

# **KRAKEN ROBOTICS INC.**

430 Water Street, Suite 100

St. John's, NL

A1C 1E2

## **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

### **TO THE SHAREHOLDERS:**

The 2018 Annual General Meeting of the shareholders of Kraken Robotics Inc. (the “**Company**”) will be held at 82 Richmond Street East, Suite 200, Toronto, ON, M5C 1P1, on Wednesday, June 20, 2018 at 2:00 p.m. (Eastern Daylight Time) for the following purposes:

1. To receive the Company's most recently audited financial statements and the auditor's report and management's discussion and analysis thereon;
2. To appoint an auditor for the next year and to authorize the directors to fix the auditor's remuneration;
3. To fix the number of directors of the Company at five (5) and to elect directors;
4. To consider and, if thought fit, to approve the Company's 2018 Stock Option Plan;
5. To transact any other business that may properly come before the meeting and any adjournment thereof.

A Management Proxy Circular and a form of Proxy accompany this Notice. The Management Proxy Circular provides additional information relating to the matters to be dealt with at the meeting and forms part of this Notice.

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxyholder to attend and vote in his or her place. If you are unable to attend the meeting or any adjournment in person, please read the Notes accompanying the enclosed form of Proxy and then complete, sign, and date the Proxy and return it within the time and to the location set out in the Notes. The Company's management is soliciting the enclosed form of Proxy but, as set out in the Notes, you may amend the Proxy if you wish by striking out the names listed and inserting in the space provided the name of the person you want to represent you at the meeting.

Please advise the Company of any change in your address.

DATED at St. John's, Newfoundland, this 22<sup>nd</sup> day of May, 2018.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*“Karl Kenny”*

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Karl Kenny, President, CEO and Director

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**KRAKEN ROBOTICS INC.**

430 Water Street, Suite 100  
St. John's, NL  
A1C 1E2

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**MANAGEMENT PROXY CIRCULAR**

**This Management Proxy Circular contains information as of May 22, 2018 (unless otherwise noted)**

**PERSONS MAKING THIS SOLICITATION OF PROXIES**

**This Management Proxy Circular is furnished to you in connection with the solicitation of proxies by management of Kraken Robotics Inc. (“we”, “us” or the “Company”) for use at the 2018 Annual General Meeting (the “Meeting”) of the shareholders of the Company to be held on June 20, 2018, for the purposes set forth in the accompanying Notice of Meeting, and at any adjournment thereof.** The Company will conduct its solicitation primarily by mail and our officers, directors and employees may, without receiving special compensation, contact shareholders by telephone, electronic means or personal contact. We will not specifically engage employees or soliciting agents to solicit Proxies. We will pay the expenses of this solicitation.

**APPOINTMENT OF PROXYHOLDER**

The persons named as proxyholders in the enclosed proxy (the “**Proxy**”) are the Company’s directors or officers (the “**Management Proxyholders**”). **As a shareholder, you have the right to appoint a person other than a Management Proxyholder to attend and act on your behalf at the Meeting. To exercise this right, you must either insert the name of your representative in the blank space provided in the Proxy and strike out the other names or complete and deliver another appropriate Proxy. A proxyholder need not be a shareholder.**

A Proxy will not be valid unless it is dated and signed by you or your attorney duly authorized in writing or, if you are a corporation, by an authorized director, officer, or attorney of the corporation.

**COMPLETION AND VOTING OF PROXIES**

Voting at the Meeting will be by a show of hands, each shareholder having one vote, unless a ballot on the questions is required or demanded, in which case each shareholder is entitled to one vote for each share held. In order to approve a motion proposed at the Meeting, a majority of greater than 50% of the votes cast will be required (an “**ordinary resolution**”) unless the motion requires a special resolution (a “**special resolution**”) in which case a majority of two-thirds (2/3) of the votes cast will be required.

A shareholder or intermediary acting on behalf of a shareholder may indicate the manner in which the persons named in the enclosed Proxy are to vote with respect to any matter by checking the appropriate space. Shares represented by a properly executed Proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with your instructions on any ballot that may be called for and if you specify a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

**If you do not specify a choice and you have appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

**If you do not specify a choice and you have appointed other than one of the Management Proxyholders as proxyholder, the proxyholder may vote in his/her discretion for the matters specified in the Proxy.**

If you or an intermediary acting on your behalf wishes to confer a discretionary authority with respect to any matter, then the space should be left blank. **IN SUCH INSTANCE, THE PROXYHOLDER, IF ONE PROPOSED BY MANAGEMENT, INTENDS TO VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE MOTION.** The enclosed Proxy, when properly signed, also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may be properly brought before the Meeting. At the time of printing this Management Proxy Circular, our management is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. If, however, other matters which are not now known to management should properly come before the Meeting, the persons named in the Proxy intend to vote on such other business in accordance with their best judgment.

