

KRAKEN ROBOTICS INC.

189 Glencoe Drive
Mount Pearl, NL
A1N 4P6

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

The 2022 Annual General and Special Meeting of the shareholders of Kraken Robotics Inc. (the “**Company**”) will be held virtually by teleconference on Tuesday, June 28, 2022 at 1:00 p.m. (Eastern Daylight Time) (the “**Meeting**”) 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 four (4) and to elect directors;
4. To consider and, if thought fit, to pass, with or without variation, an ordinary resolution approving the Company’s restated stock option plan; and
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 (“**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, as detailed below. 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.

Registered shareholders and proxyholders who have completed the Company’s virtual meeting advance registration process will be able to attend the Meeting via teleconference and vote. Non-registered shareholders who appoint themselves as proxyholder through their intermediary will be permitted to attend the Meeting via teleconference and vote. Non-registered shareholders who have not duly appointed themselves as proxyholder will not be permitted to attend the Meeting. This procedure is in place to ensure that the Company and its transfer agent can verify the identity of any voting shareholder at the Meeting. The Company and its transfer agent do not have a record of the Company’s non-registered shareholders and, as a result, will have no knowledge of their shareholdings or entitlement to vote unless they appoint themselves as proxyholder. Please see “Appointment of Proxyholder” and “Revocability of Proxy” below.

In order to streamline the Meeting process, the Company encourages shareholders to vote in advance of the Meeting using the voting instruction form or the form of proxy mailed to them with the Meeting materials and submitting them by no later than 1:00 p.m. ET on June 23, 2022, the cut-off time for deposit of proxies prior to the Meeting.

Advance registration for the Meeting is required by emailing the following information to investors@krakenrobotics.com: (a) the name of the registered shareholder in which common shares of the Company (“Common Shares”) are held; (b) the Proxy control number given in respect of such Common Shares (unless the person is registering as a proxyholder); and (c) an email address and/or telephone number at which a Company representative may contact such shareholder in order to provide the Meeting ID number and passcode, or request additional information, as necessary.

The teleconference number will only be provided to shareholders and proxyholders who complete the virtual meeting advance registration process using the instructions provided above.

Please advise the Company of any change in your address.

DATED at Mount Pearl, Newfoundland, this 17th day of May, 2022.

BY ORDER OF THE BOARD OF DIRECTORS

“Karl Kenny”

Karl Kenny, President, CEO and Director

KRAKEN ROBOTICS INC.

189 Glencoe Drive
Mount Pearl, NL
A1N 4P6

Tel: 709 757-5757

Fax: 709 757-5858

MANAGEMENT PROXY CIRCULAR

**This Management Proxy Circular contains information as of May 17, 2022
(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 2021 Annual General and Special Meeting (the “Meeting”) of the shareholders of the Company to be held on June 28, 2022, 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.

VIRTUAL MEETING

To mitigate risks to the health and safety of the Company’s shareholders, management, directors, employees and other stakeholders during the COVID-19 pandemic, the Company will follow provincial and federal government guidance and hold this year’s Meeting in a virtual-only format.

Shareholders as of the close of business on May 24, 2022 (the “**Record Date**”) will have an equal opportunity to participate at the Meeting by teleconference, regardless of geographic location.

Registered shareholders and proxyholders who have completed the Company’s virtual meeting advance registration process will be able to attend the Meeting via teleconference and vote. Non-registered shareholders who appoint themselves as proxyholder through their intermediary will be permitted to attend the Meeting via teleconference and vote. Non-registered shareholders who have not duly appointed themselves as proxyholder will not be permitted to attend the Meeting. This procedure is in place to ensure that the Company and its transfer agent can verify the identity of any voting shareholder at the Meeting. The Company and its transfer agent do not have a record of the Company’s non-registered shareholders and, as a result, will have no knowledge of their shareholdings or entitlement to vote unless they appoint themselves as proxyholder. Please see “*Appointment of Proxyholder*” and “*Revocability of Proxy*” below.

In order to streamline the Meeting process, the Company encourages shareholders to vote in advance of the Meeting using the voting instruction form or the form of proxy mailed to them with the Meeting materials and submitting them by no later than 1:00 p.m. ET on June 23, 2022, the cut-off time for deposit of proxies prior to the Meeting.

Advance registration for the Meeting is required by emailing the following information to investors@krakenrobotics.com: (a) the name of the registered shareholder in which common shares of the Company (“Common Shares”) are held; (b) the proxy control number given in respect of such Common Shares (unless the person is registering as a proxyholder); and (c) an email address and/or

telephone number at which a Company representative may contact such shareholder in order to provide the Meeting ID number and passcode, or request additional information, as necessary.

The teleconference number will only be provided to shareholders and proxyholders who complete the virtual meeting advance registration process using the instructions provided above.

It is the shareholders responsibility to ensure connectivity during the Meeting and the Company encourages its shareholders to allow sufficient time to log in to the Meeting before it begins.

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 verbal affirmation via teleconference, 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 Common Share held. In order to approve a motion proposed at the Meeting, a simple 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 special 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. Common 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 Common 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 Common 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 Common 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 Common 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 National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

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 Stock Option Plan (as defined herein), 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, a total of 201,192,985 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 the Record Date, 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 Common Shares Held | Percentage of Issued and Outstanding |
|------------------------|------------------------------|--------------------------------------|
| Karl Kenny | 24,060,049* | 11.9% |
| Ocean Infinity Limited | 21,280,000 | 10.6% |

*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 Common Shares at an exercise price of \$0.18 per Common 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 fix 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. Each director will hold office until the next annual general meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the Company's by-laws. 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 Common Shares represented by the Proxy for the election of any other person or persons as directors.

Unless otherwise instructed, the Management Proxyholders intend to vote FOR the election as directors of the proposed nominees.

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 Common Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised ⁽¹⁾ | Principal Occupation and, if Not Previously Elected, Principal Occupation during the Past Five Years |
|--|------------------------------|--|--|
| Karl Kenny ⁽²⁾⁽⁴⁾ St. John's, NL President, Chief Executive Officer and Director | February 18, 2015 to present | 24,060,049 | President, CEO and Director of Kraken Robotics Inc. |
| Shaun McEwan ⁽²⁾⁽³⁾ Carp, ON Director | November 17, 2016 to present | 300,000 | President, ADGA Group |
| Larry Puddister ⁽²⁾⁽³⁾ Bay Bulls, NL Director | October 13, 2016 to present | 1,800,000 | Co-Chairman of Pennecon Limited |
| Michael Connor Mystic, CT, USA Director | October 10, 2017 to present | 300,000 | Chief Executive Officer of ThayerMahan Inc. |

Notes:

- (1) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at May 17, 2021, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such Common Shares are held directly.
- (2) Denotes a member of the Audit Committee.
- (3) Denotes a member of the Compensation Committee.
- (4) 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 Common Shares at an exercise price of \$0.18 per Common Share until August 14, 2022.

