

**PROSPECTUS SUPPLEMENT NO. 23  
(to prospectus dated April 18, 2023)**

**NAUTICUS ROBOTICS, INC.**

**8,275,000 Shares of Common Stock**

**Up to 8,625,000 Shares of Common Stock Underlying Public Warrants to Purchase Common Stock**

**Up to 7,175,000 Shares of Common Stock Underlying Private Warrants to Purchase Common Stock**

**Up to 2,922,425 Shares of Common Stock Underlying Securities Purchase Agreement Warrants to Purchase Common Stock**

**Up to 2,922,425 Shares of Common Stock Underlying Convertible Debentures**

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated April 18, 2023 (the “Prospectus”), with the information contained in our Form 10-Q filed with the Securities and Exchange Commission (the “SEC”) on May 14, 2024 (the “Form 10-Q”). Accordingly, we have attached the Form 10-Q to this prospectus supplement.

The Prospectus and this prospectus supplement relate to the offer and sale by us of (i) 862,500 shares of common stock, par value \$0.0001 per share (“Common Stock”), of Nauticus Robotics, Inc. (the “Company”) which were issued upon the conversion of the rights to receive one twentieth (1/20) of one share of Common Stock (the “Right Shares”) in connection with the closing of the Business Combination (defined below), (2) 8,625,000 shares of Common Stock (the “Public Warrant Shares”) issuable upon the exercise of 8,625,000 redeemable warrants, which are exercisable at a price of \$11.50 per share (the “Public Warrants”) and (3) 7,175,000 shares of Common Stock (the “Private Warrant Shares”) issuable upon the exercise of 7,175,000 redeemable warrants, purchased by CleanTech Sponsor I LLC and CleanTech Investments, LLC (together, the “Co-sponsors”) at a price of \$1.00 per Private Warrant pursuant to a subscription agreement entered into in connection with CLAQ’s (defined below) initial public offering (“IPO”), which are exercisable at a price of \$ 11.50 per share (the “Private Warrants”).

The Prospectus and this prospectus supplement also relate to the resale from time to time by the selling securityholders named in the Prospectus or their permitted transferees (the “Selling Securityholders”) of (i) 4,312,500 shares of Common Stock (the “Founder Shares”) that were issued to the Co-sponsors in conjunction with the IPO at a purchase price equivalent to approximately \$0.00058 per Founder Share and subsequently converted upon the closing of the Business Combination and (ii) 3,100,000 shares of Common Stock purchased by certain Selling Securityholders at a price of \$10.00 per share of Common Stock, and issued pursuant to the terms of certain subscription agreements entered into in connection with the Business Combination pursuant to the Merger Agreement (the “Merger Agreement,” and together with the other agreements and transactions contemplated thereby, the “Business Combination”) by and among CleanTech Acquisition Corp. (“CleanTech” or “CLAQ”), Nauticus Robotics Holdings, Inc. (formerly known as “Houston Mechatronics, Inc.”), a Texas corporation (“Nauticus Robotics Holdings”), and CleanTech Merger Sub, Inc. (“Merger Sub”), a wholly-owned subsidiary of CleanTech. Pursuant to the Merger Agreement, in connection with the consummation of the Business Combination Merger Sub merged with and into Nauticus Robotics Holdings, with Nauticus Robotics Holdings surviving the merger as a wholly owned subsidiary of the Company, and the Company was renamed “Nauticus Robotics, Inc.”

Further, the Prospectus and this prospectus relate to the offer and sale by us of (i) 2,922,425 shares of Common Stock (the “SPA Warrant Shares”) which have been or may be issued from time to time upon the exercise of 2,922,425 warrants that were issued to certain Selling Securityholders (the “SPA Investors”) pursuant to the SPA (the “SPA Warrants”) and (ii) 2,922,425 shares of Common Stock (the “Debenture Shares” and together with the SPA Warrant Shares, the “SPA Shares”) issuable upon the conversion of the debentures (the “Debentures”) that were purchased by certain Selling Securityholders pursuant to the SPA. Pursuant to the Securities Purchase Agreement by and among the Company, Nauticus Robotics Holdings, and the SPA Investors (the “SPA”), the SPA Investors subscribed for Debentures in an aggregate principal amount of \$36,530,320. In exchange for such subscriptions, Nauticus delivered to such Selling Securityholders (i) a Debenture with a principal amount equal to such Selling Securityholder’s subscription amount and (ii) SPA Warrants.

---

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, any may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our Common Stock is listed on the Nasdaq Stock Market LLC under the symbol “KITT.” On May 21, 2024, the closing price for our Common Stock was \$0.1393 per share.

**We are an “emerging growth company” as defined under the federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements.**

**Investing in our securities involves risks that are described in the “Risk Factors” section beginning on page 12 of the Prospectus. Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under the Prospectus or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus supplement is May 21, 2024.**

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40611

**NAUTICUS ROBOTICS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**85-1699753**

(IRS Employer  
Identification No.)

**17146 FEATHERCRAFT LANE, SUITE 450,  
WEBSTER, TEXAS 77598**

(Address of principal executive offices and zip code)

**(281) 942-9069**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	KITT	The Nasdaq Stock Market LLC
Redeemable Warrants	KITTW	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes  No

As of May 10, 2024, the registrant had 62,431,772 shares of common stock outstanding.

TABLE OF CONTENTS

<a href="#">Cautionary Note Regarding Forward-Looking Statements</a>		ii
<a href="#">Part I — Financial Information</a>		
Item 1.	<a href="#">Financial Statements</a>	1
Item 2.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	25
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	27
Item 4.	<a href="#">Controls and Procedures</a>	27
<a href="#">Part II — Other Information</a>		
Item 1.	<a href="#">Legal Proceedings</a>	29
Item 1A.	<a href="#">Risk Factors</a>	29
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	29
Item 3.	<a href="#">Defaults upon Senior Securities</a>	30
Item 4.	<a href="#">Mine Safety Disclosures</a>	30
Item 5.	<a href="#">Other Information</a>	30
Item 6.	<a href="#">Exhibits</a>	30

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements appear in a number of places in this Form 10-Q including, without limitation, in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements are based on the current expectations of our management and are inherently subject to uncertainties and changes in circumstances and their potential effects and speak only as of the date such statements are made. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in “Item 1A. Risk Factors” and other sections in the Annual Report on Form 10-K filed by us on April 9, 2024.

