KRAKEN

KRAKEN ROBOTICS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTH PERIODS ENDED June 30, 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 and six-month periods ending June 30, 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 August 26, 2026, the date of preparation.

The June 30, 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 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 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. On July 2, 2026, Kraken acquired Covelya Group Limited, which positions the Company as a global provider of mission-critical, dual-use subsea intelligence solutions.

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.

QUARTERLY HIGHLIGHTS

- Consolidated revenue of $27.3 million in Q2 2026 an increase 4% from $26.4 million year-over-year driven by increased revenues across the Company’s products and services segments. Consolidated revenue in the quarter was negatively impacted by a $1.5 million as a customer chose to a change in scope on an integration project. Excluding this impact, consolidated revenue in the quarter would have been $28.8 million and increased 9%.

- Product revenue of $16.9 million, up 2% from $16.6 million in Q2 2025, driven by increased demand for the Company's KATFISH™ , SAS and subsea battery products. Product revenues we negatively impacted by $1.5 million in the quarter due to a change in scope on an integration project.
- Service revenue of $10.5 million, up 6% in comparison to $9.8 million in Q2 2025. Quarterly revenues and year-over-year comparisons can fluctuate significantly due to seasonality in the offshore services business.
- Gross profit[1] increased to $16.2 million, up 10% from $14.8 million in Q2 2025. The Company's gross profit margin[1] during the quarter equated to 59%, compared to 56%. Gross profit margin can fluctuate within a given quarter based on the mix of product and service revenue.
- Adjusted EBITDA[1] of $5.0 million in Q2 2026, was up 7% from $4.7 million in Q2 2025. The Company's Adjusted EBITDA margin[1] equated to 18% flat year-over-year. Excluding the impact from a change in scope on an integration project, Adjusted EBITDA[1] margin in the quarter would have been 20% with Adjusted EBITDA growth of 26% on a year-over-year basis.
- Total assets on June 30, 2026, were $724.8 million, compared to $184.3 million on June 30, 2025. Total assets at the end of Q2 2026 included $396.7 million of subscription receipt proceeds held in escrow from the Company's March 3, 2026 public offering, which was completed to partially fund the Covelya Acquisition.
- Long-term obligations and lease liabilities at the end of the quarter were $39.7 million, compared to $37.4 million in Q2 2025. Kraken maintains a strong balance sheet with a cash position of $91.3 million as at June 30, 2026, up from $32.9 million at the end of Q2 2025, and working capital of $151.8 million, up from $71.8 million at the end of Q2 2025.
- The Company reported a net loss of $9.3 million in Q2 2026, or ($0.02) per share diluted, compared to net loss of $0.7 million, or ($0.00) per share diluted, in the comparable quarter in the prior year period. Excluding restructuring, acquisition costs, other losses and amortization of intangible assets related to business combinations, the Company reported Adjusted net income[1] in Q2 2026 of $0.8 million, or $0.00 per share diluted, compared to $1.3 million, or $0.00 per share diluted in the prior year period.
- In the second quarter, notable activities included the following:
    - Announced $28 million in SeaPower Battery and Kraken SAS orders to five customers including two new customers.
    - Subsequent to the second quarter, announced the closing of strategic acquisition of Covelya Group Limited ("Covelya").

COVELYA GROUP LIMITED ACQUISITION

On July 2, 2026, the Company acquired 100% of the shares of Covelya Group Limited ("Covelya"), for approximately $615,000 (consisting of $355,000 cash on hand (including cash from subscription receipt offering), $125,000 term loan and $135,000 through the issuance of 15,882,352 common shares) subject to adjustment for, among other things, any debt indirectly assumed or paid out on closing and to customary working capital adjustments.

The acquisition positions the Company as a global provider of mission-critical, dual-use subsea intelligence solutions. The acquisition aligns with the Company's strategy to deliver value to customers through a portfolio of dual-use technologies and a culture of innovation. The strategic benefits to the Company from the acquisition include the following:

- Allows for deeper customer relationships in the fast-growing defence and maritime surveillance market.
- Expands product offering and Kraken's total addressable market in subsea technology.
- Adds strategic locations for geographic expansion and improves business diversification.
- Bolsters technical capabilities with an experienced engineering team and highly advanced facilities.