The Proxy must be dated and signed by you or by your attorney authorized in writing or by the intermediary acting on your behalf. In the case of a corporation, the Proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

**COMPLETED PROXIES TOGETHER WITH THE POWER OF ATTORNEY OR OTHER AUTHORITY, IF ANY, UNDER WHICH IT WAS SIGNED OR A NOTARIALY CERTIFIED COPY THEREOF MUST BE DEPOSITED WITH THE COMPANY'S TRANSFER AGENT, COMPUTERSHARE INVESTOR SERVICES INC., OF 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, M5J 2Y1, AT LEAST 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF. UNREGISTERED SHAREHOLDERS WHO RECEIVED THE PROXY THROUGH AN INTERMEDIARY MUST DELIVER THE PROXY IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN BY SUCH INTERMEDIARY. YOU MAY ALSO VOTE BY TELEPHONE AND INTERNET. PLEASE SEE THE PROXY FOR INSTRUCTIONS REGARDING TELEPHONE AND INTERNET VOTING.**

#### **ADVICE TO NON-REGISTERED HOLDERS OF COMMON SHARES**

Only shareholders whose names appear on our records or validly appointed proxyholders are permitted to vote at the Meeting. Most of our shareholders are "non-registered" shareholders because their shares are registered in the name of a nominee, such as a brokerage firm, bank, trust company, trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan or a clearing agency such as CDS Clearing and Depository Services Inc. (a "Nominee"). If you purchased your shares through a broker, you are likely a non-registered shareholder.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to us are referred to as "NOBOs". Those non-registered shareholders who have objected to their Nominee disclosing ownership information about themselves to us are referred to as "OBOs".

In accordance with the securities regulatory policy, we will have distributed copies of the Meeting Materials, being the Notice of Meeting, this Management Proxy Circular, and the Proxy directly to NOBOs and to the Nominees for onward distribution to OBOs.

Nominees are required to forward the Meeting materials to each OBO unless the OBO has waived the right to receive them. Shares held by Nominees can only be voted in accordance with the instructions of the non-

registered shareholder. Meeting materials sent to non-registered holders who have not waived the right to receive Meeting materials are accompanied by a request for voting instructions (a “VIF”), instead of a Proxy. By returning the VIF in accordance with the instructions noted on it, a non-registered holder is able to instruct the registered shareholder (or Nominee) how to vote on behalf of the non-registered shareholder. VIF’s, whether provided by the Company or by a Nominee, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the shares of the Company which they beneficially own. Non-registered holders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. **Should a non-registered holder who receives a VIF wish to attend the Meeting or have someone else attend on his/her behalf, the non-registered holder may request (in writing) to the Company or its Nominee, as applicable, without expense to the non-registered holder, that the non-registered holder or his/her nominee be appointed as proxyholder and have the right to attend and vote at the Meeting.**

#### **NOTICE-AND-ACCESS**

The Company is not sending the Meeting materials to shareholders using “notice-and-access”, as defined under NI 54-101.

#### **REVOCABILITY OF PROXY**

**Any registered shareholder and NOBO who has returned a Proxy may revoke it at any time before it has been exercised.** In addition to revocation in any other manner permitted by law, a registered shareholder and NOBO, his attorney authorized in writing or, if the registered shareholder or NOBO is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a Proxy by instrument in writing, including a Proxy bearing a later date. The instrument revoking the Proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. OBOs who wish to change their vote must, at least 7 days before the Meeting, arrange for their Nominees to so act on their behalf.

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

None of the directors or executive officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the approval of the Company’s stock option plan, all described in this Management Proxy Circular.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

##### **Voting of Common Shares – General**

The Company is authorized to issue an unlimited number of common shares without par value. As of the record date, determined by the Company’s Board of Directors (the “Board”) to be the close of business on May 14, 2018, a total of 104,037,767 common shares were issued and outstanding. Each common share carries the right to one vote at the Meeting.

Persons who are registered shareholders at the close of business on May 14, 2018, will be entitled to receive notice of, attend, and vote at the Meeting or any adjournment thereof.

## Principal Holders of Common Shares

To the knowledge of the directors and senior officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the outstanding voting rights of the Company other than:

Name	Number of shares held	Percentage of Issued and Outstanding
Karl Kenny	27,743,383*	26.7%

\*As per the terms of a private option agreement dated August 14, 2017, Greg Reid has an option to acquire ownership and control of 3,000,000 of these shares at an exercise price of \$0.18 per share until August 14, 2022.

## ELECTION OF DIRECTORS

Directors are elected at each annual meeting and hold office until the next annual meeting of shareholders of the Company or until that person sooner ceases to be a director. In the absence of instructions to the contrary, the enclosed Proxy will be voted for the nominees listed in this Management Proxy Circular.

Shareholders will be asked to pass an ordinary resolution to set the number of directors at four for the next year, subject to any increases permitted by the Company's constating documents.

The Company is required to have an audit committee (the "Audit Committee"). Members of the Audit Committee are set out below.