These and other factors could cause actual results to differ from those implied by the forward-looking statements. Forward-looking statements are not guarantees of performance and speak only as of the date hereof. There can be no assurance that future developments will be those that have been anticipated or that we will achieve or realize these plans, intentions, or expectations.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements of belief and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date they are made, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements.

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**NAUTICUS ROBOTICS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<u>(Unaudited)</u>	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,187,307	\$ 753,398
Restricted certificate of deposit	50,706	201,822
Accounts receivable, net	157,327	212,428
Inventories	2,214,726	2,198,797
Prepaid expenses	1,579,585	1,889,218
Other current assets	316,018	1,025,214
Assets held for sale	1,310,832	2,940,254
<b>Total Current Assets</b>	<b>11,816,501</b>	<b>9,221,131</b>
Property and equipment, net	15,858,895	15,904,845
Operating lease right-of-use assets	1,568,705	834,972
Other assets	187,387	187,527
<b>Total Assets</b>	<b>\$ 29,431,488</b>	<b>\$ 26,148,475</b>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 6,693,450	\$ 7,035,450
Accrued liabilities	6,500,357	7,339,099
Contract liability	478,079	2,767,913
Operating lease liabilities - current	356,421	244,774
<b>Total Current Liabilities</b>	<b>14,028,307</b>	<b>17,387,236</b>
Warrant liabilities	8,726,903	18,376,180
Operating lease liabilities - long-term	1,229,219	574,260
Notes payable - long-term, net of discount (related party)	44,949,988	31,597,649
<b>Total Liabilities</b>	<b>\$ 68,934,417</b>	<b>\$ 67,935,325</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Deficit:</b>		
Common stock, \$0.0001 par value; 625,000,000 shares authorized, 57,317,025 and 50,035,824 shares issued, respectively, and 57,317,025 and 50,035,824 shares outstanding, respectively	\$ 5,732	\$ 5,004
Additional paid-in capital	78,869,430	76,999,849
Accumulated deficit	(118,378,091)	(118,791,703)
<b>Total Stockholders' Deficit</b>	<b>(39,502,929)</b>	<b>(41,786,850)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 29,431,488</b>	<b>\$ 26,148,475</b>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**NAUTICUS ROBOTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three months ended March 31,	
	2024	2023
Revenue:		
Service	\$ 464,354	\$ 2,820,780
Total revenue	<u>464,354</u>	<u>2,820,780</u>
Costs and expenses:		
Cost of revenue (exclusive of items shown separately below)	2,093,955	2,932,267
Depreciation	426,185	273,099
Research and development	63,534	226,967
General and administrative	3,430,010	5,212,644
Total costs and expenses	<u>6,013,684</u>	<u>8,644,977</u>
Operating loss	(5,549,330)	(5,824,197)
Other (income) expense:		
Other (income) expense, net	(96,473)	1,152,381
Gain on lease termination	(15,365)	-
Foreign currency transaction loss (gain)	5,147	(9,884)
Change in fair value of warrant liabilities	(8,309,623)	2,236,904
Interest expense, net	2,453,372	4,935,067
Total other (income) expense, net	<u>(5,962,942)</u>	<u>8,314,468</u>
Net income (loss)	<u>\$ 413,612</u>	<u>\$ (14,138,665)</u>
Basic earnings (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.36)</u>
Diluted loss per share	<u>\$ (0.11)</u>	<u>\$ (0.36)</u>
Basic weighted average shares outstanding	44,635,720	39,765,361
Diluted weighted average shares outstanding	66,742,808	39,765,361

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**NAUTICUS ROBOTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES OF STOCKHOLDERS' DEFICIT**  
**(UNAUDITED)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance at December 31, 2023	50,035,824	\$ 5,004	\$ 76,999,849	\$ (118,791,703)	\$ (41,786,850)
Stock-based compensation	-	-	530,655	-	530,655
Vesting of RSUs	1,581,201	158	(158)	-	-
Exercise of warrants	5,700,000	570	1,339,084	-	1,339,654
Net income	-	-	-	413,612	413,612
Balance at March 31, 2024	<u>57,317,025</u>	<u>\$ 5,732</u>	<u>\$ 78,869,430</u>	<u>\$ (118,378,091)</u>	<u>\$ (39,502,929)</u>
Balance at December 31, 2022	47,250,771	\$ 4,725	\$ 68,128,196	\$ (68,105,102)	\$ 27,819
Stock-based compensation	-	-	1,214,863	-	1,214,863
Exercise of stock options	30,504	3	59,187	-	59,190
Net loss	-	-	-	(14,138,665)	(14,138,665)
Balance at March 31, 2023	<u>47,281,275</u>	<u>\$ 4,728</u>	<u>\$ 69,402,246</u>	<u>\$ (82,243,767)</u>	<u>\$ (12,836,793)</u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*



**NAUTICUS ROBOTICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 413,612	\$ (14,138,665)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	426,185	273,099
Amortization of debt discount	1,159,596	907,865
Amortization of debt issuance cost	142,821	-
Accretion of RCB Equities #1, LLC exit fee	24,212	-
Stock-based compensation	530,655	1,214,863
Change in fair value of warrant liabilities	(8,309,623)	2,236,904
Non-cash impact of lease accounting	115,778	60,819
Gain on disposal of assets	(4,231)	-
Gain on lease termination	(15,365)	-
Gain on short-term investments	-	(40,737)
Changes in operating assets and liabilities:		
Accounts receivable	55,101	(1,012,210)
Inventories	(15,930)	(4,346,657)
Contract assets	-	249,964
Other assets	1,196,413	(328,609)
Accounts payable and accrued liabilities	(22,133)	6,193,155
Contract liabilities	(2,289,834)	-
Operating lease liabilities	(67,539)	(143,729)
Net cash used in operating activities	<u>(6,660,282)</u>	<u>(8,873,938)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(324,147)	(1,493,978)
Proceeds from sale of assets held for sale	384,708	-
Proceeds from sale of property and equipment	7,921	-
Proceeds from sale of short-term investments	-	5,000,000
Net cash from investing activities	<u>68,482</u>	<u>3,506,022</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	13,305,000	-
Payment of debt issuance costs on notes payable	(1,279,291)	-
Proceeds from exercise of stock options	-	59,190
Net cash from financing activities	<u>12,025,709</u>	<u>59,190</u>
Net change in cash and cash equivalents	5,433,909	(5,308,726)
Cash and cash equivalents, beginning of period	753,398	17,787,159
Cash and cash equivalents, end of period	<u>\$ 6,187,307</u>	<u>\$ 12,478,433</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 23,469	\$ 469,850
Cash paid for taxes	\$ -	\$ -
<b>Non-cash investing and financing activities:</b>		
Capitalized interest	\$ -	\$ 234,985
Operating leases at inception	\$ 1,185,119	\$ -
Exercise of warrants	\$ 1,339,654	\$ -
Liabilities relieved through sale of asset held for sale	\$ 1,158,609	\$ -
Transfer from assets held for sale to property and equipment	\$ 55,642	\$ -