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[1] *Gross profit, gross profit margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per share diluted are non-IFRS financial measures 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, se "Non-IFRS Measures" in this MD&A.*

- Financial accretion across key metrics, including $10 million of cost synergies within 24 months.

The Company will report the acquired business as part of both its Products and Services segments and will be accounted for as a business combination using the acquisition method. The Company is currently in the process of determining the initial purchase accounting for this transaction.

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 OVERVIEW

	Three-months ended		Six-months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Product Revenue	**$ 16,870**	$ 16,546	**$ 30,644**	$ 25,708
Service Revenue	**10,450**	9,844	**18,381**	16,810
Total revenue	**27,320**	26,390	**49,025**	42,518
Cost of sales	**11,083**	11,628	**20,552**	17,638
Gross profit[2]	**16,237**	14,762	**28,473**	24,880
Gross profit margin[2]	**59%**	56%	**58%**	59%
Administrative expenses	**11,722**	9,487	**23,085**	15,895
Research and development costs	**2,247**	1,785	**3,314**	3,304
Depreciation and Amortization	**3,189**	2,339	**6,071**	3,918
Share-based compensation	**1,850**	672	**2,759**	1,076
Investment tax credits recoverable	**(772)**	(272)	**(1,172)**	(540)
Income (loss) from operating activities	**(1,999)**	751	**(5,584**	1,227
Foreign exchange loss	**134**	693	**364**	260
Financing costs	**897**	981	**1,650**	1,682
Other loss	**6,911**	-	**6,911**	-
Interest income	**(605)**	(208)	**(1,244)**	(519)
Loss before taxes	**(9,336)**	(715)	**(13,265)**	(196)
Income tax recovery (expense)	**1,818**	16	**2,421**	(288)
Net Loss	**$ (7,518)**	$ (699)	**$ (10,844)**	$ (484)
Basic earnings per share	**$ (0.02)**	$ (0.00)	**$ (0.03)**	$ (0.00)
Diluted earnings per share	**$ (0.02)**	$ (0.00)	**$ (0.03)**	$ (0.00)
Adjusted EBITDA[2]	**5,003**	4,674	**8,007**	7,468
Adjusted EBITDA margin[2]	**18%**	18%	**16%**	18%
Adjusted net income[2]	**$769**	$1,323	**$1,977**	$2,341
Adjusted net income per share diluted[2]	**$0.00**	$0.00	**$0.01**	$0.01

Revenue

Consolidated revenue of $27.3 million in Q2 2026 an increase 4% from $26.4 million year-over-year driven by increased revenues across the Company's products and services segments.

Kraken's product business consists primarily of subsea sensor products, including our SAS, KATFISH™ and RMDS systems and subsea battery systems.

- Product revenue in Q2 2026 increased 2% to $16,870 (Q2 2025 - $16,546). Product revenue for the six-month period ended June 30, 2026, increased 19% to $30,644 (2025- $25,708). For the quarter and for the six-month period,

[2] *Gross profit, gross profit margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income and adjusted net income per share diluted are non-IFRS financial measures 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.*

revenue from subsea battery systems, SAS and KATFISH™ contributed to the growth. Product revenues in Q2 2026 were negatively impacted by $1.5 million in the quarter due to a change in scope on an integration project. Excluding this impact, product revenue in the quarter grew 11% and 25% for the three month and six-month period, respectively.

Kraken's service business consists of a robotics as a service (RaaS) portfolio of equipment including our Sub-Bottom Imager™, Acoustic Corer™, KATFISH™, SeaVision and the recently acquired 3D at Depth service offering of subsea LIDAR imaging.

Service revenue in Q2 2026 increased 6% to $10,450 (Q2 2025- $9,844) and for the six-month period ended June 30, 2026, increased 9% to $18,381 (2025 - $16,810) due to increased offshore services work.

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 was $11,083 (Q2 2025 - $11,628), a slight decrease due to a change of revenue mix. During Q2 2026, the Company realized gross profit[3] of $16,237 (Q2 2025 – $14,762) resulting in a gross profit margin[3] of 59% compared to 56% in Q2 2025. The increase in gross profit margin[3] relates to improved mix of higher margin projects in both products and services, in the quarter when compared to the prior year.