- (5) Consists Comprised of 1,500,000 Common Shares held by 8865973 Canada Limited, a company beneficially owned by Mr. Puddister and 300,000 Common Shares held by Mr. Puddister personally.

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 ("Options") pursuant to the Stock Option Plan. As the Company is generating revenues, salaries will be paid to its executive officers as determined by the Company's board of directors (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 Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") 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 has a compensation committee which did not meet during the most recently completed financial year. The full Board dealt with compensation matters during the most recently completed financial year and to the extent the discussions were held about an executive officer, the executive officer recused himself from such deliberations. The Company anticipates that the compensation committee will assume responsibility for decisions regarding compensation matters in the upcoming financial year.

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 Options.

The Company considers the granting of Options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's (as defined herein) efforts to increase value for shareholders without requiring the Company to use cash from its treasury. 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, 2021, the Company granted 1.1 million Options, of which 1.0 million were awarded to one 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 (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 and special meeting on June 24, 2021. 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 Common Share ownership and entrepreneurship on the part of the senior management, directors, employees, and consultants. The Board determines the allocation and terms of any Option grants. When granting 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 CEO;
- (b) our 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, 2022 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 five Named Executive Officers during our financial year ended December 31, 2021, being Karl Kenny, the Company's President and CEO, Joseph MacKay, CFO, Greg Reid, COO and Corporate Secretary, David Shea, Executive Vice President – Products and Moya Cahill – Executive Vice President – Services and CEO of PanGeo SubSea.

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.

Summary Compensation Table

| Name and principal position | Year | Salary (\$) | Share-based awards (\$) | Option-based awards ⁽⁷⁾ (\$) | Non-equity incentive plan compensation (\$) | | Pension value (\$) | All other compensation (\$) | Total compensation (\$) |
|---|------|-------------|-------------------------|---|---|---------------------------|--------------------|-----------------------------|-------------------------|
| | | | | | Annual incentive plans | Long term incentive plans | | | |
| Karl Kenny, ⁽¹⁾ CEO & President | 2021 | \$350,000 | Nil | \$30,873 | Nil | Nil | Nil | \$9,000 | \$389,873 |
| | 2020 | \$295,833 | Nil | \$56,295 | Nil | Nil | Nil | \$159,000 | \$511,128 |
| | 2019 | \$235,109 | Nil | \$74,478 | Nil | Nil | Nil | \$59,000 | \$368,587 |
| Greg Reid, ⁽²⁾ COO & Corporate Secretary | 2021 | \$250,000 | Nil | \$4,833 | Nil | Nil | Nil | \$7,200 | \$262,033 |
| | 2020 | \$220,192 | Nil | Nil | Nil | Nil | Nil | \$107,200 | \$327,392 |
| | 2019 | \$184,133 | Nil | \$43,954 | Nil | Nil | Nil | \$57,200 | \$285,287 |
| Joseph MacKay, CFO ⁽³⁾ | 2021 | \$225,000 | Nil | \$34,721 | Nil | Nil | Nil | Nil | \$259,721 |
| | 2020 | \$195,208 | Nil | Nil | Nil | Nil | Nil | \$90,000 | \$285,208 |
| | 2019 | \$78,571 | Nil | \$171,208 | Nil | Nil | Nil | \$20,000 | \$269,779 |
| David Shea, Executive Vice President – Products ⁽⁴⁾ | 2021 | \$220,000 | Nil | \$4,833 | Nil | Nil | Nil | Nil | \$224,833 |
| | 2020 | \$190,208 | Nil | Nil | Nil | Nil | Nil | \$130,000 | \$320,208 |
| | 2019 | \$156,933 | Nil | \$54,083 | Nil | Nil | Nil | Nil | \$211,016 |
| Moya Cahill – Executive Vice President – Services ⁽⁵⁾ | 2021 | \$139,583 | Nil | \$142,061 | Nil | Nil | Nil | \$103,000 | \$384,644 |
| | 2020 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2019 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Notes:

- (1) Mr. Kenny was paid a salary of \$200,000 effective April 1, 2018, \$250,000 effective July 15, 2019 and \$350,000 effective July 13, 2020. Mr. Kenny's salary relates to his role as CEO and not as a Director. During the year Mr. Kenny was paid a car allowance of \$9,000.
- (2) Mr. Reid's salary was increased to \$170,000 effective April 1, 2018, \$185,000 effective July 15, 2019 and \$250,000 effective July 13, 2020. During the year Mr. Reid was paid a car allowance of \$7,200.
- (3) Mr. MacKay's employment started July 15, 2019 at an annual salary of \$170,000 and \$225,000 effective July 13, 2020. Mr. MacKay was granted 1,000,000 Options under his employment contract.
- (4) Mr. Shea was appointed Senior Vice President from Vice President of Engineering on July 15, 2019 at an annual salary of \$165,000 and \$220,000 effective July 13, 2020.
- (5) Ms. Cahill joined the Company on July 30, 2021 as Executive Vice President – Services. Ms. Cahill's employment contract sets her salary at \$335,000, an RRSP contribution of greater of \$25,000, or the maximum percentage of allowable annual contribution, a car allowance of \$600 per month and the granting of 1,000,000 Options. Ms. Cahill's contract also includes a guaranteed bonus of \$250,000 over the first 24 months of her contract.
- (6) 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 0.54% to 1.22% (ii) expected dividend yield of 0%; (iii) expected volatility of 61.2% to 66.6%; and (iv)

an expected term of 4.07 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, 2021.

| 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 (\$) ⁽¹⁾ | Number of Common Shares or Units of Common 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 | 300,000 | \$0.63 | July 14, 2022 | Nil | N/A | N/A | N/A |
| | 300,000 | \$0.57 | July 14, 2023 | Nil | N/A | N/A | N/A |
| Greg Reid COO & Corporate Secretary | 200,000 | \$0.53 | Sept 9, 2022 | Nil | N/A | N/A | N/A |
| Joseph MacKay CFO | 1,000,000 | \$0.63 | July 15, 2024 | Nil | N/A | N/A | N/A |
| David Shea Executive Vice-President - Products | 200,000 | \$0.53 | Sept 9, 2022 | Nil | N/A | N/A | N/A |
| Moya Cahill – Executive Vice-President – Services | 1,000,000 | \$0.50 | July 30, 2026 | N/A | 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 31, 2021, being the last trading day of the Common Shares for the financial year ended December 31, 2021 and the exercise price of the Options. The closing market price per Common Share on December 31, 2021 was \$0.375.