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. Description of the Business**

Nauticus Robotics, Inc. (the “Company”, “our”, “us” or “we”) develops autonomous robots for the ocean industries. The Company’s principal corporate offices are located in Webster, Texas. Nauticus’ robotic systems and services are designed to address both commercial and government-facing customers. Autonomy requires the extensive use of sensors, artificial intelligence, and effective algorithms for perception and decision allowing the robot to adapt to changing environments. The Company’s business model includes using robotic systems for service, selling vehicles and components, and licensing of related software to both the commercial and defense business sectors. Nauticus has designed and is currently testing and certifying a new generation of vehicles to reduce operational cost and gather data to maintain and operate a wide variety of subsea infrastructure. Besides a standalone service offering, Nauticus’ approach to ocean robotics has also resulted in the development of a range of technology products for retrofit/upgrading legacy systems and other third-party vehicle platforms. Nauticus’ services provide customers with the necessary data collection, analytics, and subsea manipulation capabilities to support and maintain assets while reducing their operational footprint, operating cost, and greenhouse gas emissions, to improve offshore health, safety, and environmental exposure.

**Liquidity** – The Company continues to develop its principal products and conduct research and development activities. Currently, the Company does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company has embarked on cost-cutting measures to continue to preserve cash. The Company may require additional liquidity to continue its operations over the next twelve months, which a current investor has committed to provide. The Company believes with this investor support that there will be sufficient resources to continue as a going concern for at least one year from the date that the condensed consolidated financial statements contained in this Form 10-Q are issued.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation** – The accompanying condensed consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments, unless otherwise disclosed) necessary for a fair statement of the condensed consolidated results of operations, financial position, cash flows and changes in stockholders’ deficit for each period presented. All intercompany balances and transactions have been eliminated in preparation of these condensed consolidated financial statements. The condensed consolidated results for the interim periods are not necessarily indicative of results to be expected for the full year. The 2023 year-end consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

**Summary of Significant Accounting Policies** – The Company’s significant accounting policies are discussed in Note 1 to Nauticus Robotics, Inc.’s consolidated financial statements included in its Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2023. There have been no significant changes to these policies which have had a material impact on the Company’s interim unaudited condensed consolidated financial statements and related notes during the three months ended March 31, 2024.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the (i) estimates of future costs to complete customer contracts recognized over time, (ii) valuation allowances for deferred income tax assets, (iii) valuation of stock-based compensation awards and (iv) the valuation of conversion options, warrants and earnouts. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – The Company classifies all highly-liquid instruments with an original maturity of three months or less as cash equivalents. The Company maintains cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits of \$250,000. Historically, the Company has not experienced any losses in such accounts. There were no cash equivalents at March 31, 2024 and December 31, 2023.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Restricted Certificates of Deposit**— The Company has restricted certificate of deposits of \$50,706 and \$201,822, held by a bank on our behalf as of March 31, 2024 and December 31, 2023, respectively. The restricted certificate of deposit at March 31, 2024, relates to a guarantee against corporate credit cards. \$150,000 of the balance at December 31, 2023 relates to a certificate of deposit required to collateralize a letter of credit which was released in the first quarter of 2024, with the remainder relating to a guarantee against corporate credit cards.

**Short-term Investments** — On March 14, 2023, the Company received proceeds of \$5,000,000 from the maturity of a short-term investment in a US Treasury Bill. The gain on the investment of \$40,737 is included in other expense (income) on the condensed consolidated statements of operations for the three months ended March 31, 2023.

**Accounts Receivable, Unbilled Revenues, and Allowance for Credit Losses**— In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU” or “standard”) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued several standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss (“CECL”). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in Topic 326 were trade accounts receivable and unbilled revenues. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures.

With the adoption of ASU 2016-13, accounts receivable and contract assets are recorded at the invoiced amount and do not typically bear interest. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. The Company’s accounts receivables are primarily derived from the provision of services to our customers. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. If applicable, accounts receivable and contract assets are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Company’s historical losses based on the aging of receivables. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company’s portfolio segments have remained constant since the Company’s inception.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as income in the year of recovery and as a reduction to the allowance, in accordance with the entity’s accounting policy election.

**Assets Held For Sale (“AHFS”)** - Long-lived assets identified as assets held for sale are categorized on the balance sheet as current assets and are measured at the lower of carrying value or fair value less any costs to sell. Any liabilities associated with the assets being sold are categorized on the balance sheet as current liabilities. AHFS are no longer depreciated or amortized.

**Property and Equipment** — Property and equipment is recorded at cost and depreciated using the straight-line method. Expenditures which extend the useful lives of existing property and equipment are capitalized. Those costs which do not extend the useful lives are expensed as incurred. Upon disposition, the cost and accumulated depreciation are removed and any gain or loss on the disposal is reflected in the statements of operations.

**Segment Reporting** — Our operations represent a single segment because each revenue stream possesses similar production methods, distribution methods, and customer quality and consumption characteristics, resulting in similar long-term expected financial performance.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Revenue** – Our primary sources of revenue are from providing technology, engineering services and products to the offshore industry and governmental entities. Revenue is generated pursuant to contractual arrangements to design and develop subsea robots and software and to provide related engineering, technical, and other services according to the specifications of the customers. These contracts can be service sales (cost plus fixed fee or firm fixed price) or product sales and typically have terms of up to 18 months. The Company had no product sales for the three months ended March 31, 2024 and 2023, respectively.

A performance obligation is a promise in a contract to transfer distinct goods or services to a customer. For all contracts, we assess if there are multiple promises that should be accounted for as separate performance obligations or combined into a single performance obligation. We generally separate multiple promises in a contract as separate performance obligations if those promises are distinct, both individually and in the context of the contract. If multiple promises in a contract are highly interrelated or require significant integration or customization within a group, they are combined and accounted for as a single performance obligation.