Management proposes to nominate the persons named in the table below for election as directors. Management does not contemplate that any of the nominees will be unable to serve as a director. If before the Meeting any vacancies occur in the slate of nominees listed below, the person named in the Proxy will exercise his or her discretionary authority to vote the shares represented by the Proxy for the election of any other person or persons as directors.

The information concerning the proposed nominees has been furnished by each of them.

Name, Province or State and Country of Residence and Present Office Held	Periods Served as Director	Number of Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised <sup>(1)</sup>	Principal Occupation and, if Not Previously Elected, Principal Occupation during the Past Five Years
<b>Karl Kenny</b> <sup>(2)(3)</sup> St. John's, NL President, Chief Executive Officer ("CEO") and Director	February 18, 2015 to present	27,743,383	President, CEO and Director of Kraken Robotics Inc.
<b>Shaun McEwan</b> <sup>(2)</sup> Carp, ON Director	November 17, 2016 to present	200,000	Chief Financial Officer of Quarterhill Inc.
<b>Larry Puddister</b> Bay Bulls, NL Director	October 13, 2016 to present	1,500,000	Co-Chairman of Pennecon Limited
<b>Moya Cahill</b> <sup>(2)</sup> St. John's, NL Director	February 18, 2015 to present	Nil	President and Co-Founder of PanGeo Subsea

<b>Michael Connor</b> Mystic, CT, USA Director	October 10, 2017 to present	Nil	See detailed summary below
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Notes:

- (1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at May 22, 2018, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.
- (2) Denotes a member of the Audit Committee.
- (3) As per the terms of a private option agreement dated August 14, 2017, Greg Reid has an option to acquire ownership and control of 3,000,000 of these shares at an exercise price of \$0.18 per share until August 14, 2022.

## **Biographies of Proposed New Director**

### **Admiral Michael J. Connor – Director**

Retired Vice Admiral Michael J. Connor, United States Navy, had a 35-year career in which he rose to the rank of Vice Admiral in the United States Navy and commanded at the ship, squadron and task force levels. His assignments included command of *USS SEAWOLF*, a nuclear-powered attack submarine, Submarine Squadron Eight, Undersea Forces in the Western Pacific and the Arabian Gulf. He held several concurrent titles during his last assignment, including: Commander, United States Submarine Forces; Commander, Submarine Forces Atlantic; and Commander, Allied Submarine Command. He served as commander of U.S. submarine forces from September 2012 until September 2015.

Vice Admiral Connor led the US Navy Submarine Force into robotic undersea systems, achieving key milestones including the first operational deployment and recovery of an unmanned underwater vehicle from a submarine. He also led innovation efforts that began the shift away from undersea search operations based on expensive platforms and moved toward operations based on large numbers of inexpensive vehicles.

He has written extensively on the future of undersea warfare and is a sought-after speaker on undersea warfare topics. His education includes a B.A. in Physics from Bowdoin College and an M.A. in National Security Studies from the United States Naval War College. Vice Admiral Connor is currently the CEO of ThayerMahan Inc., a company he founded to accelerate the United States' ability to effectively and efficiently monitor ocean activity using autonomous systems.

## **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Company's management, no proposed director of the Company:

- (a) is, as at the date of the Management Proxy Circular, or has been within 10 years before the date of the Management Proxy Circular, a director, CEO, CFO of any company (including the Company) that:
  - (i) was subject to a cease trade or similar order or an order that denied such other issuer access to any exemption under securities legislation for more than thirty consecutive days, that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
  - (ii) was subject to a cease trade or similar order or an order that denied such other issuer access to any exemption under securities legislation for more than thirty consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; or

- (b) is, as at the date of this Management Proxy Circular, or has been within 10 years before the date of the Management Proxy Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## **EXECUTIVE COMPENSATION**

### **Compensation discussion and analysis**

#### *Compensation, Philosophy and Analysis*

The primary objectives of the Company's executive compensation program is to attract, motivate and retain highly trained, experienced and committed executive officers who have the necessary skills, education, experience and personal qualities required to manage the Company's business for the benefit of its shareholders, and to align their success with that of the shareholders. The level of compensation paid to an executive is based on the executive's overall experience, responsibility and performance.

The Company's executive compensation program is comprised of two elements: (i) the payment of cash where appropriate; and (ii) long-term incentive compensation in the form of incentive stock options pursuant to the Company's stock option plan (the "**Stock Option Plan**"). As the Company is generating revenues, salaries will be paid to its executive officers as determined by the Board. The Board will review both components in assessing the compensation of individual executive officers and the Company as a whole. Salary, which may be paid by way of consulting fees, is intended to provide current compensation, while options are granted to encourage long-term commitment to the Company and to align the interests of those individuals with those of the Company's shareholders.

When determining executive compensation, the Board will review the compensation policies of companies engaged in similar businesses. Although the Company has not obtained any industry reports regarding compensation, at the appropriate time the Board will review publicly available information with respect to compensation paid to the executives of companies that are also engaged in businesses comparable to the Company.