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, 2021.

| Name | Option-Based Awards - Value vested during the year (\$) ⁽¹⁾ | Share-Based Awards - Value vested during the year (\$) | Non-Equity Incentive Plan Compensation - Value earned during the year (\$) |
|---|--|--|--|
| Karl Kenny CEO and President | \$30,873 | N/A | N/A |
| Greg Reid COO & Corporate Secretary | \$4,833 | N/A | N/A |
| Joseph MacKay CFO | \$34,721 | N/A | N/A |
| David Shea Executive Vice-President - Products | \$4,833 | N/A | N/A |
| Moya Cahill – Executive Vice-President – Services | \$142,061 | N/A | N/A |

Note:

- (1) The Company granted Options which vest over a period of three years. The fair value of those Options that vested during 2021 was calculated using the Black-Scholes pricing model under the following assumptions: (i) risk free interest rate of

0.54% to 1.22% (ii) expected dividend yield of 0%; (iii) expected volatility of 61.2% to 66.6%; and (iv) an expected term of 4.07 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

Kraken Executive Employment Agreements

The Company has entered into executive employment agreements with each of its CEO, CFO and COO on July 15, 2019 (collectively, the “**Executive Employment Agreements**”), which contain substantially the same terms (except with respect to base salary and incentive eligibility) as set out below.

The Executive Employment Agreements have no fixed term and provide for an annual base salary, subject to annual review and increases at the discretion of the Board (see “Summary Compensation Table” for the salary for fiscal 2021 for each of Messrs. Kenny, Reid and MacKay). The Executive Employment Agreements also provide for short- and long-term incentive plan compensation conditioned upon the respective executive officer’s active employment with the Company on December 31st of the year for which such bonus amount may be payable or equity compensation may be granted. For Messrs. Kenny and Reid, the annual short-term incentive plan bonus is valued at an amount equal to between nil and 30% of the then-current base salary; for Mr. MacKay, the annual short-term incentive plan bonus is valued at an amount equal to between nil and 25% of the then-current base salary. For Messrs. Kenny and Reid, the annual long-term incentive award in any year of employment is valued at an amount equal to between nil and 70% of the then-current base salary; for Mr. MacKay, the annual long-term incentive award in any year of employment is valued at an amount equal to between nil and 50% of the then-current base salary.

In the event of termination of employment by the Company without cause, the Company will pay to the applicable executive officer (i) any unpaid base salary, and any expenses properly incurred by such executive officer in accordance with the applicable Executive Employment Agreement and which the executive officer is owed at the time of termination (the “**Accrued Salary and Expense Payment**”); and (ii) the greater of (A) the executive officer’s entitlements under the Newfoundland and Labrador Labour Standards Act (“**LSA**”) upon termination, including, without limitation, notice, severance (if applicable), vacation accrual and benefit continuation; or (B) one year of base salary at the executive officer’s then rate (the “**Termination Payment**”). The executive officer’s benefits in place prior to the termination date and vacation accrual shall continue throughout the applicable statutory notice period as established by the LSA.

Further, in the event of termination of employment by the Company without cause within 12 months immediately following the occurrence of a Change of Control (as defined below), in addition to the amounts noted above, the Company shall be liable to the executive officer for an amount equal to 1.5 times the executive officer’s base salary in effect at the time such notice of termination is given. For greater certainty, where the executive officer is entitled to payment due to termination following a Change of Control (as defined below), the payment required by this paragraph will be in addition to the Accrued Salary and Expense Payment but in lieu of and not in addition to the Termination Payment.

The Executive Employment Agreements also include (i) non-solicitation and non-competition covenants in favour of the Company for 12 months following termination of the executive officer’s employment with the Company; and (ii) non-disclosure covenants requiring the executive officer to maintain the confidentiality of the Company’s confidential information and prohibiting its use other than on behalf of and for the benefit of the Company, both during employment and for an indefinite period thereafter.

PanGeo Subsea Employment Agreements

The Company's wholly owned subsidiary, PanGeo Subsea Inc. ("**PanGeo**"), has entered an executive employment agreement with Moya Cahill (collectively, the "**Cahill Employment Agreement**") as set out below.

The Cahill Employment Agreement has no fixed term and provides for an annual base salary, subject to annual review and increases at the discretion of the Board (see "Summary Compensation Table" for the salary for fiscal 2021 for Ms. Cahill). The Cahill Employment Agreement also provides for short- and long-term incentive plan compensation conditioned upon the respective executive officer's active employment with the Company on December 31st of the year for which such bonus amount may be payable or equity compensation may be granted. For Ms. Cahill, the annual short-term incentive plan bonus is valued at an amount equal to between nil and 100% of the then-current base salary. Ms. Cahill has a guarantee bonus in the amount of \$250,000 payable over 24 months of employing following the Company's acquisition of PanGeo. Ms. Cahill is also entitled to be paid the greater of: the sum of \$25,000, or the maximum percentage of allowance annual contribution to her registered retirement savings plan account.

In the event of termination of employment by the PanGeo without cause, PanGeo will pay Ms. Cahill (i) her Accrued Salary and Expense Payment; and (ii) the greater of (A) Ms. Cahill's entitlements under the LSA upon termination, including, without limitation, notice, severance (if applicable), vacation accrual and benefit continuation; or (B) eighteen month of base salary at Ms. Cahill's then rate (the "**Cahill Termination Payment**"). Ms. Cahill's benefits in place prior to the termination date and vacation accrual shall continue throughout the applicable statutory notice period as established by the LSA.

Further, in the event of termination of employment by the PanGeo without cause within 12 months immediately following the occurrence of a Change of Control (as defined below), in addition to the amounts noted above, PanGeo shall be liable to the executive officer for an amount equal to 1.5 times the executive officer's base salary in effect at the time such notice of termination is given. For greater certainty, where the Ms. Cahill is entitled to payment due to termination following a Change of Control (as defined below), the payment required by this paragraph will be in addition to the Accrued Salary and Expense Payment but in lieu of and not in addition to the Cahill Termination Payment.

The Cahill Employment Agreement also includes (i) non-solicitation and non-competition covenants in favour of PanGeo for 12 months following termination of Ms. Cahill's employment with PanGeo; and (ii) non-disclosure covenants requiring Ms. Cahill to maintain the confidentiality of PanGeo's confidential information and prohibiting its use other than on behalf of and for the benefit of PanGeo, both during employment and for an indefinite period thereafter.