Our performance obligations under service agreements generally are satisfied over time as the service is provided. Revenue under these contracts is recognized over time using an input measure of progress (typically costs incurred to date relative to total estimated costs at completion). This requires management to make significant estimates and assumptions to estimate contract sales and costs associated with its contracts with customers. At the outset of a long-term contract, the Company identifies risks to the achievement of the technical, schedule and cost aspects of the contract. Throughout the contract term, on at least a quarterly basis, we monitor and assess the effects of those risks on its estimates of sales and total costs to complete the contract. Changes in these estimates could have a material effect on our results of operations. Where the current estimate of total costs at completion for contracts exceeds the total consideration we expect to receive we recognize the entire expected loss in the period that becomes evident. Estimated contract costs include costs that relate directly to the contract including direct labor, direct materials, and allocations of certain overhead costs.

Firm-fixed price contracts present the risk of unreimbursed cost overruns, potentially resulting in lower-than-expected contract profits and margins. This risk is generally lower for cost plus fixed fee contracts which, consequently, often have a lower margin.

**Inventories** – The inventories of Olympic Arms comprise raw materials, work in progress, and finished goods, as applicable, and are valued at the lower of cost or net realizable value. Work in progress and finished goods inventories include raw materials, direct labor and production overhead. The Company periodically reviews inventories on hand and current market conditions to determine if the cost of raw materials, work in progress and finished goods inventories exceed current market prices and impairs the cost basis of the inventory accordingly. The associated impairment is charged as a standalone expense on the condensed consolidated statement of operations. Obsolete inventory or inventory in excess of management’s estimated usage requirement is written down to its net realizable value if those amounts are determined to be less than cost. The associated write-downs or write-offs of inventory are charged to cost of sales.

Inventories consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Raw material and supplies	\$ 897,880	\$ 898,335
Work in progress	1,316,846	1,300,462
Finished goods	-	-
Total inventories	<u>\$ 2,214,726</u>	<u>\$ 2,198,797</u>

**Leases** – The Company’s lease arrangements are operating leases which are capitalized on the balance sheet as right-of-use (“ROU”) assets and obligations. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. These are recognized at the lease commencement date based on the present value of payments over the lease term. If leases do not provide for an implicit rate, we use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term as the lease payments. Lease expense for operating leases is recognized on a straight-line basis over the lease

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

term. Leases with an initial term of 12 months or less ("short term leases") are not recorded on the balance sheet; and the lease expense on short-term leases is recognized on a straight-line basis over the lease term.

**Stock-Based Compensation** – The Company accounts for employee stock-based compensation using the fair value method. Compensation cost for equity incentive awards is based on the fair value of the equity instrument generally on the date of grant and is recognized over the requisite service period. The Company's policy is to issue new shares upon the exercise or conversion of options and recognize option forfeitures as they occur.

**Income Taxes** – Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax asset (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. A valuation allowance for deferred tax assets is recorded when it is more likely than not that the benefit from the deferred tax asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company had no material uncertain income tax positions as of March 31, 2024, and December 31, 2023.

**Foreign Currency Gains and Losses** – The Company purchases certain materials and equipment from foreign companies and these transactions are generally denominated in the vendors' local currency. The Company recorded \$5,147 of foreign currency transaction losses and \$9,884 of foreign currency transaction gains for the three months ended March 31, 2024 and 2023, respectively.

**Common Stock Warrants** – We account for common stock warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance. This assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability or requirements for equity classification, including whether the warrants are indexed to the Company's Common Stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

We have determined that the Public and Private warrants should be accounted for as liabilities. The Private Warrants and Public Warrants were initially recorded at their estimated fair value. They are then revalued at each reporting date thereafter, with changes in the fair value reported in the condensed consolidated statements of operations. Derivative warrant liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date. The fair value of the Private Warrants was estimated using a Black-Scholes option pricing model (a Level 3 measurement). The Public Warrants are valued using their publicly-traded price at each measurement date (a Level 1 measurement).

We have determined that the SPA Warrants should be accounted for as liabilities. The SPA Warrants were initially recorded at their estimated fair value and are then revalued at each reporting date thereafter, with changes in the fair value reported in the condensed consolidated Company's statements of operations. Derivative warrant liabilities are classified in our balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date. The fair value of the Original SPA Warrants was estimated using a Black-Scholes option pricing model (a Level 3 measurement).

**Earnout Shares** – Following the closing of the Merger between CleanTech, Merger Sub and Nauticus Robotics Holdings on September 9, 2022, former holders of shares of Nauticus Robotics Holdings Inc.'s Common Stock are entitled to received their pro-rata share of Earnout Shares which are held in escrow. The Earnout Shares will be released upon the

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

occurrence of a triggering event within 5 years of the issue date (see Note 11, "Equity"). The Earnout Shares are considered legally issued and outstanding shares of Common Stock subject to restrictions on transfer and potential forfeiture pending the achievement of the earnout targets. The Company evaluated the Earnout Shares and concluded that they meet the criteria for equity classification. The Earnout Shares were classified in stockholders' equity, recognized at fair value upon issuance and will not be subsequently remeasured. A Monte Carlo valuation model (a Level 3 measurement) determined their estimated fair value upon issuance.

**Capitalized Interest** – The Company capitalizes interest costs incurred to work in progress during the related construction periods. Capitalized interest is charged to cost of revenue when the related completed project is delivered to the buyer. During the three months ended March 31, 2023, the Company capitalized interest totaling \$234,985, of which \$95,886 and \$139,099 related to inventory and property and equipment, respectively. The Company did not capitalize interest during the three months ended March 31, 2024.

**Earnings (Loss) per Share** – Basic earnings per share is computed by dividing income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional shares of common stock that could have been outstanding assuming the exercise of stock options and warrants (determined using the treasury stock method) and conversion of convertible debt. The Earnout Shares, which are subject to forfeiture if the achievement of certain stock price thresholds is not met, are not considered participating securities and are not included in the weighted-average shares outstanding for purposes of calculating loss per share.

**Major Customer and Concentration of Credit Risk** – We have a limited number of customers. During the three months ended March 31, 2024, sales to two customers accounted for 100% of total revenue. The total balance due from these customers as of March 31, 2024, comprised 69% of accounts receivable. During the three months ended March 31, 2023, sales to two customers accounted for 99% of total revenue. The total balances due from these customers as of December 31, 2023, made up 68% of accounts receivable, with the remaining 32% due from one other customer. No other customer represented more than 10% of our revenue. Loss of these customers could have a material adverse impact on the Company.