The Board determines an appropriate amount of compensation for its executives, reflecting the need to provide incentive and compensation for the time and effort expended by the executives while taking into account the financial and other resources of the Company. The Board did not consider the implications of the risks associated with the Company's compensation practices; however, given the Company's size and



nature of compensation provided to its executives in the last financial year, the Board does not view significant risk that would be likely to have a material adverse effect on the Company.

The duties and responsibilities of the CEO and CFO are typical of those of a business entity of the Company's size in a similar business and include direct reporting responsibility to the Board, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The Company does not have a compensation committee. The full Board acts on compensation matters and to the extent the discussions are held about an executive officer, the executive officer recuses himself from such deliberations.

#### *Analysis of Elements*

The Company's Stock Option Plan is intended to attract, retain and motivate officers and directors of the Company in key positions, and to align the interests of those individuals with those of the Company's shareholders. The Stock Option Plan provides such individuals with an opportunity to acquire a proprietary interest in the Company's value growth through the exercise of stock options.

The Company considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of their appointment or employment with the Company and periodically thereafter. During the year ended December 31, 2017, the Company granted 2,670,000 stock options, 600,000 of which were awarded to Company executives.

#### *Risk Management*

Executive compensation is comprised of short-term compensation in the form of a base salary and long-term ownership through the Company's Stock Option Plan. This structure ensures that a significant portion of executive compensation (stock options) is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their short-term compensation at the expense of the Company and the shareholders is extremely limited. Furthermore, the short-term component of executive compensation (base salary) represents a relatively small part of the total compensation. As a result, it is unlikely an officer would take inappropriate or excessive risks at the expense of the Company or the shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Risks, if any, may be identified and mitigated through Board meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

#### *Hedging of Economic Risks in the Company's Securities*

The Company has not adopted a policy prohibiting directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by directors or officers. However, the Company is not aware of any directors or officers having entered into this type of transaction.

### *Long Term Compensation and Option Based Awards*

The Company has no long-term incentive plans other than its Stock Option Plan which was last approved by shareholders at its annual general meeting on August 9, 2017. The Company's directors, officers, employees, and consultants are entitled to participate in the Stock Option Plan. The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management, directors, employees, and consultants. The Board determines the allocation and terms of any stock option grants. When granting stock options, the Board considers the amount of past options which have been granted.

See "Particulars of Matters to be Acted Upon" for a description of the Stock Option Plan and the process the Company uses to grant options-based awards.

The Company's management is not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by management.

### **Summary Compensation Table**

For the purposes of this Management Proxy Circular, a "Named Executive Officer" of the Company means each of the following individuals:

- (a) our chief executive officer ("CEO");
- (b) our chief financial officer ("CFO"); and
- (c) each of our three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the financial year ended December 31, 2017 whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 52-102F6, for that financial year.

We had three Named Executive Officers during our financial year ended December 31, 2017, being Karl Kenny, the Company's President and CEO, Greg Reid, CFO and Corporate Secretary, and Dr. Tom Tureaud, VP Underwater Systems.

The table below sets out particulars of compensation paid to the Named Executive Officers for services to the Company during the three most recently completed financial years for which such information is available. For information regarding compensation related to earlier years, please see the Company's prospectus and previous Management Proxy Circulars available on SEDAR at [www.sedar.com](http://www.sedar.com).

*Summary Compensation Table*

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(5)</sup> (\$)	Non-equity incentive plan compensation (\$)			All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long term incentive plans	Pension value (\$)		
Karl Kenny, <sup>(1)</sup> CEO & President	2017	\$150,000	Nil	\$30,533	Nil	Nil	Nil	\$9,000	\$189,533
	2016	\$150,000	Nil	\$21,400	Nil	Nil	Nil	\$9,000	\$180,400
	2015	\$137,500	Nil	\$26,100	Nil	Nil	Nil	\$5,250	\$168,850
Greg Reid, <sup>(2)</sup> CFO & Corporate Secretary	2017	\$140,000	Nil	\$89,880	Nil	Nil	Nil	Nil	\$229,880
	2016	\$140,000	Nil	\$27,700	Nil	Nil	Nil	Nil	\$167,700
	2015	\$81,667	Nil	\$30,300	Nil	Nil	Nil	Nil	\$111,967
Dr. Tom Tureaud, <sup>(3)</sup> VP Underwater Systems	2017	\$324,185	Nil	Nil	Nil	Nil	Nil	Nil	\$324,185
	2016	\$331,495	Nil	\$10,500	Nil	Nil	Nil	Nil	\$341,995
	2015	\$217,764	Nil	\$13,600	Nil	Nil	Nil	Nil	\$231,364
Mr. Harley Sinclair <sup>(4)</sup>	2017	Nil	N/A	Nil	Nil	Nil	N/A	Nil	Nil
	2016	Nil	N/A	Nil	Nil	Nil	N/A	Nil	Nil
	2015	Nil	N/A	\$11,200	Nil	Nil	N/A	Nil	\$11,200