Change of Control Payment Chart

For purposes of the Executive Employment Agreements and the Cahill Employment Agreement, "Change of Control" shall mean the occurrence of one of the following:

- (1) the issuance, acquisition or continuing ownership of the voting shares of the Company (or any subsidiaries thereof) as a result of which a person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the *Canada Business Corporations Act* with any such person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially own voting shares of the Company (or any subsidiaries thereof) that would entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the Company (or any subsidiaries thereof) that may be cast to elect directors of the Company (or any subsidiaries thereof); or

- (2) the exercise of the voting power of all or any of such voting shares (other than those owned or controlled by the executive officer and any person related to the executive officer) so as to cause or result in the election of less than a majority of the nominees of the management of the Company to the Board at any shareholders meeting at which an election of directors takes place after the occurrence of the event contemplated in paragraph (a) above; or
- (3) the sale, lease or transfer of at least 50% of the Company's assets to any other person or persons other than to an affiliate that assumes all of the obligations of the Company in respect of the executive officer including the assumption of this Agreement; or
- (4) the entering into of a merger, amalgamation, arrangement or other reorganization by the Company (or any subsidiaries thereof) with another unrelated corporation resulting in a person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)) or persons associated or affiliated within the meaning of the *Canada Business Corporations Act* with any such person or group of persons (other than the executive officer and any person related to the executive officer) acting jointly or in concert (as defined in the *Securities Act* (Ontario)), beneficially owning voting shares of the Company (or any subsidiaries thereof) that would entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the Company (or any subsidiaries thereof) that may be cast to elect directors of the Company (or any subsidiaries thereof).

The estimated payments that would have been made to Named Executive Officers pursuant to the Executive Employment Agreements in the event of termination without cause or after a Change of Control are detailed below:

| Executive Officer | Termination Without Cause | Termination on a Change of Control |
|-------------------|---------------------------|------------------------------------|
| Karl Kenny | \$350,000 | \$525,000 |
| Greg Reid | \$250,000 | \$375,000 |
| Joseph MacKay | \$225,000 | \$337,500 |
| Moya Cahill | \$502,500 | \$502,500 |

Compensation of Directors

As at the financial year ended December 31, 2021, the Company had four 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, 2021:

| Director Name | Fees Earned (\$) | Share-Based Awards (\$) | Option-Based Awards (\$) ⁽¹⁾ | Non-Equity Incentive Plan Compensation (\$) | Pension Value (\$) | All Other Compensation (\$) | Total (\$) |
|------------------------------|------------------|-------------------------|---|---|--------------------|-----------------------------|------------|
| Michael Connor | Nil | Nil | \$30,873 | Nil | Nil | Nil | \$30,873 |
| Larry Puddister | Nil | Nil | \$30,873 | Nil | Nil | Nil | \$30,873 |
| Shaun McEwan | Nil | Nil | \$30,873 | Nil | Nil | Nil | \$30,873 |
| Cathy Bennett ⁽²⁾ | ● | ● | ● | ● | ● | ● | ● |

Note:

- (1) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value, and relied on the following key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 0.54% to 1.22% (ii) expected dividend yield of 0%; (iii) expected volatility of 61.2% to 66.61%; and (iv) an expected term of 4.07 years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

- (2) Effective February 23, 2022, Ms. Bennett ceased to be a member of the Board.

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 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, 2021:

| 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 (\$) ⁽¹⁾ | Number of Common Shares or Units of Common 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 (\$) |
| Michael Connor | 300,000 | \$0.63 | July 14, 2022 | Nil | N/A | N/A | N/A |
| | 300,000 | \$0.57 | July 14, 2023 | Nil | N/A | N/A | N/A |
| Shaun McEwan | 300,000 | \$0.63 | July 14, 2022 | Nil | N/A | N/A | N/A |
| | 300,000 | \$0.57 | July 14, 2023 | Nil | N/A | N/A | N/A |
| Larry Puddister | 300,000 | \$0.63 | July 14, 2022 | Nil | N/A | N/A | N/A |
| | 300,000 | \$0.57 | July 14, 2023 | Nil | N/A | N/A | N/A |
| Cathy Bennett ⁽²⁾ | ● | ● | ● | ● | ● | ● | ● |

Note:

- (1) This amount is calculated as the difference between the market value of securities underlying the Options on December 31, 2021, being the last trading day of the Common Shares for the financial year ended December 31, 2021 and the exercise price of the Options. The closing market price per Common Share on December 31, 2021 was \$0.375.
- (2) Effective February 23, 2022, Ms. Bennett ceased to be a member of the Board.

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, 2021 for each director who was not also a Named Executive Officer.

| Name | Option-Based Awards - Value vested during the year (\$) ⁽¹⁾ | Share-Based Awards - Value vested during the year (\$) | Non-Equity Incentive Plan Compensation - Value earned during the year (\$) |
|------------------------------|--|--|--|
| Michael Connor | N/A | N/A | N/A |
| Shaun McEwan | N/A | N/A | N/A |
| Larry Puddister | N/A | N/A | N/A |
| Cathy Bennett ⁽²⁾ | Be | | |

Notes:

- (1) The Company granted Options which vest over a period of three years. The fair value of those Options that vested during 2020 was calculated using the Black-Scholes pricing model under the following assumptions: (i) risk free interest rate of 0.22% to 0.29% (ii) expected dividend yield of 0%; (iii) expected volatility of 66.7% to 116.5%; 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.
- (2) Effective February 23, 2022, Ms. Bennett ceased to be a member of the Board.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has an incentive Stock Option Plan under which Options are granted. Options have been determined by the Company's Board and are only granted in compliance with applicable laws and regulatory policy. The policies of the TSX Venture Exchange (the "Exchange") limit the granting of 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, 2021 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.

| Plan Category | Number of securities to be issued upon exercise of outstanding Options (a) | Weighted-average exercise price of outstanding Options (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|---|---|--|
| Equity compensation plans approved by security holders (Stock Option Plan) | 8,358,333 | \$0.57 | 11,760,962 |
| Equity compensation plans not approved by securityholders | N/A | N/A | N/A |
| Total | 8,358,333 | \$0.57 | 11,760,962 |

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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, 2021, 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 Common 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 ⁽¹⁾ | Financially Literate ⁽¹⁾ |
|-----------------|----------------------------|-------------------------------------|
| Shaun McEwan | Yes | Yes |
| Karl Kenny | No | Yes |
| Larry Puddister | Yes | 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.