**Reclassifications** – Financial statements presented for prior periods include reclassifications that were made to conform to the current year presentation. There was no material impact to the condensed consolidated financial statements for these changes.

**Accounting Standards Issued but not adopted as of March 31, 2024** – In November of 2023, FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments are intended to increase reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the impact of this guidance on the disclosures within our condensed consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this guidance will have on the disclosures within our condensed consolidated financial statements.

There are no other new accounting pronouncements that are expected to have a material impact on our condensed consolidated financial statements.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**3. Revenue**

The following table presents the components of our revenue:

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cost plus fixed fee	\$ 214,414	\$ 1,949,509
Firm fixed-price	249,940	871,271
<b>Total</b>	<b>\$ 464,354</b>	<b>\$ 2,820,780</b>

Our performance obligations under service agreements are generally satisfied over time as the service is provided and, therefore, all revenue above has been recognized over time.

**Contract Balances** – Accounts receivable, net as of March 31, 2024, totaled \$157,327 due from customers for contract billings and is expected to be collected within the next three to six months. As of December 31, 2023, accounts receivable, net totaled \$212,428. As of March 31, 2024, and December 31, 2023, allowances for doubtful accounts included in accounts receivable totaled \$0. Bad debt expense was \$39 and \$0 for the three months ended March 31, 2024 and 2023.

Contract assets include unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Contract assets are recorded at the net amount expected to be billed and collected. Contract assets were \$0 at March 31, 2024 and December 31, 2023.

Contract liabilities include billings in excess of revenue recognized and accruals for certain contract obligations. The Company had contract liabilities at March 31, 2024 and December 31, 2023 of \$478,079 and \$2,767,913, respectively, which includes costs accrued for an ongoing contract expected to be loss making. The loss on contract was reported on the consolidated income statement in the fourth quarter of the year ended December 31, 2023. The decrease in contract liabilities at March 31, 2024 is primarily attributable to costs incurred on the loss making contract in the first quarter of 2024 being offset against the accrual.

**Unfulfilled Performance Obligations** – As of March 31, 2024, we expect to recognize approximately \$1,090,000 of revenue in future periods from unfulfilled performance obligations from existing contracts with customers.

The following table summarizes the expected revenue from our unfilled performance obligations as of March 31, 2024:

	<b>Expected Revenue from Unfulfilled Performance Obligations by Period</b>	
	<b>Total</b>	<b>2024</b>
Unfulfilled performance obligations:		
Performance obligations	\$ 1,090,000	\$ 1,090,000
<b>Total unfulfilled performance obligations</b>	<b>\$ 1,090,000</b>	<b>\$ 1,090,000</b>

If any of our contracts were to be modified or terminated, the expected value of the unfulfilled performance obligations of such contracts would be reduced.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Prepaid material purchases	\$ 157,953	\$ 440,091
Prepaid insurance	1,238,803	1,282,703
Other prepayments	182,829	166,424
Total prepaid expenses	<u>\$ 1,579,585</u>	<u>\$ 1,889,218</u>
Term loan receivable	\$ -	\$ 695,000
Other current assets	316,018	330,214
Total other current assets	<u>\$ 316,018</u>	<u>\$ 1,025,214</u>

**5. Property and Equipment**

Property and equipment consisted of the following:

	<b>Useful Life (years)</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Leasehold improvements	5	\$ 796,136	\$ 796,136
Property & equipment	3-5 years	6,315,759	5,906,859
Technology hardware equipment	3-5 years	1,899,513	1,907,770
Total		9,011,408	8,610,765
Less accumulated depreciation		(2,478,158)	(2,035,034)
Construction in progress		9,325,645	9,329,114
Total property and equipment, net		<u>\$ 15,858,895</u>	<u>\$ 15,904,845</u>

During the year ended December 31, 2023, the Company conducted a thorough review of its assets and decided to divest items that no longer aligned with its strategic objectives. This strategic shift aimed to enhance cash flow within the company. Consequently, through an update of its business model, the Company identified and reclassified \$2,940,254 worth of property and equipment, including Hydronaut vessels, the Drix unmanned surface vessel, and other miscellaneous equipment, as AHFS. At March 31, 2024 property and equipment totaling \$1,310,832 remains as AHFS with the decrease driven primarily by the sale of Hydronaut vessels 2 and 3 on January 22, 2024, for \$1,533,609 which included cash of \$375,000, combined with the offset of open payable invoices. The Company is actively pursuing the sale of the remaining assets earmarked for sale and anticipates that the majority will be sold by the end of the third quarter of 2024.



**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**6. Accrued Liabilities**

Accrued liabilities consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accrued compensation	\$ 425,186	\$ 618,630
Accrued severance	1,130,217	1,375,000
Accrued professional fees	780,647	1,355,721
Accrued insurance	970,840	876,150
Accrued sales and property taxes	768,927	885,292
Accrued royalties	287,500	250,000
Accrued interest	1,466,433	-
Accrued AHFS liability	-	1,158,609
Accrued lease termination costs	657,000	657,000
Other accrued expenses	13,607	162,697
<b>Total accrued expenses</b>	<b>\$ 6,500,357</b>	<b>\$ 7,339,099</b>

In April 2023, the Company received correspondence from the State of Texas assessing a sale and use tax liability of \$575,602. The sales and use tax audit is currently ongoing. The accrual is recorded under accrued liabilities of the condensed consolidated balance sheet as of March 31, 2024.

The Hydronaut vessels 2 and 3 are reported as AHFS at December 31, 2023 at an amount based on an offer for sale. The offer for sale contains both cash and non-cash considerations. The AHFS liability of \$1,158,609 includes the non-cash consideration, which are purchase invoices submitted by the purchaser that will be foregone upon closing of the sale. Hydronaut vessels 2 and 3 were sold on January 22, 2024, and the AHFS current asset of December 31, 2023 was offset with the AHFS liability and cash received.

In December 2023, the Company started negotiations to exit a lease for office space. The negotiations completed in March 2024 with the Company agreeing a settlement figure with the lessor of \$657,000. See Note 8, "Leases" for further discussion. The accrual is recorded under accrued liabilities on the condensed consolidated balance sheet as of December 31, 2023.

