

Administration expenses in Q1 2026 increased to \$8,565 (Q1 2025 - \$6,048) excluding transaction and restructuring costs. At the end of the quarter, Kraken employed 456 employees compared to 297 in same period of the prior year. Notable items in the administration expense category include salaries and benefits expenses of \$3,315 (Q1 2025 - \$3,241), travel related costs of \$830 (Q1 2025 - \$598), software subscriptions costs of \$820 (Q1 2025 - \$640), accounting and legal costs of \$206 (Q1 2025 - \$111) and office and shop supplies of \$693 (Q1 2025 - \$312).

Transaction and restructuring costs for Q1 2026 were \$2,798 (Q1 2025 - \$335) and relate mainly to the transaction to acquire Covelya Group.

Research and Development (“R&D”) Expenses

R&D expenses in Q1 2026 decreased 30% to \$1,067 compared to \$1,159 in the same period of the prior quarter, 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 increased to \$400 (Q1 2025 - \$268) related to timing of scientific research and experimental development activities.

Depreciation and Amortization

Depreciation in Q1 2026 increased 59% to \$1,899 compared to \$1,194 in the same period of the prior quarter. In Q1 2026, amortization of intangible assets increased to \$983 compared to \$385 in the prior quarter.

Share-based compensation

Share-based compensation expense increased in Q1 2026 to \$909 compared to \$404 in the same period of the prior quarter, due to the timing of stock option grants

Financing Costs

Financing costs in Q1 2025 increased 7% to \$753 compared to \$701 in the same period of the prior quarter with increase related to increased debt levels mainly related to the US\$5 million facility entered into April 2025.

	March 31, 2026	March 31, 2025
Interest on lease liabilities	151	160
Letters of credit and interest expense	409	266
Amortization of credit facility transaction costs	193	275
	753	701

Adjusted EBITDA, Net Income (loss) and Adjusted Net Income

In Q1 2026, adjusted EBITDA increased 1% to \$3,004, compared to \$2,794 in Q1 2025, and had a 14% adjusted EBITDA margin compared to 17% in Q1 2025. Adjusted EBITDA increased due to higher revenue but was offset by higher administration costs during the quarter.

Net (loss) in Q1 2026 declined to \$(3,326) and comprehensive loss declined to \$(4,075), compared to net income of \$215 and comprehensive loss of \$(257) for the same period in the prior year. Adjusted net income for Q1 2026 was \$311 (Q1 2025 - \$650).

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

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2026, the Company had working capital of \$162,377 (March 31, 2025 – \$94,568). Cash as at March 31, 2026 was \$108,682 as compared to \$59,272 as at March 31, 2025.

During the three-month period ended March 31, 2026, the Company experienced cash outflows of \$4,727 (2025 – cash inflows of \$3,063) from operating activities. Cash outflows from investing activities were \$7,007 versus \$2,785 for the same period in 2025. Financing activities resulted in inflows of \$98 versus inflows of \$1,436 for the same period in 2025.

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

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

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

Principal Purpose	Anticipated Amount	Approximate Amount Used
Capital expenditures	\$ 26,200	\$ 27,435
Supply chain/parts and inventory	32,200	32,200
General corporate purposes and working capital	111,349	31,940
Offering expenses	1,050	1,050
Total	\$ 170,799	\$ 92,625

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; (iv) an uncommitted accordion facility of up to \$30 million (the "Accordion"); (v) a US\$5 million term loan ("Term Loan #1"); and (vi) a \$150 million facility ("Term Loan #2").

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 March 31, 2026, 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:

	March 31, 2026	December 31, 2025
Cash and cash equivalents	\$ 108,682	\$ 120,507
Trade and other receivables	20,953	27,319
Investment tax credits recoverable	1,572	1,547
Long-term investment tax credits recoverable	2,442	2,066
Contract assets	15,239	14,822
	\$ 148,888	\$ 166,261

At March 31, 2026, 79% of the trade receivables were owing from two customers (December 31, 2025 - 83% of trade receivables were owing from four customers). At March 31, 2026 the Company had recorded contract liabilities of \$9,418 (December 31, 2025 – \$6,596).

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 March 31, 2026, the Company had a cash balance of \$108,682 (December 31, 2025 - \$120,507). 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 March 31, 2026, 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 earnings 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 100 basis points in the interest rate would have increased (decreased) the Company's net earnings by approximately \$15. The Company has drawn \$2,081 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 earnings by approximately \$1. The Company has also drawn \$5,616 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 earnings by approximately \$12.