Notes:

- (1) Mr. Kenny was paid a salary of \$120,000 from January to May 2015. His salary was increased to \$150,000 effective June 1, 2015 and to \$200,000 effective April 1, 2018.
- (2) Mr. Reid's employment started June 1, 2015 at an annual salary of \$140,000. His salary was increased to \$170,000 effective April 1, 2018.
- (3) Dr. Tureaud's employment started April 15, 2015 at an annual salary of US\$250,000.
- (4) Mr. Sinclair (previously Corporate Secretary) resigned as a director on September 20, 2016.
- (5) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value, and relied on the following the key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 0.52 to 1.67% (ii) expected dividend yield of 0%; (iii) expected volatility of 98.96 to 189.57%; and (iv) an expected term of three years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

### Incentive Plan Awards

#### Outstanding share-based awards and option based awards

The following table sets out, for the Company's Named Executive Officers, the awards outstanding at December 31, 2017.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Karl Kenny CEO and President	700,000	\$0.25	Mar 17, 2018	Nil	N/A	N/A	N/A
	300,000	\$0.18	Dec 14, 2020				
Greg Reid CFO & Corporate Secretary	2,000,000	\$0.21	Jun 1, 2020	Nil	N/A	N/A	N/A
	300,000	\$0.18	Dec 14, 2020				
Dr. Tom Tureaud VP Underwater Systems	250,000	\$0.20	May 13, 2018	Nil	N/A	N/A	N/A

Note:

- (1) This amount is calculated as the difference between the market value of securities underlying the options on December 29, 2017, being the last trading day of the common shares for the financial year ended December 31, 2017 and the exercise price of the options. The closing market price per common share on December 29, 2017 was \$0.175.

### Incentive Plan Awards – value vested or earned during the year

The following table sets out, for the Company’s Named Executive Officers, the value of all incentive plan awards issued during the financial year ended December 31, 2017.

Name	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Karl Kenny CEO and President	\$30,533	N/A	N/A
Greg Reid CFO & Corporate Secretary	\$89,880	N/A	N/A
Dr. Tom Tureaud VP Underwater Systems	Nil	N/A	N/A

Note:

- (1) The Company granted incentive stock options which vest over a period of three years. The fair value of those options that vested during 2017 was calculated using the Black-Scholes pricing model under the following assumptions: (i) risk free interest rate of 1.67% (ii) expected dividend yield of 0%; (iii) expected volatility of 189.57%; and (iv) an expected term of three years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

### **Pension Plan Benefits**

The Company does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

### **Termination and Change of Control Benefits**

The Company does not have any plan or arrangement to pay or otherwise compensate any Named Executive Officer if his employment is terminated as a result of resignation, retirement, change of control, etc. or if his responsibilities change following a change of control.

### **Compensation of Directors**

As at the financial year ended December 31, 2017, the Company had five directors, one of whom was also a Named Executive Officer. For a description of the compensation paid to the Named Executive Officer of the Company who also act as a director, see “Summary Compensation Table”.

The following table sets forth all amounts of compensation provided to the Directors, who are each not also a Named Executive Officer, for the Company’s financial year end dated December 31, 2017:

Director Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Moya Cahill	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Connor	Nil	Nil	\$43,500	Nil	Nil	Nil	\$43,500
Larry Puddister	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shaun McEwan	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) The Company granted incentive stock options which vest over a period of three years. The fair value of those options that were granted during 2017 was calculated using Black-Scholes under the following assumptions: (i) risk free interest rate of 0.61 to 1.67% (ii) expected dividend yield of 0%; (iii) expected volatility of 98.96 to 222.68%; and (iv) an expected term of three years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

Due to our size and our early-stage of development, we do not pay retainers or meeting fees to our non-executive directors. Accordingly, we only compensate directors through stock option grants.

### Incentive Plan Awards

#### Outstanding share-based awards and option-based awards

The following table discloses the particulars for each director, other than the Company's Named Executive Officers, for awards outstanding at the end of the financial year ended December 31, 2017:

Director Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Moya Cahill	300,000	\$0.25	Mar 17, 2018	Nil	N/A	N/A	N/A
Michael Connor	300,000	\$0.18	Oct 3, 2020	Nil	N/A	N/A	N/A
Shaun McEwan	300,000	\$0.15	Nov 30, 2019	\$5,000	N/A	N/A	N/A
Larry Puddister	300,000	\$0.15	Oct 11, 2019	\$5,000	N/A	N/A	N/A
John Travaligni	300,000	\$0.25	Mar 17, 2018	Nil	N/A	N/A	N/A

Note:

- (1) This amount is calculated as the difference between the market value of securities underlying the options on December 29, 2017, being the last trading day of the common shares for the financial year ended December 31, 2017 and the exercise price of the options. The closing market price per common share on December 29, 2017 was \$0.175.

#### Incentive Plan Awards – value vested or earned during the year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the financial year ended December 31, 2017 for each director who was not also a Named Executive Officer.