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.

- Mr. McEwan is the President of ADGA Group and owner of Kin Vineyards Inc. Prior to his current role he was the CFO for Quarterhill Inc., a TSX listed company, focused on the Industrial Internet of Things. Prior to his role at Quarterhill, Mr. McEwan was the CFO of WiLan, which was a leading intellectual property licensing company. Mr. McEwan has over extensive finance and executive leadership in public and private high-tech companies and has also served as the CFO of Breconridge Manufacturing Solutions, and the CFO of Calian Technologies. Mr. McEwan is a Chartered Professional Accountant – Chartered Accountant.
- Mr. Kenny has over 30 years of technical and executive experience in communications, electronic navigation systems, and digital imaging. Mr. Kenny has served as the President and CEO of the Company since February 2015. Prior to joining the Company, Mr. Kenny co-founded Marport Canada Inc. in July 2003 and served as its President and Chief Executive Officer until December 2011. Mr. Kenny co-founded Telepix Imaging Inc., a world leader in digital imaging software and photo e-commerce which was purchased by a European photo equipment manufacturer for over

\$50 million. Mr. Kenny has twice named as a Top 50 CEO by Atlantic Business magazine. He was inducted into the Newfoundland and Labrador Business Hall of Fame in May 2012.

- Mr. Puddister’s professional experience covers heavy civil expertise, from hydroelectric and wind energy developments to oil and gas, transportation, mining, infrastructure, and marine construction. As the Executive Chairman and principal owner of Pennecon, Mr. is he majority shareholder and CEO of Newcrete, which is the leading producer of construction aggregate and supplier of ready-mix concrete, precast concrete, and masonry products to the construction industry in Newfoundland and Labrador. Mr. Puddister holds a Bachelor of Civil Engineering (Hons) from Memorial University, was named Atlantic Business Magazine’s CEO of the Year for 2016 and EY’s 2019 Entrepreneur of the Year – Atlantic.

Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, 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 most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4, 6.1.1(4), 6.1.1(5), 6.1.1(6) 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. Sections 6.1.1(4), (5) and (6) provide exemptions from a majority of the audit committee being composed of executive officers, employees or control persons. 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, 2021 | \$440,007 | \$57,520 | \$22,650 | \$131,634 |
| December 31, 2020 | \$352,081 | \$45,000 | \$47,450 | \$55,342 |
| December 31, 2019 | \$163,423 | \$27,000 | \$10,000 | \$4,155 |

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.

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 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 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 and the compensation 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

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 Management Proxyholders intend to vote 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 Board.

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 most recently amended and approved by the shareholders of the Company on June 24, 2021 (the "**Stock Option Plan**"). 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 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 must be approved and ratified by shareholders on an annual basis. Company management seeks shareholder approval for a renewal of the Stock Option Plan, in accordance with and subject to the rules and policies of the Exchange. The intention of management in renewing the Stock Option 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 Stock Option Plan

A full copy of the Stock Option Plan is attached hereto as Schedule "B". Shareholders may also obtain copies of the Stock Option Plan from the Company prior to the Meeting on written request. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Stock Option Plan. The following is a summary of the material terms of Stock Option Plan:

Number of Shares Reserved. The number of Common Shares reserved for issuance under the Stock Option Plan is 10% of the number of Common Shares outstanding at any given time.

Administration. The Stock Option 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 Stock Option Plan provides that 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 Stock Option Plan provides that, generally, the number of Common 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 Stock Option Plan will be for a term not exceeding ten years from the date of grant.

Maximum Options per Person. The number of Common Shares reserved for issuance to any one Option holder pursuant to Options granted under the Stock Option Plan during any twelve month period may not exceed 5% (or, in the case of a consultant, 2%) of the outstanding Common Shares at the time of grant. The number of Common 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 Common Shares 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 Stock Option 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 Common 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 Stock Option 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 Common Shares pursuant to Options granted under the Stock Option Plan unless and until the Common 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 Options granted to Insiders (as defined in Exchange policies) may not be decreased without Disinterested Shareholder Approval.

Blackout Periods. Should the expiry date for an Option fall within an interval of time during which the Company has determined that one or more Option holders may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with the Company's insider-trading policy or applicable securities legislation (a "**Blackout Period**"), the expiry date for such Option shall be automatically extended without any further act or formality to that day which is the tenth (10th) business day after the end of the Blackout Period.

Acceleration of Vesting. Upon the occurrence certain transactions including but not limited to an amalgamation, merger, arrangement or other reorganization, the terms of any outstanding Options shall be adjusted in accordance with the Stock Option Plan. Upon the occurrence of a Change of Control (as defined in the Stock Option Plan) or take-over, the vesting terms of all outstanding Options shall be accelerated and all Options will become immediately exercisable for Common Shares.

Amendment of the Stock Option Plan by the Board. Subject the policies of the Exchange and to the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, amend or modify the Stock Option Plan or any Option granted as follows: (i) it may make amendments which are of a typographical, grammatical or clerical nature only; (ii) it may change the vesting provisions of an Option granted hereunder; (iii) it may make amendments necessary as a result in changes in securities laws

applicable to the Company; (iv) if the Company becomes listed or quoted on a stock exchange or stock market senior to the Exchange, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and (v) amend the Stock Option Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Option holders (before a particular Option is granted) subject to the other terms hereof.

Amendment of the Stock Option Plan Requiring Disinterested Shareholder Approval. Unless approved by a majority of the votes cast at a duly constituted shareholders' meeting, excluding votes attaching to securities beneficially owned by Insiders (as defined in Exchange policies) to whom Common Shares may be issued pursuant to the Stock Option Plan, and their Associates (as defined in the Stock Option Plan) approval is obtained, under no circumstances will the Stock Option Plan, together with all of the Company's other previously established and outstanding stock option plans or grants, be amended at any time to result in: (i) the number of Common Shares reserved for issuance under Options granted to Insiders (as defined in Exchange policies) exceeding 10% of the outstanding Common Shares at the time of granting the Options; (ii) the grant to Insiders (as defined in Exchange policies), within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares at the time of granting the Options; (iii) the issuance to any one Option holder, within a 12 month period, of a number of Common Shares exceeding 5% of the outstanding Common Shares of the Company at the time of granting the Options; (iv) a change in the termination provision of an Option granted hereunder; or (v) any reduction in the exercise price of Options granted to any person who is an Insider (as defined in Exchange policies) at the time of the proposed reduction.