**7. Notes Payable**

Notes payable consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Convertible secured debentures	\$ 36,530,320	\$ 36,530,320
Convertible senior secured term loan	25,600,000	12,295,000
<b>Total</b>	<b>62,130,320</b>	<b>48,825,320</b>
Less: debt discount, net	(15,443,684)	(16,593,357)
Less: capitalized debt issuance costs	(1,788,468)	(661,922)
Senior bridge note exit fee provision	51,820	27,608
<b>Total notes payable – long-term</b>	<b>\$ 44,949,988</b>	<b>\$ 31,597,649</b>

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

***Convertible Secured Debentures***

On September 9, 2022, we issued Debentures, secured debt instruments, which featured a 2% original issue discount, in an aggregate principal amount of \$36,530,320, together with 2,922,425 associated warrants ("Original SPA Warrants"), for gross proceeds of \$35,800,000. The fair value of the Original SPA Warrants was estimated to be \$20,949,110 using a Monte Carlo valuation model incorporating future projections of the various potential outcomes and any exercise price adjustments based on future financing events. This amount was recorded as a warrant liability and, together with the original issue discount, was recognized as a debt discount upon issuance totaling \$21,679,716.

The Debentures were convertible at each holder's option at 120% of the principal amount at a conversion price of \$15.00 or 2,922,425 shares of Common Stock, subject to certain adjustments including full ratchet anti-dilution price protections. Interest accrued on the outstanding principal amount of the Debentures at 5% per annum, payable quarterly. The Debentures were secured by first priority interests, and liens on, all our assets, and are scheduled to mature on the fourth anniversary of the date of issuance, September 9, 2026.

***Exchanged Senior Secured Convertible Debenture***

On January 30, 2024, the Company and certain of its subsidiaries and ATW Special Situations I LLC ("ATW I") entered into an Amendment and Exchange Agreement (the "Amendment and Exchange Agreement"), pursuant to which ATW I transferred its existing 5% Original Issue Discount Senior Secured Convertible Debenture to the Company in exchange for a new Original Issue Discount Exchanged Senior Secured Convertible Debenture due September 9, 2026 (the "New Debenture") in the aggregate principal amount of \$29,591,600. The Amendment and Exchange Agreement provides for certain amendments to the Securities Purchase Agreement dated December 16, 2021, as amended, and contains certain covenants of the Company to, among other items, hold one or more stockholder meetings in respect of the shares of the Company's common stock underlying the New Debentures and obtain certain voting agreements related thereto. In addition, on January 30, 2024, the Company and certain of its subsidiaries entered into additional Amendment and Exchange Agreements with Material Impact Fund II, L.P. (MIF) and SLS Family Irrevocable Trust on substantially similar terms, pursuant to which MIF and SLS Family Irrevocable Trust transferred their existing 5% Original Issue Discount Senior Secured Convertible Debentures to the Company in exchange for New Debentures in the aggregate principal amount of \$5,102,000 and \$1,836,720, respectively.

The New Debentures provide for, among other items: (a) an interest rate of 5% per annum, payable quarterly in shares of the Company's common stock (if the conditions described therein are met) and/or in cash, at the Company's option; (b) conversion by the holder into shares of the Company's common stock at any time (subject to limitations on conversion described therein); (c) a conversion price of \$0.4582 (subject to adjustment as provided therein) with shares of the Company's common stock issuable on conversion determined by dividing 120% of the applicable "conversion amount" (as defined in the New Debenture) by the conversion price; (d) prior to the date of sale of the Company's common stock (or equivalents) in one or in a series of transactions resulting in net cash proceeds to the Company of at least \$30 million an alternate conversion price at the lower of (1) \$0.4582 (subject to adjustment as provided therein) and (2) the greater of a floor price of \$0.0878 (subject to adjustment as provided therein) and 98% of the lowest volume-weighted average price ("VWAP") of the Company's shares of common stock during the applicable 10-trading day period (subject to payment in cash if the applicable VWAP calculation is less than the floor price), and an interest conversion rate of 90% of such alternate conversion price; and (d) an option by the holder to extend the maturity date by an additional year.

Generally, upon an event of default the outstanding principal, interest, liquidated damages, and other amounts become immediately due and payable in cash (and interest then accrues at 18% per annum). The obligations of the Company under the New Debentures are generally secured by all assets of the Company and its subsidiaries, and are generally guaranteed by the Company's subsidiaries. The New Debentures include, among other items, representations, warranties, affirmative and negative covenants, certain adjustments (including in respect of stock dividends, stock splits, and subsequent equity sales and rights offerings, pro rata distributions, and fundamental transactions), certain limitations on share issuances (including prior to stockholder approval), optional redemption, liquidated damages, events of default, and remedies, in each case, as further described therein.

As of March 31, 2024 and December 31, 2023, the convertible secured debentures payable was \$21,086,636 and \$19,936,963, respectively, including unamortized debt discount of \$15,443,684 and \$16,593,357, respectively. The debt

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

discount is being accreted to interest expense over the four-year term of the Debentures. Debt discount amortization of \$1,149,672 was included within interest expense in the condensed consolidated statement of operations for the three months ended March 31, 2024. The Debentures effective interest rate was approximately 22.7% at March 31, 2024 and 25.2% at March 31, 2023.

***RCB Equities #1, LLC***

On July 14, 2023, the Company issued a secured promissory note to RCB Equities #1, LLC (RCB) for \$5,000,000. The promissory note included a 2.5% original issue discount or \$125,000, interest at 15% per annum, and was scheduled to mature on September 9, 2026. The promissory note provided for an exit fee of \$125,000 if paid off in full between October 12, 2023, and the maturity date, with no other considerations triggered for premiums or penalties. Further, the promissory note provided for an automatic rollover into the structure of certain future debt-financing transactions. On September 18, 2023, the RCB promissory note was rolled into the convertible senior secured term loan discussed below bearing interest at 12.5% per annum including the \$125,000 exit fee.

***Convertible Senior Secured Term Loan***

On September 18, 2023, the Company entered into a convertible senior secured term loan agreement, the "2023 Term Loan Agreement", with ATW Special Situations II LLC ("ATW II") as collateral agent (in such capacity, the "Collateral Agent") and lender, and Transocean Finance Limited, ATW I, MIF, and RCB, as lenders.

The 2023 Term Loan Agreement provides the Company with up to \$20 million of secured term loans. Any portion of the outstanding principal amount of the loans is prepayable at the Company's option pro rata to each Lender upon at least 5 days' prior written notice to each Lender.