Name	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Moya Cahill	\$11,200	N/A	N/A
Michael Connor	\$16,400	N/A	N/A
Shaun McEwan	\$12,300	N/A	N/A
Larry Puddister	\$10,100	N/A	N/A

Note:

- (1) The Company granted incentive stock options which vest over a period of three years. The fair value of those options that vested during 2017 was calculated using Black-Scholes under the following assumptions: (i) risk free interest rate of 0.61 to 1.67% (ii) expected dividend yield of 0%; (iii) expected volatility of 98.96 to 222.68%; and (iv) an expected term of three years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has an incentive Stock Option Plan under which stock options are granted. Stock options have been determined by the Company's Board and are only granted in compliance with applicable laws and regulatory policy. Exchange policies limit the granting of stock options to employees, officers, directors and consultants of the Company and provide limits on the length of term, number and exercise price of such options. The Exchange also requires annual approval of rolling stock option plans by shareholders. See below under "Particulars of Matters to be Acted Upon - Incentive Stock Option Plan".

The following table provides information as at December 31, 2017 regarding the number of common shares to be issued pursuant to the Company's Stock Option Plan. The Company does not have any equity compensation plans that have not been approved by its shareholders.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (a)</b>	<b>Weighted-average exercise price of outstanding options (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders (Stock Option Plan)	7,130,000	\$0.19	1,969,274
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>7,130,000</b>	<b>\$0.19</b>	<b>1,969,274</b>

None of the directors or executive officers of the Company, or proposed nominees for election as director of the Company or associates or affiliates of such persons are or have been indebted to the Company at any time since the beginning of the Company's last completed financial year.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's financial year ended December 31, 2017, no informed person of the Company, nominee for director or any associate or affiliate of an informed person or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. An "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its shares.

## AUDIT COMMITTEE

### Audit Committee Charter

The Audit Committee Charter, the text of which is attached as Schedule "A" to this Management Proxy Circular, was adopted by our Audit Committee and the Board.

## Composition of the Audit Committee

The Audit Committee is composed of the following members:

Name	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Moya Cahill	Yes	Yes
Shaun McEwan	Yes	Yes
Karl Kenny	No	Yes

Note:

(1) As that term is defined in National Instrument 52-110 *Audit Committees* (“NI 52-110”).

## Relevant Education and Experience

The educational background or experience of the Audit Committee members has enabled each to perform his/her responsibilities as an Audit Committee member and has provided the member with an understanding of the accounting principles we use to prepare our financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves as well as experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more individuals engaged in such activities and an understanding of internal controls and procedures for financial reporting.

See “Election of Directors” in this Management Proxy Circular for details of the relevant education and experience of the Audit Committee members.

Each member of the Audit Committee has a general understanding of the accounting principles we use to prepare our financial statements and will seek clarification from our auditor, where required. Each of the members of the Audit Committee also has direct experience in understanding accounting principles for private and reporting companies and experience in supervising one or more individuals engaged in the accounting for estimates, accruals and reserves and experience in preparing, auditing, analyzing or evaluating financial statements similar to our financial statements.

## Audit Committee Oversight

Since the commencement of the Company’s financial year ended December 31, 2016, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

## Reliance on Certain Exemptions

Since the commencement of the Company’s financial year ended December 31, 2016, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditors, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total amount of fees payable to the auditor in the financial year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

## Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for engaging of non-audit services as described in the Audit Committee Charter set out in Schedule “A” to this Management Proxy Circular.

### External Auditor Service Fees (By Category)

The table below sets out all fees billed by our external auditor in each of the last three financial years. In the table “Audit Fees” are fees billed by our external auditor for services provided in auditing our financial statements for the financial year. “Audit-Related Fees” are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to performing the audit or reviewing our financial statements. “Tax Fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All Other Fees” are fees billed by the auditor for products and services not included in the previous categories.

Financial Year Ending	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2017	\$39,000	\$37,500	\$8,000	\$5,355
December 31, 2016	\$37,000	\$37,500	\$8,000	\$16,821
December 31, 2015	\$45,000	\$48,810	\$8,000	Nil

### Exemption

The Company is relying on the exemption provided in section 6.1 of NI 52-110 by virtue of the fact that it is a venture issuer. Section 6.1 exempts the Company from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110 and allows for the short form of disclosure of Audit Committee procedures set out in Form 52-110F2 and disclosed in this Management Proxy Circular.

### APPOINTMENT OF AUDITOR

**KPMG LLP, Chartered Accountants is the Company’s auditor, and was first appointed as the Company’s auditor on April 29, 2015, by the Board, upon the recommendation of the Audit Committee. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of KPMG LLP, Chartered Accountants, as the auditors of the Company to hold office for the ensuing year at remuneration to be fixed by the Directors.**

### CORPORATE GOVERNANCE

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) prescribes certain disclosure by the Company of its corporate governance practices. The disclosure required by NI 58-101 is presented below.