Termination of Plan. The Stock Option 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 Stock Option Plan in the following form (the "**Stock Option Plan Resolution**"):

"BE IT RESOLVED, as an ordinary resolution, that:

1. The Company's 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 2022 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 2021 stock option plan;
3. The Company file the 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 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 simple majority of the votes cast by shareholders who vote in respect of the Stock Option Plan Resolution.

Unless otherwise instructed, the Management Proxyholders intend to vote FOR the Stock Option Plan Resolution.

ADDITIONAL INFORMATION

Additional information about the Company is located on SEDAR at 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, 2021, which were filed on SEDAR on April 28, 2022.

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.

189 Glencoe Drive

Mount Pearl, NL

A1N 4P6

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 Common 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 Mount Pearl, Newfoundland, on the 17th day of May, 2022.

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.

* * * * *

SCHEDULE "B"

**2022 Stock Option Plan
(see attached)**

KRAKEN ROBOTICS INC.

STOCK OPTION PLAN

PART 1

INTERPRETATION

1.01 Definitions. In this Plan the following words and phrases have the following meanings, namely:

- (a) “Administrator” means the Person(s) responsible for administering this Plan, determined in accordance with Section 3.01;
- (b) “Affiliate” means, a company that is a parent or subsidiary of the Company, or that is controlled by the same entity as the Company.
- (c) “Associate” means, where used to indicate a relationship with any Person:
 - (i) a partner, other than a limited partner, of that Person;
 - (ii) a trust or estate in which that Person has a substantial beneficial interest or for which that Person serves as trustee or in a similar capacity;
 - (iii) a company in respect of which that Person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the company; or
 - (iv) in the case of a Person who is an individual, that Person’s spouse or child, or any relative of that Person or of his spouse, where the relative has the same residence as that Person;

and for the purpose of this definition, “spouse” includes an individual who is living with another individual in a marriage-like relationship.

- (d) “Blackout Period” means an interval of time during which the Company has determined that one or more Optionees may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with the Company’s insider-trading policy or applicable securities legislation, (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Company or in respect of an Insider, that Insider, is subject).
- (e) “Board” means the Board of Directors of the Company or, if applicable, the Committee.
- (f) “Business Day” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario.
- (g) “Change of Control” means the occurrence of any one of the following:
 - (i) the exercise of voting power attaching to the Shares resulting in the election of less than a majority of the nominees of the management of the Company to the Board;

- (ii) the sale, lease or transfer of all or substantially all the assets of the Company to any other person or persons other than an affiliate;
 - (iv) the entering into of a merger, amalgamation, arrangement or other reorganization by the Company whether in one or a series of transactions the result of which is that the Company's shareholders immediately prior to the transaction receive less than 51% of the outstanding shares of the new or continuing corporation; or
 - (vii) the acquisition, directly or indirectly, through one or more transactions by any Person (or group of Persons acting jointly and in concert (as defined in the *Securities Act* (Ontario)) of more than 50% of the outstanding Shares;
- (h) "Committee" means a committee of the Board, if any, appointed in accordance with this Plan or, if no such committee is appointed, the Board itself.
- (i) "Company" means **KRAKEN ROBOTICS INC.**
- (j) "Consultant" means, in relation to the Company, an individual or Consultant Company, other than an Employee or a Director of the Company, that:
- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or an Affiliate of the Company, other than services provided in relation to a Distribution;
 - (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the Consultant Company;
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
 - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.
- (k) "Consultant Company" means an individual consultant, a company or a partnership of which the individual is an employee, shareholder or partner.
- (l) "Director" means any director of the Company or of any of its subsidiaries as may be elected from time to time.
- (m) "Discounted Market Price" has the meaning assigned by Policy 1.1 of the Exchange Policies.
- (n) "Disinterested Shareholder Approval" means that the proposal must be approved by a majority of the votes cast at a duly constituted shareholders' meeting, excluding votes attaching to securities beneficially owned by Insiders to whom shares may be issued pursuant to this Plan, and their Associates and, for purposes of this Plan, holders of non-voting and subordinate voting securities (if any) will be given full voting rights on a resolution which requires Disinterested Shareholder Approval.
- (o) "Distribution" has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Company from treasury.

- (p) “Employee” means:
- (i) an individual who is considered an employee of the Company or any of its subsidiaries under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
 - (ii) an individual who works full-time for a Company or any of its subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Company or any of its subsidiaries over the details and methods of work as an employee of the Company or any of its subsidiaries, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Company or any of its subsidiaries on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any of its subsidiaries over the details and methods of work as an employee of the Company or any of its subsidiaries, but for whom income tax deductions are not made at source.
- (q) “Exchange” means the TSX Venture Exchange.
- (r) “Exchange Policies” means the rules and policies of the Exchange as same may be amended from time to time.
- (s) “Insider” means an insider as defined in the Exchange Policies or as defined in securities legislation applicable to the Company.
- (t) “Investor Relations Activities” has the meaning assigned by Policy 1.1 of the Exchange Policies.
- (u) “Management Company Employee” means an individual employed by a Person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in Investor Relations Activities.
- (v) “Market Price” has the meaning assigned by Policy 1.1 of the Exchange Policies. “NI 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions*.
- (x) “Officer” means any officer of the Company or of any of its subsidiaries as defined in the *Securities Act* (Ontario) and any executive officer of the Company as defined in NI 45-106.
- (y) “Option” means the right to purchase Shares granted under this Plan.
- (z) “Optionee” means the recipient of an Option under this Plan.
- (aa) “Person” means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (bb) “Plan” means this stock option plan as amended from time to time.
- (cc) “Securities Act” means the *Securities Act* (Ontario), or any successor legislation.

- (dd) "Shares" means common shares without par value in the capital of the Company.
- 1.02 Gender. Throughout this Plan, words importing the masculine gender are interpreted as including the female gender.

PART 2

PURPOSE OF PLAN

- 2.01 Purpose. The purpose of this Plan is to attract and retain Employees, Officers, Directors, Consultants and Management Company Employees to motivate them to advance the interests of the Company by affording them the opportunity to acquire an equity interest in the Company through Options granted under this Plan to purchase Shares. The Plan is expected to benefit the Company's shareholders by enabling the Company to attract and retain personnel of the highest caliber by offering to them an opportunity to share in any increase in the value of the Shares to which they have contributed.