The initial amount funded under the 2023 Term Loan Agreement was \$11,600,000, (the "2023 Term Loan"). The 2023 Term Loan Agreement included a 2.5% exit fee of \$290,000, bearing interest at 12.50% per annum, payable quarterly in arrears on the first day of each calendar quarter commencing April 1, 2024. The exit fee is being provided for over the period of the loan. The loan agreement included a 2.5% original issue discount of \$125,000 from the RCB promissory note. The loan includes assumed legal fees of \$577,500 and deemed interest from convertible debentures of \$378,118. The debt discount is being accreted to interest expense over the period of the loan. The legal fees are being amortized to interest expense over the period of the loan. The Loans will mature on the earliest of (a) the third anniversary of the date of the 2023 Term Loan Agreement of September 17, 2026, (b) 91 days prior to the maturity of the 5% Original Issue Discount Senior Secured Convertible Debentures, dated as of September 9, 2022.

Subject to the terms and conditions of the 2023 Term Loan Agreement, the Company may, upon at least two trading days' written notice to the Lenders, elect to redeem some or all of the then outstanding principal amount of the Loans. In connection with any such election, which shall be irrevocable, the Company shall pay each Lender, on a pro rata basis, an amount in cash equal to the greater of (x) the sum of (i) 100% of the then outstanding principal amount of the Loans, (ii) accrued but unpaid interest and (iii) all liquidated damages and other amounts due in respect of the Loans (including, without limitation, the Exit Fee (as defined in the 2023 Term Loan Agreement)) (the "Optional Redemption Amount") and (y) the product of (i) the aggregate number of shares of the Company's common stock, par value \$0.0001 per share ("Common Stock"), then issuable upon conversion of the applicable Optional Redemption Amount (without regard to any limitations on conversion set forth in the 2023 Term Loan Agreement) multiplied by (ii) the highest closing sale price of the Common Stock on any trading day during the period commencing on the date immediately preceding the date that the applicable notice of redemption is delivered to the Lenders and ending on the trading day immediately prior to the date the Company makes the entire payment required to be made in connection with such redemption.

The Loans are convertible, in whole or in part, at the option of each Lender into shares of Common Stock until the date that the Loans are no longer outstanding, at a conversion rate equal to the outstanding principal amount of the Loans to be converted divided by a conversion price of \$6.00 per share of Common Stock (the "Conversion Price"), subject to certain customary anti-dilution adjustments as described in the 2023 Term Loan Agreement.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

***First Amendment to Convertible Senior Secured Term Loan***

On December 31, 2023, the Company entered into a First Amendment to 2023 Term Loan Agreement, dated as of December 31, 2023 (the "First Amendment"), by and among the Company, the subsidiary guarantors (as defined in the First Amendment) and ATW II which amended that certain 2023 Term Loan Agreement dated as of September 18, 2023 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Term Loan Agreement") with ATW II, as collateral agent (as replaced by Acquiom Agency Services LLC, in such capacity, the "Collateral Agent") and lender, and Transocean Finance Limited ("Transocean Finance"), ATW I, MIF, and RCB, as lenders (collectively, the "Initial Lenders").

The First Amendment provided the Company with an incremental loan in the aggregate principal amount of \$695,000 (the "December 2023 Incremental Loan"), subject to the terms and conditions set forth in the Term Loan Agreement and the First Amendment. The total loan funded under the Term Loan Agreement and First Amendment as of December 31, 2023 is \$12,295,000. The December 2023 Incremental Loan would be made on the same terms as the 2023 Term Loan and be deemed to be Additional Term Loans for all purposes under the Term Loan Agreement. The loan assumed debt issuance costs of \$72,000 which are being amortized to interest expense over the period of the loan.

***Second Amendment to convertible Senior Secured Term Loan***

On January 30, 2024, the Company entered into a Second Amendment to Term Loan Agreement, dated as of January 30, 2024 (the "Second Amendment"), by and among the Company, the guarantors (as defined in the Second Amendment) and the required lenders (as defined in the Second Amendment), which amended that certain Term Loan Agreement, dated as of September 18, 2023, by and among the Company, Transocean Finance, ATW I, MIF and RCB as lenders and ATW II, as collateral agent (as succeeded by Acquiom Agency Services LLC).

In connection with the Second Amendment, the Company also entered into a Second Agreement regarding incremental loans, dated as of January 30, 2024 (the "Second Agreement"), by and among the Company, the guarantors (as defined in the Second Agreement), and ATW II and MIF, as incremental lenders. The Second Agreement provides the Company with an incremental loan in the aggregate principal amount of \$3,753,144 (the "January 2024 Incremental Loan"). The January 2024 Incremental Loan would be made on the same terms as the 2023 Term Loan and be deemed to be Additional Term Loans for all purposes under the Term Loan Agreement.

***New Senior Secured Term Loan Agreement***

On January 30, 2024, the Company also entered into a senior secured term loan agreement (the "2024 Term Loan Agreement") with ATW Special Situations Management LLC ("ATW Management"), as collateral agent (in such capacity, the "Collateral Agent") and lender, and ATW Special Situations III LLC ("ATW III"), MIF, VHG Investments, ATW II and ATW I, as lenders.

The 2024 Term Loan Agreement provides the Company with an aggregate \$9,551,856 of secured term loans (the "2024 Loans"). Any portion of the outstanding principal amount of the 2024 Loans are prepayable at the Company's option pro rata to each Lender upon at least 5 days' prior written notice to each Lender. The 2024 Term Loan Agreement also provides for up to an additional \$6 million of secured term loans within 180 days of signing, \$1 million of which has already been committed by ATW III or an affiliate. The 2024 Loans assumed debt issuance costs of \$1,237,291 which are being amortized to interest expense over the period of the loan.

The 2024 Loans bear interest at the rate of 15% per annum, payable quarterly in arrears on the first day of each calendar quarter commencing April 1, 2024. The 2024 Loans (other than the ATW Extended Maturity Term Loan) will mature on the earliest of: (a) the third anniversary of the date of the Term Loan Agreement, (b) the maturity of the Indebtedness under that certain Term Loan Agreement among the Company, the lenders party thereto and Acquiom Agency Services LLC, as collateral agent, dated September 18, 2023, as amended on December 31, 2023, and as further amended on January 30, 2024 (the "Term Loan Agreement"), and (c) 91 days prior to the maturity of the 5% Original Issue Discount Senior Secured Convertible Debentures, dated as of September 9, 2022 (the "Original Debentures"), issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of December 16, 2021, as amended on January 31, 2022, and as further amended on September 9, 2022, and as further amended on January 30, 2024 (the "SPA"). The ATW

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Extended Maturity Term Loan will mature on the earlier of the 30th anniversary of the date of the Term Loan Agreement or such earlier date as is required or permitted to be repaid under the Term Loan Agreement.