(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:

	March 31, 2026	December 31, 2025
Financial liabilities denominated in foreign currency:		
Trade and other payables USD	\$ 1,792	\$ 2,633
Trade and other payables GBP	539	880
Trade and other payables EUR	6,443	4,821
Trade and other payables DKK	-	167
Trade and other payables BRL	-	560
Long-term debt EUR	146	146
Long-term debt USD	4,438	
Financial assets denominated in a foreign currency:		
Trade and other receivables USD	3,418	
Trade and other receivables GBP	2,119	\$ 13,286
Trade and other receivables EUR	261	3,647
Trade and other receivables DKK	-	702
Trade and other receivables BRL	-	2

For the twelve-month period ended March 31, 2026, 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 earnings by approximately \$1,110 (2025 - \$864).

Fair Value:

During the three-months and quarter ended March 31, 2026, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

The fair value of the long-term obligations is \$24,447 and the valuation uses level 2 inputs using a discounted cash flow valuation technique.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed

on an ongoing basis based on historical experience and other factors that are relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

OUTSTANDING SHARE DATA:

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. At May 27, 2026, the Company had 307,175,048 common shares outstanding and 47,353,550 subscription receipts outstanding. At March 31, 2026, 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	306,922,785

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	3,091,500	3,091,500	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	75,000	0.63	January 30, 2028
Options	100,000	100,000	0.58	February 27, 2028
Options	400,000	400,000	0.495	November 20, 2028
Options	5,507,750	1,326,916	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	150,000	-	4.59	October 1, 2032
Options	1,350,000	-	8.50	March 13, 2033
Options	100,000	-	8.50	March 26, 2033
Options	350,000	-	8.50	March 30, 2033
Options	14,994,250	5,495,916	\$ 1.337	

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.

	Q1 2026	Q1 2025
Net income	\$(3,326)	\$215
Income tax	(603)	304
Financing costs	753	701
Interest income	(639)	(311)
Foreign exchange loss (gain)	230	(433)
Share-based compensation	909	404
Depreciation and Amortization	2,882	1,579
EBITDA	206	2,459
Restructuring and acquisition costs	2,798	335
Adjusted EBITDA	\$3,004	\$2,794
Adjusted EBITDA margin	14%	17%

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.

	Q1 2026	Q1 2025
Revenue	\$21,705	\$16,128
Cost of sales	9,469	6,010
Gross profit	12,236	10,118
Gross profit margin	56%	63%

Working capital

Working capital is defined as current assets less current liabilities.

Adjusted net income

Adjusted net income is calculated by adding to and deducting from net income, as applicable, certain expenses, costs, charges or benefits incurred which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business.

Adjusted net income per share diluted represents Adjusted net income divided by the weighted average number of fully diluted shares outstanding.

	Q1 2026	Q1 2025
Net (loss) income	\$(3,326)	\$215
Restructuring and acquisition costs	2,798	335
Income taxes related to above items	839	100
Adjusted net income	\$311	\$650

Adjusted net income per share diluted represents Adjusted net income divided by the weighted average number of fully diluted shares outstanding.

	Q1 2026	Q1 2025
Adjusted net income	\$311	\$650
Weighted average number of fully diluted shares outstanding	317,853,801	269,419,333
Adjusted net income per share diluted	\$0.00	\$0.00

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

ADDITIONAL INFORMATION

Summary of Quarterly Information

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

	Revenue (\$)	Operating activity less share-based payments (\$)	Share-based payments (\$)	Net (loss) income (\$)	Comprehensive (loss) income \$	Basic and diluted (loss) earnings per share (\$)
Q1 2026	21,705	14,912	909	(3,326)	(4,075)	(0.01)
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
Q4 2023	28,006	7,222	58	2,584	2,464	0.01
Q3 2023	20,342	7,663	61	2,301	2,499	0.01
Q2 2023	13,655	6,151	98	1,997	1,945	0.01
Q1 2023	7,578	4,898	161	(1,336)	(1,320)	(0.01)

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 quarters from the growth of our KATFISH™, subsea battery, sensor and systems and service businesses.

Comparative quarterly balance sheet information is presented below:

	Total Assets (\$)	Total Current Assets (\$)	Total Current Liabilities (\$)	Total Liabilities (\$)
Q1 2026	715,947	605,541	443,164	479,464
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
Q4 2023	76,419	44,075	40,461	44,360
Q3 2023	70,511	40,408	37,574	41,124
Q2 2023	70,487	39,091	40,226	43,660
Q1 2023	65,237	31,315	36,634	40,477

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.