Cost of sales for the six-month period ended June 30, 2026 were $20,552 (2025 - $17,638). As a result, gross profit[3] in year ended June 30, 2026 increased to $28,473 (2025 - $24,880). Gross profit margin[3] year-to-date was 58% compared to 59% for the comparable.

Administrative Expenses

Administrative expenses in Q2 2026 increased to $9,759 (Q2 2025 - $8,575) excluding transaction and restructuring costs, with the increase due to increased expenditures to execute on the opportunities in our business pipeline. At the end of the quarter, Kraken employed 459 full-time employees compared to 378 in the same period of the prior year. Notable items in the administrative expense category include: salaries and benefits expenses of $3,604 (Q2 2025 - $4,062), travel related costs of $800 (Q2 2025 - $671), software subscriptions costs of $1,016 (Q2 2025 - $632), accounting and legal costs of $527 (Q2 2025 - $435) and office and shop supplies of $745 (Q2 2025 - $567).

Administrative expenses for the six-month period ended June 30, 2026, increased to $18,324 compared to $14,648 in the prior year due to growth of the Company excluding transaction and restructuring costs and increased in part due to the acquisition of 3D at Depth as well as the continued investment of in our business in business development, systems and technology. Notable items in the administrative expense category year-to-date include: salaries and benefits expenses of $6,918 (2025 - $7,447), travel related costs of $1,630 (2025 - $1,269), software subscriptions of $1,836 (2025 - $1,272), and professional fees of $733 (2025- $902).

Transaction and restructuring costs for Q2 2026 were $1,963 (Q2 2025 - $912). Year-to-date, transaction and restructuring costs total $4,761 (2025 - $1,247) and relate mainly to activities surrounding the acquisition of Covelya and 3D at Depth.

Research and Development ("R&D") Expenses

R&D expenses in Q2 2026 increased 26% to $2,247 (Q2 2025 - $1,785) 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 increased to $772 (Q2 2025 - $272) related to timing of scientific research and experimental development activities.

Year-to-date, R&D expenses increased 0% to $3,314 (2025 - $3,304) from the timing of R&D expenditures on various R&D programs and government assistance. Year-to-date, ITCs were $1,172 (2025 - $540).

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[3] *Gross profit and gross profit margin are non-IFRS financial measures 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.*

Depreciation and Amortization

Depreciation in Q2 2026 increased 40% to $2,196 (Q2 2025 - $1,568). For the six-month period ended June 30, 2026, depreciation increased 47% to $4,063 (2025- $2,761) due to increased capital expenditures. In Q2 2026, amortization of intangible assets increased to $1,025 (Q2 2025- $771) and increased to $2,008 for the six-month period ended June 30, 2026 (2025 - $1,156) due to the growth in intangible assets including those associated with the acquisition of 3D at Depth.

Share-based compensation

Share-based compensation expense increased in Q2 2026 to $1,850 (Q2 2025 - $672), while year-to-date share-based compensation increased to $2,759 (2025 - $1,076), due to the timing of stock option grants and deferred share unit grants.

Other loss

During the quarter, the Company recognized a provision of $6,911 for probable costs associated with an arbitration proceeding related to a supplier contract entered in 2017. The provision represents management's best estimate of the expected obligation and is based on the royalty amounts owed and related interest, and reimbursement of the supplier's legal and arbitration costs.

Financing Costs

Financing costs in Q2 2026 decreased to $897 (Q2 2025 - $981) compared to the same period of the prior year. Year-to-date, financing costs decreased to $1,650 (2025 -$1,682) with the decrease due to the amortization of credit facility transaction costs.

	Three-months ended		**Six-months ended**	
	June 30, 2026	**June 30, 2025**	**June 30, 2026**	**June 30, 2025**
Interest on lease liabilities	**$ 261**	$ 236	**$ 412**	$ 396
Letters of credit and interest expense	**458**	450	**867**	716
Amortization of credit facility transaction costs	**178**	295	**371**	570
	$ 897	$ 981	**$ 1,650**	$ 1,682

Adjusted EBITDA and Net Income (Loss)

In Q2 2026, adjusted EBITDA[4] increased 7% to $5,003 (Q2 2025 - $4,674) in Q2 2025, an 18% adjusted EBITDA margin[4] compared to 18% in Q2 2025. Adjusted EBITDA[4] for the six-month period ended June 30, 2026, increased 7% to $8,007 (2025 - $7,468), a 16% adjusted EBITDA margin[4] compared to 18% in the prior year.