The independent members of the Board are Moya Cahill, Larry Puddister, Shaun McEwan, and Michael Connor. The non-independent director is Karl Kenny, the Company’s President and CEO.

#### 1. Board Mandate

The mandate of the Board, as prescribed by the Canada *Business Corporations Act*, is to manage or supervise management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company’s affairs directly and through its committees.

The Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions.



The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

## **2. Directorships**

None of the directors of the Company are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction.

## **3. Orientation and Continuing Education**

The Board is responsible for providing orientation for all new recruits to the Board. Each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation to the nature and operations of the Company's business will be necessary and relevant to each new director. The Company provides continuing education for its directors as the need arises and encourages open discussion at all meetings, which format encourages learning by the directors.

## **4. Ethical Business Conduct**

The Board relies on the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law to ensure the Board operates independently of management and in the best interests of the Company. The Board has found that these, combined with the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient.

## **5. Nomination of Directors**

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders. The Board takes into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee. The Board is responsible for recruiting new members to the Board and planning for the succession of Board members.

## **6. Compensation**

The Board is responsible for determining all forms of compensation, including long-term incentive in the form of stock options, to be granted to the CEO of the Company and the directors, and for reviewing the CEO's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its officers, the Board considers: (a) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (b) providing fair and competitive compensation; (c) balancing the interests of management and the Company's shareholders; (d) rewarding performance, both on an individual basis and with respect to operations in general; and (e) permitted compensation under Exchange policies.

## **7. Committees of the Board**

The Board does not have any committees other than the Audit Committee.

## **8. Assessments**

The Board annually reviews its own performance and effectiveness as well as reviews the Audit Committee Charter and recommends revisions as necessary. Neither the Company nor the Board has adopted formal procedures to regularly assess the Board, the Audit Committee or the individual directors as to their effectiveness and contribution. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of individual directors are informally monitored by the other Board members, bearing in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees.

The Board believes its corporate governance practices are appropriate and effective for the Company, given its size and operations. The Company's corporate governance practice allows the Company to operate efficiently, with checks and balances that control and monitor management and corporate functions without excessive administrative burden.

### **MANAGEMENT CONTRACTS**

The management functions of the Company are not to any substantial degree performed by any person other than the executive officers and directors of the Company. The Company has not entered into any contracts, agreements or arrangements with parties other than its directors and executive officers for the provision of such management functions.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **Approval of Incentive Stock Option Plan by Ordinary Resolution**

The only equity compensation plan which the Company currently has in place is the Stock Option Plan, which was approved by shareholders on August 9, 2017. The Stock Option Plan was established to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Company. The Exchange policies respecting the granting of stock options require that all companies listed on the Exchange adopt a stock option plan and that any stock option plan that reserves a maximum of 10% of the issued and outstanding share capital of the Company at the time of grant (a "**Rolling Plan**") must be approved and ratified by shareholders on an annual basis. The Stock Option Plan was a Rolling Plan and Company management seeks shareholder approval for a renewal of the Stock Option Plan, as the Company's 2018 Plan (the "**2018 Plan**") in accordance with and subject to the rules and policies of the Exchange. The intention of management in proposing the 2018 Plan is to increase the proprietary interest of such persons in the Company and thereby aid the Company in attracting, retaining and encouraging the continued involvement of such persons with the Company.

#### ***Terms of the 2018 Plan***

A full copy of the 2018 Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the 2018 Plan from the Company prior to the Meeting on written request. The following is a summary of the material terms of 2018 Plan:

**Number of Shares Reserved.** The number of common shares reserved for issuance under the 2018 Plan is 10% of the number of common shares outstanding at any given time.

**Administration.** The 2018 Plan is to be administered by the Board or by a committee to which such authority is delegated by the Board from time to time.

**Eligible Persons.** The 2018 Plan provides that stock options may be issued only to directors, officers, employees and consultants and management company employees of the Company or of any of its affiliates or subsidiaries. Such persons and entities are referred to herein as “**Eligible Persons**”.

**Board Discretion.** The 2018 Plan provides that, generally, the number of shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable and other terms and conditions relating to such options shall be determined by the Board or any committee to which such authority is delegated by the Board from time to time.

**Maximum Term of Options.** Options granted under the 2018 Plan will be for a term not exceeding ten years from the date of grant.

**Maximum Options per Person.** The number of shares reserved for issuance to any one option holder pursuant to options granted under the 2018 Plan during any twelve month period may not exceed 5% (or, in the case of a consultant, 2%) of the outstanding shares of the Company at the time of grant. The number of shares reserved for issuance to consultants and employees who are engaged in investor relations activities is limited to an aggregate of 2% of the outstanding shares of the Company at the time of grant and must vest in stages over a period of 12 months, with no more than  $\frac{1}{4}$  of those options vesting in any three month period.