PART 3

GRANTING OF OPTIONS

- 3.01 Administration. This Plan will be administered by the Board or, if the Board so elects, by a Committee (consisting of not less than 2 of its members) appointed by the Board. Any Committee will administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee will continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and either appoint new members in their place or decrease the size of the Committee, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. A majority of the members of the Committee will constitute a quorum, and, subject to the limitations in this Part 3, all actions of the Committee will require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Options pursuant to the Plan, except that no such member will act upon the granting of an Option to himself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to granting Options to him).
- 3.02 Committee's Recommendations. The Board may accept all or any part of the recommendations of the Committee or may refer all or any part thereof back to the Committee for further consideration and recommendation. Such recommendations may include, but not be limited to, the following:
- (a) resolution of questions arising in respect of the administration, interpretation and application of the Plan;
 - (b) reconciliation of any inconsistency or defect in the Plan in such manner and to such extent as will reasonably be deemed necessary or advisable to carry out the purpose of the Plan;

- (c) determination of the Employees, Officers and Directors (or their wholly-owned corporations) to whom, and when, Options should be granted, as well as the number of Shares subject to each Option;
 - (d) determination of the terms and conditions of the option agreement to be entered into with any Optionee, consistent with this Plan; and
 - (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan.
- 3.03 Grant by Resolution. The Board, on its own initiative or upon the recommendation of a Committee (if so appointed), will by resolution designate those Employees, Officers, Directors and Consultants to whom Options should be granted.
- 3.04 Terms of Options. The resolution of the Board, or the Committee if applicable, will specify the number of Shares that should be placed under option to each Optionee, the price per Share to be paid upon exercise of the Options, and the period during which such Options may be exercised.
- 3.05 Written Agreements. Every Option granted under this Plan must be evidenced by a written option agreement between the Company and the Optionee and, where not expressly set out in the agreement, the provisions of such agreement will conform to and be governed by this Plan. In the event of any inconsistency between the terms of the agreement and this Plan, the terms of this Plan will govern.
- 3.06 Regulatory Approvals. The Board will obtain all necessary regulatory approvals, which may be required under applicable securities laws or Exchange Policies. The Board will also take reasonable steps to ensure that no Options granted under the Plan, or the exercise thereof, violate the securities laws of the jurisdiction in which any Optionee resides.
- 3.07 Options granted under the Plan. For all Options granted to Directors, Officers, Employees, Consultants or Management Company Employees of the Company, each of the Company and the Optionee represents that the Optionee is a bona fide Director, Officer, Employee, Consultant or Management Company Employee, as the case may be.

PART 4

CONDITIONS GOVERNING THE GRANTING AND EXERCISING OF OPTIONS

- 4.01 Exercise Price. The exercise price of an Option granted under this Plan must not be less than the Discounted Market Price, provided that if Options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those Options will be the greater of the Discounted Market Price and the per share price paid by the public investors for Shares acquired under the distribution.
- 4.02 Expiry Date. Each Option will, unless sooner terminated, expire on a date to be determined by the Board which will not exceed 10 years from the date the Option is granted.
- 4.03 Different Exercise Periods, Expiry Period on Termination, Prices and Number. The Board may, in its absolute discretion, upon granting Options under this Plan, specify different time periods

during which an Option is exercisable, subject to Section 4.02 of the Plan, different time periods within which an Option will terminate following an Optionee ceasing to be a Director, Officer, Employee, or Consultant of the Company, and subject to the provisions of this Plan, designate different exercise prices and vesting provisions with respect to an Option.

4.04 Number of Shares. The number of Shares reserved for issuance to any one Optionee pursuant to Options granted under this Plan, together with any Shares reserved for issuance pursuant to Options granted to that Optionee during the previous 12 months must not exceed 5% of the issued and outstanding Shares at the time of granting of the Options, provided that the aggregate number of Options granted to each of the following categories of Optionee:

- (a) each individual Consultant; and
- (b) Persons performing Investor Relations Activities on behalf of the Company;

must not exceed 2% of the outstanding Shares at the time of grant unless the Exchange permits otherwise.

4.05 Death of Optionee. If an Optionee dies prior to the expiry of his Option, his heirs, administrators or legal representatives may, by the earlier of:

- (a) one year from the date of the Optionee's death (or such lesser period as may be specified by the Board at the time of granting the Option); and
- (b) the expiry date of the Option;

exercise any portion of such Option.

4.06 Expiry on Termination or Cessation. If an Optionee ceases to be a Director, Officer, Employee or Consultant for any reason other than death, then despite any other provision contained in this Plan, such Optionee's Option will terminate within a reasonable period to be determined by the Administrator (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.

4.07 Leave of Absence. Employment will be deemed to continue intact during any sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee's right to reemployment is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee's reemployment is not so guaranteed, then his employment will be deemed to have terminated on the ninety-first day of such leave.

4.08 Assignment. Subject to Section 4.5, all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

- 4.09 Notice. An Option must be exercised only in accordance with the terms and conditions of the written option agreement under which it is granted and will be exercisable only by notice in writing to the Company at its principal place of business.
- 4.10 Payment. Subject to any vesting requirements described in each individual option agreement, Options may be exercised in whole or in part at any time prior to their lapse or termination. Shares purchased by an Optionee on exercise of an Option must be paid for in full at the time of purchase (i.e. concurrently with the giving of the requisite notice) by cash, wire transfer or other form of immediately available funds.
- 4.11 Share Certificate. As soon as practicable after due exercise of an Option, the Company will issue a share certificate evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such share certificate, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is before the date the share certificate is issued, except as provided in Part 6 hereof.
- 4.12 Vesting. Vesting of options will be at the discretion of the Board and unless otherwise determined by the Board on grant, the Options granted to an Optionee under this Plan will vest in full on the date of grant of such Options. Notwithstanding the foregoing, in accordance with the Exchange Policies, and subject to their approval to the contrary, Options granted to Consultants performing Investor Relations Activities must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than $\frac{1}{4}$ of the Options vesting in any 3 month period.
- 4.13 Hold Period. In addition to any resale restrictions under the Securities Act or other applicable legislation, all Options granted under this Plan where the exercise price is less than the Market Price and all Shares issued on the exercise of such Options (before the expiry of the hold period) will be subject to a four-month Exchange hold period from the date the Options are granted, and the option agreements and the certificates representing such Shares will bear the following legend:
- “Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ♦ [insert date].”
- 4.14 Individuals. Options may be granted only to an individual or to a company that is wholly-owned by an individual who is eligible for an Option grant. Only individuals who are Directors, Officers, Consultants or Employees may be granted Options. If the Optionee is a company, it must agree not to effect or permit any transfer of ownership or option of shares of the Company nor to issue further shares of any class in the company to any other individual or entity as long as the incentive Option remains outstanding, except with the written consent of the Exchange.
- 4.15 Extension of Options Expiring During Blackout Period. Should the expiry date for an Option fall within a Blackout Period, the expiry date for such Option shall be automatically extended without any further act or formality to that day which is the tenth (10th) Business Day after the end of the Blackout Period, such tenth Business Day to be considered the expiry date for such

Option for all purposes under the Plan. Notwithstanding Section 8.01, the tenth Business Day period referred to in this Section 4.15 may not be extended by the Board.