Excluding the impact from a change in scope on an integration project, Adjusted EBITDA margin[4] in the quarter would have been 20% with Adjusted EBITDA[4] growth of 25% on a year-over-year basis.

Net loss in Q2 2026 was $7,518 and comprehensive loss was $5,271, as compared to net loss of $699 and comprehensive income of $3,621 for the same period of prior year. Net loss for the six-month period ended June 30, 2026, was $10,844 and comprehensive loss decreased to $9,346 as compared to net loss of $484 and comprehensive income of $3,878 for the prior year.

Excluding restructuring, acquisition costs and amortization of intangible assets related to business combinations, the Company reported Adjusted net income[5] in Q2 2026 of $769, or $0.00 per share diluted, compared to $1,323, or $0.00 per share diluted in the prior year period. Adjusted net income[5] for the six-month period ended June 30, 2026 was $1,977, or $0.01 per share diluted compared to $2,341, or $0.01 per share diluted for the prior year.

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

[5] *Adjusted net income and adjusted net income per share diluted are non-IFRS financial measures 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.*

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

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2026, the Company had working capital, defined as current assets less current liabilities, of $151,781 (June 30, 2025 – $71,813). Cash as at June 30, 2026, was $91,266 as compared to $32,867 as at June 30, 2025.

During the six-month period ended June 30, 2026, the Company experienced cash outflows of $16,235 (2025 – cash inflows of $1,539) from operating activities. Cash outflows from investing activities were $15,956 versus $32,408 for the same period in 2025. Financing activities resulted in inflows of $908 versus $6,988 for the same period in 2025.

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	39,266
Offering expenses	1,050	1,050
Total	$ 170,799	$ 99,951

The term facility consists of (i) a revolving 3-year term facility of up to $60 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 $125 million facility ("Term Loan #2").

At June 30, 2026, the Company's net debt (cash) was ($51.6) million compared to $(82.4) million at December 31, 2025.

	June 30, 2026	December 31, 2025
Long-term obligations (current and non-current portion)	**$25,740**	$23,780
Lease liabilities (current and non-current portion)	**13,956**	14,362
Total debt	**39,696**	38,142
Less: cash and cash equivalents	**$(91,266)**	$(120,507)
Net debt (cash)	**$(51,570)**	$(82,365)

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.

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.

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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 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:

	June 30, 2026	December 31, 2025
Cash and cash equivalents	**$ 91,266**	$ 120,507
Trade and other receivables	**31,373**	27,319
Investment tax credits recoverable	**2,344**	1,547
Long-term investment tax credits recoverable	**2,442**	2,066
Contract assets	**12,633**	14,822
	$ 140,058	$ 166,261

At June 30, 2026, 57% of the trade receivables were owing from two customers (December 31, 2025 - 83% of trade receivables were owing from four customers). At June 30, 2026, the Company had recorded contract liabilities of $10,342 (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 June 30, 2026, the Company had a cash balance of $91,266 (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 June 30, 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 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 100 basis points in the interest rate would have increased (decreased) the Company's net income by approximately $33. The Company has drawn $1,428 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 $5. The Company has also drawn $5,776 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 $25.

(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:

	June 30, 2026	**December 31, 2025**
Financial liabilities denominated in foreign currency:		
Trade and other payables USD	**$ 2,381**	$ 2,633
Trade and other payables GBP	**556**	880
Trade and other payables EUR	**3,443**	4,821
Trade and other payables DKK	**6,250**	167
Trade and other payables BRL	**672**	560
Long-term debt EUR	**146**	146
Bank indebtedness USD	**4,438**	4,438
Financial assets denominated in a foreign currency:		
Trade and other receivables USD	**16,211**	13,286
Trade and other receivables GBP	**2,040**	3,647
Trade and other receivables EUR	**810**	702
Trade and other receivables DKK	**-**	2
Trade and other receivables BRL	**137**	63

For the six-month period ended June 30, 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 income by approximately $1,151 (2025 - $1,034).