**No Assignment.** The options may not be assigned or transferred.

**Termination Prior to Expiry.** If an optionee ceases to be a director, officer, employee or consultant for any reason other than death, then such optionee’s option will terminate within a reasonable period to be determined by the administrator of the 2018 Plan (the “**Exercise Period**”) commencing on the effective date the optionee ceases to be employed by or provide services to the Company (but only to the extent that such option has vested on or before the date the optionee ceased to be so employed or provide services to the Company) as provided for in the written option agreement between the Company and the optionee, and all rights to purchase shares under such option will expire as of the last day of such Exercise Period, provided however that the maximum Exercise Period shall be six (6) months, unless the optionee has entered into a valid employment or consulting agreement that provides for a longer Exercise Period, but in no case shall the Exercise Period be greater than one (1) year unless prior Exchange approval has been given. If an option holder dies, the options of the deceased option holder will be exercisable by his or her estate for a period not exceeding 12 months or the balance of the term of the options, whichever is shorter.

**Exercise Price.** Options granted under the terms of the 2018 Plan will be exercisable at a price which is not less than the Discounted Market Price (as defined in Exchange policies), or such other minimum price as is permitted by the Exchange in accordance with its policies from time to time.

**Full Payment for Shares.** The Company will not issue shares pursuant to options granted under the 2018 Plan unless and until the shares have been fully paid for. The Company will not provide financial assistance to option holders to assist them in exercising their options.

**Reduction of Exercise Price.** The exercise price of stock options granted to Insiders (as defined in Exchange policies) may not be decreased without disinterested shareholder approval (as described above).

**Termination of Plan.** The 2018 Plan will terminate pursuant to a resolution of the Board or the Company’s shareholders.

At the Meeting, shareholders will be asked to pass an ordinary resolution approving the 2018 Plan (the “**Stock Option Plan Resolution**”) in the following form:

“**BE IT RESOLVED, as an ordinary resolution, that:**

1. The Company's 2018 stock option plan be ratified and approved;
2. The Board of Directors be authorized on behalf of the Company to make any further amendments to the 2018 stock option plan as may be required by regulatory authorities, without further approval of the shareholders of the Company, in order to ensure adoption of the 2018 stock option plan;
3. The Company file the 2018 stock option plan with the TSX Venture Exchange for acceptance; and
4. Any one director or officer of the Company is authorized and directed to do all such acts and things and to execute and deliver all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution."

*Recommendation of Directors*

**The Company's Board unanimously recommends that shareholders vote for the Stock Option Plan Resolution.**

**In order to be effective, the Stock Option Plan Resolution must be approved by a majority (50%) of the votes cast by shareholders who vote in respect of the Stock Option Plan Resolution.**

**Unless the shareholder has specified in the enclosed Proxy that the shares represented by such Proxy are to be voted against the Stock Option Plan Resolution, the persons named in the enclosed Proxy will vote FOR the Stock Option Plan Resolution.**

ADDITIONAL INFORMATION

Additional information about the Company is located on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's financial statements and Management's Discussion and Analysis ("MD&A") of operating entity for the financial year ended December 31, 2017, which were filed on SEDAR on April 30, 2018.

Under National Instrument 51-102 *Continuous Disclosure Obligations*, any person or company who wishes to receive interim financial statements from the Company may deliver a written request for such material to the Company or the Company's agent, together with a signed statement that the persons or company is the owner of securities of the Company. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed mail card, together with the completed Proxy, in the addressed envelope provided, to the Company's registrar and transfer agent, Computershare Investor Services Inc., **100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, M5J 2Y1**. The Company will maintain a supplemental mailing list of persons or companies wishing to receive interim financial statements.

Shareholders may contact the Company to request copies of the financial statements and MD&A by writing to the Company's President, CEO, and Director, Mr. Karl Kenny at the following address:

**KRAKEN ROBOTICS INC.**  
430 Water Street, Suite 100  
St. John's, NL  
A1C 1E2

**OTHER MATERIAL FACTS**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by

the Proxy solicited hereby will be voted on such matter in accordance with the best judgment of the persons voting by Proxy.

DATED at St. John's, Newfoundland, on the 22<sup>nd</sup> day of May, 2018.

BY ORDER OF THE BOARD

**KRAKEN ROBOTICS INC.**

(signed) "Karl Kenny"

Karl Kenny

President, CEO and Director

## **SCHEDULE “A”**

### **Charter of the Audit Committee of the Board of Kraken Robotics Inc. (the “Company”)**

#### **Article 1 – Mandate and Responsibilities**

The Audit Committee is appointed by the Board of the Company (the “**Board**”) to oversee the accounting and financial reporting process of the Company and audits of the financial statements of the Company. The Audit Committee’s primary duties and responsibilities are to:

- (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) recommend to the Board the compensation of the external auditor;
- (c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor;
- (e) review the Company’s financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;
- (f) be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Company’s financial statements, and to periodically assess the adequacy of those procedures;
- (g) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (h) review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The Board and management will ensure that the Audit Committee has adequate funding to fulfill its duties and responsibilities.

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