- 4.16 Compliance with U.S. Securities Laws. As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration. The Board may also require such other documentation as may from time to time be necessary to comply with United States' federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

PART 5

RESERVE OF SHARES FOR OPTIONS

- 5.01 Maximum Number of Shares Reserved Under Plan. The maximum aggregate number of common shares that may be reserved for issuance under the Plan at any point in time is 10% of the issued and outstanding Shares at the time Shares are reserved for issuance as a result of the grant of an Option, less any Shares reserved for issuance under stock options granted under share compensation arrangements other than this Plan, unless this Plan is amended pursuant to the requirements of the Exchange Policies, and, if applicable, the NEX policies.
- 5.02 Sufficient Authorized Shares to be Reserved. Whenever the Notice of Articles of the Company limit the number of authorized Shares, a sufficient number of Shares will be reserved by the Board to satisfy the exercise of Options granted under this Plan or otherwise. Shares that were the subject of Options that have lapsed or terminated will thereupon no longer be in reserve and may once again be subject to an Option granted under this Plan.

PART 6

CHANGES IN SHARES

- 6.01 Alteration in Capital Structure. If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the exercise price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.
- 6.03 Effect of Amalgamation, Merger, Arrangement or other Reorganization. If the Company amalgamates, merges, enters into a plan of arrangement with or into another corporation, or completes any other reorganization, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger, arrangement or other reorganization if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger,

arrangement or other reorganization, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.

- 6.05 Acceleration on Change of Control. Upon the occurrence of a Change of Control, all Options shall become immediately exercisable, notwithstanding any vesting provisions to which such Options may be subject.
- 6.07 Determinations to be Binding. If any questions arise at any time with respect to the exercise price of an Option or number of Shares received upon exercise of such Option or other property deliverable upon exercise of an Option following an event referred to in this Part 6, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.
- 6.08 Effect of a Take-Over. If a bona fide offer (the “Offer”) for Shares is made to shareholders generally or to a class of shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any vesting provisions to which such Options may be subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise.

PART 7

EXCHANGE’S RULES AND POLICIES APPLY

- 7.01 Exchange’s Rules and Policies Apply. This Plan and the granting and exercise of any Options under this Plan are also subject to such other terms and conditions as are set out from time to time in the Exchange Policies and in the rules, policies and regulations of any securities commission having jurisdiction and such rules and policies will be deemed to be incorporated into and become a part of this Plan. In the event of an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of the Exchange Policies and the rules, policies and regulations of the securities commissions will govern.

PART 8

AMENDMENT OF PLAN

- 8.01 Amendment of the Plan by the Board. Subject to Part 5, to the Exchange Policies and to the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, amend or modify the Plan or any Option granted as follows:
- (a) it may make amendments which are of a typographical, grammatical or clerical nature only;
 - (b) it may change the vesting provisions of an Option granted hereunder;
 - (c) it may make amendments necessary as a result in changes in securities laws applicable to the Company;

- (d) if the Company becomes listed or quoted on a stock exchange or stock market senior to the Exchange, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (e) amend this Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Optionees (before a particular Option is granted) subject to the other terms hereof.

8.02 Amendment of the Plan Requiring Disinterested Shareholder Approval. Unless Disinterested Shareholder Approval is obtained, under no circumstances will this Plan, together with all of the Company's other previously established and outstanding stock option plans or grants, be amended at any time to result in:

- (a) the number of Shares reserved for issuance under Options granted to Insiders exceeding 10% of the outstanding Shares at the time of granting the Options;
- (b) the grant to Insiders, within a 12 month period, of a number of Options exceeding 10% of the outstanding Shares at the time of granting the Options;
- (c) the issuance to any one Optionee, within a 12 month period, of a number of Shares exceeding 5% of the outstanding Shares at the time of granting the Options;
- (d) a change in the termination provision of an Option granted hereunder; or
- (e) any reduction in the exercise price of Options granted to any person who is an Insider at the time of the proposed reduction.

8.03 Options Granted Under the Company's Previous Stock Option Plan. Any option granted pursuant to a stock option plan previously adopted by the Board which is outstanding at the time this Plan comes into effect shall be deemed to have been issued under this Plan and shall, as of the date this Plan comes into effect, be governed by the terms hereof.

PART 9

WITHHOLDING TAX

9.01 Upon the exercise of an Option by an Optionee, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any withholding obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the amount of the withholding obligations (the "Withholding Amount") may be accomplished by any of the following methods or by a combination of such methods as determined by the Company in its sole discretion:

- (a) the tendering by the Optionee of cash payment to the Company in an amount equal to the Withholding Amount; or
- (b) the withholding by the Company from the Shares otherwise due to the Optionee such number of Shares as it determines are required to be sold by the Company, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the option agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Company an irrevocable power of attorney to effect the sale of such

Shares and to have acknowledged and agreed that the Company does not accept responsibility for the price obtained on the sale of such Shares; or

- (c) the withholding by the Company from any cash payment otherwise due by the Company to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the option agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board nor the Company shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board, the Company, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

PART 10

MISCELLANEOUS PROVISIONS

- 10.01 Other Plans Not Affected. This Plan will not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers, Employees, Consultants and Management Company Employees.
- 10.02 Effective Date of Plan. This Plan will become effective upon the later of the date of acceptance for filing of this Plan by the Exchange and the approval of this Plan by the shareholders of the Company (i.e. by the holders of a majority of the Company's securities present or represented, and entitled to vote at a meeting of shareholders duly held) including, if applicable, Disinterested Shareholder Approval. However, Options may be granted under this Plan prior to the receipt of approval of the Exchange or the shareholders, provided that any Option granted before Exchange or shareholder approval is obtained, may not be exercised until the required approvals are obtained.
- 10.03 Use of Proceeds. Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan will constitute general funds of the Company and may be used for general corporate purposes.
- 10.04 Headings. The headings used in this Plan are for convenience of reference only and will not in any way affect or be used in interpreting any of the provisions of this Plan.
- 10.05 No Obligation to Exercise. Optionees are under no obligation to exercise Options granted under this Plan.

10.06 Termination of Plan. This Plan will only terminate pursuant to a resolution of the Board or the Company's shareholders.

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