Fair Value:

During the three-months and year ended June 30, 2026, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Company's financial instruments are considered to approximate the carrying amounts.

USE OF ESTIMATES AND JUDGEMENTS

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

OUTSTANDING SHARE DATA:

The Company's common shares are traded on the TSX Venture Exchange under the symbol "PNG" and on the OTCQB under the symbol "KRKNF". At August 26, 2026, the Company had 371,412,137 common shares outstanding, in addition at June 30, 2026 the Company had 47,395 deferred share units (DSUs) outstanding granted to independent directors of the Company. At June 30, 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	307,686,285

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	2,557,000	2,557,000	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	5,341,250	1,160,416	1.14	July 9, 2031
Options	3,337,500	875,000	2.42	June 4, 2032
Options	30,000	-	3.46	August 22, 2032
Options	150,000	-	4.59	October 1, 2032
Options	1,800,000	-	8.50	March 30, 2033
Options	150,000	-	8.50	April 15, 2033
Options	**14,380,750**	**5,607,416**	**$ 1.356**	

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.

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Net income Loss	**$(7,518)**	$(699)	**$(10,844)**	$(484)
Income tax	**(1,818)**	(16)	**(2,421)**	288
Financing costs	**897**	981	**1,650**	1,682
Interest income	**(605)**	(208)	**(1,244)**	(519)
Depreciation and Amortization	**3,189**	2,339	**6,071**	3,918
EBITDA	**(5,855)**	2,397	**(6,788)**	4,885
Restructuring and transaction costs	**1,963**	912	**4,761**	1,247
Share-based compensation	**1,850**	672	**2,759**	1,076
Foreign exchange loss	**134**	693	**364**	260
Other loss	**6,911**	-	**6,911**	-
Adjusted EBITDA	**$5,003**	$4,674	**$8,007**	$7,468
Adjusted EBITDA margin	**18%**	18%	**16%**	18%

Note: Composition of adjusted EBITDA has changed in Q2 2026 to exclude the impact of "other loss", a non-recurring item that management considers not to be indicative of operating performance.

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.

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Revenue	**$27,320**	$26,390	**$49,025**	$42,518
Cost of sales	**11,083**	11,628	**20,552**	17,638
Gross profit	**16,237**	14,762	**28,473**	24,880
Gross profit margin	**59%**	56%	**59%**	59%

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.

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Net loss	**$(7,518)**	$(699)	**$(10,844)**	$(484)
Restructuring and acquisition costs	**1,963**	912	**4,761**	1,247
Other loss	**6,911**	-	**6,911**	-
Amortization of intangible assets related to business combinations	**690**	643	**1,380**	926
Income taxes related to above items	**(1,277)**	467	**(231)**	652
Adjusted net income	**$769**	$1,323	**$1,977**	$2,341

Note: Composition of adjusted net income has changed in Q2 2026 to exclude the impact of "other loss" and "amortization of intangible assets related to business combinations", a non-recurring item that management considers not to be indicative of operating performance.

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

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Adjusted net (loss) income	**$769**	$1,323	**$1,977**	$2,341
Weighted average number of fully diluted shares outstanding	**319,138,136**	269,685,156	**318,011,341**	269,521,252
Adjusted net income per share diluted	**$0.00**	$0.00	**$0.01**	$0.01

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 Results

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

	Revenue ($)	Operating expenses less share-based payments ($)	Share-based payments ($)	Net income (loss) ($)	Comprehensive income (loss) $	Basic and diluted income (loss) per share ($)
Q2 2026	27,320	16,386	1,513	(5,950)	(3,694)	(0.02)
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

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

The Company's revenue can fluctuate significantly on a quarterly basis due to the timing of orders, lead times on part purchases, and the timing of procurement processes. The Company has found that government orders for equipment, which constitute a significant proportion of the Company's products revenue, do not occur on regular or predictable intervals. In recent years, the Company has found that government orders tend to peak in Q3, with deliveries targeted in Q4, and that new orders from governments slow in Q1, though actual outcomes depend on the timing of contract specific negotiations and actual production and delivery. 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.

Comparative quarterly balance sheet information is presented below:

	Total Assets ($)	Total Current Assets ($)	Total Current Liabilities ($)	Total Liabilities ($)
Q2 2026	723,149	603,573	452,151	488,286
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

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.