The 2024 Loans are convertible, in whole or in part, at the option of each Lender into shares of Common Stock until the date that the 2024 Loans are no longer outstanding, at a conversion rate equal to the outstanding principal amount of the Loans to be converted divided by a conversion price of \$0.4582 per share of Common Stock, subject to certain adjustments as described in the 2024 Term Loan Agreement.

As of March 31, 2024 and December 31, 2023, \$23,863,352 and \$11,660,686, respectively, was payable under the 2023 Term Loan, the December 2023 Incremental Loan, the January 2024 Incremental Loan and the 2024 Loans (collectively the "convertible senior term loans") including unamortized debt issuance costs of \$1,788,468 and \$661,922, respectively, and a provision for exit fees of \$51,820 and \$27,608, respectively. Interest expense for the three months ended March 31, 2024 includes \$9,924 of debt discount amortization, \$24,212 provision for exit fees and \$142,821 amortization of debt issuance costs.

#### **8. Leases**

The Company determines if an arrangement is a lease at inception based on whether the Company has the right to control the use of an identified asset, the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. After the criteria are satisfied, the Company accounts for these arrangements as leases in accordance with ASC 842, Leases. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. For leases in which the Company is the lessee and do not have a readily determinable implicit rate, an incremental borrowing rate, based on the information available at the lease commencement date, is utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. The Company uses the implicit rate for agreements in which it is a lessor. The Company has not entered into any material agreements in which it is a lessor. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

In March 2024, the Company extended the lease on its current office and manufacturing facility for an additional 3 years. The incremental borrowing rate on this lease of 8% was used to determine the present value of lease payments and establish the right-of-use asset and lease liability at lease inception for this lease.

In July of 2023, the Company entered into an operating lease for office space in Scotland. The lease has a term of 5 years with two options to extend. The Company's secured borrowing rate of 15% was used to determine the present value of the lease payments and establish the right-of-use asset and lease liability at lease inception for this lease. During the first quarter of 2024 management decided the Company would not extend this lease beyond its initial term and a loss on lease termination of \$356 was reported under other (income) expense on the condensed consolidated statement of operations.

In August of 2023, the Company entered into an operating lease for office space in Norway. The lease has a term of 5 years. The Company's secured borrowing rate of 15% was used to determine the present value of the lease payments and establish the right-of-use asset and lease liability at lease inception for this lease. During the first quarter of 2024, the Company agreed with the lessor to reduce the size of the office space leased and a gain on lease termination of \$15,721 was reported under other (income) expense on the condensed consolidated statement of operations.

The Company's other operating leases include leases for certain office equipment.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The following table presents the Company's lease costs which are included in general and administrative expenses in the unaudited condensed consolidated statements of operations:

	Three months ended March 31,	
	2024	2023
Fixed lease expense	\$ 136,645	\$ 102,969
Variable lease expense	124,361	8,935
Total operating lease expense	261,006	111,904
Short-term lease expense	20,513	-
Total lease expense	<u>\$ 281,519</u>	<u>\$ 111,904</u>

Cash paid for operating leases was \$147,116 and \$92,629 for the three months ended March 31, 2024, and March 31, 2023, respectively.

The following table presents the balance and classifications of the Company's right-of-use assets and lease liabilities included in the unaudited condensed balance sheets:

	March 31, 2024	December 31, 2023
Operating lease right-of-use assets	\$ 1,568,705	\$ 834,972
Current portion of operating lease liabilities	356,421	244,774
Long-term operating lease liabilities	1,229,219	574,260
Total operating lease liabilities	<u>\$ 1,585,640</u>	<u>\$ 819,034</u>

For operating lease assets and liabilities, the weighted average remaining lease term was 3.9 years and 8.7 years as of March 31, 2024, and December 31, 2023, respectively. The weighted average discount rate used in the valuation over the remaining lease terms was 12.6% as of March 31, 2024, and 14.3% as of December 31, 2023.

The following table presents the Company's maturities of lease liabilities as of March 31, 2024:

2024 (excluding the three months ended March 31, 2024)	\$ 366,040
2025	573,152
2026	583,306
2027	316,110
2028	53,409
2029 onward	-
Total lease payments	1,892,017
Total present value discount	(306,377)
Operating lease liabilities	<u>\$ 1,585,640</u>

**9. Commitments and Contingencies**

**Litigation** – From time to time, we may be subject to litigation and other claims in the normal course of business. No amounts have been accrued in the condensed consolidated financial statements with respect to any matters.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**10. Income Taxes**

Income tax provisions for interim periods are generally based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent, or unusual items related specifically to interim periods. No income tax expense was recognized for the three months ended March 31, 2024, or 2023. The Company has a full valuation allowance against its deferred income tax assets as of March 31, 2024, and December 31, 2023, respectively.

**11. Equity**

**Common Stock** – A total of 57,317,025 shares of Common Stock were outstanding as of March 31, 2024.

On December 31, 2023, the Company and ATW I, as the purchaser, entered into a Securities Purchase Agreement (the “PIPE SPA”), pursuant to which the purchaser agreed to purchase up to an aggregate of \$5,000 of the shares of common stock of the Company, par value \$0.0001 per share (the “Common Stock”), at a \$2 per share purchase price. The sale of these shares of Common Stock was subject to the terms and conditions set forth in the PIPE SPA and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder as a transaction by an issuer not involving a public offering. As a result of the sale of shares under the PIPE SPA, the conversion prices under the warrants and debentures issued pursuant to the Securities Purchase Agreement were reset to \$2 pursuant to their terms, removing future dilutive effects pursuant to the “ratchet” provisions of such warrants and debentures.

**Earnout Shares** – Following the closing of the Merger between CleanTech, Merger Sub and Nauticus Robotics Holdings on September 9, 2022, former holders of shares of Nauticus Robotics Holdings’ Common Stock (including shares received as a result of the Nauticus Preferred Stock Conversion and the Nauticus Convertible Notes Conversion) are entitled to receive their pro rata share of up to 7,499,993 Earnout Shares which are held in escrow. The Earnout Shares will be released from escrow upon the occurrence of the following (each a “triggering event”):

- i. one-half of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds \$15.00 per share over any 20 trading days within a 30-day trading period;
- ii. one-quarter of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds \$17.50 per share over any 20 trading days within a 30-day trading period; and
- iii. one-quarter of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds \$20.00 per share over any 20 trading days within a 30-day trading period.

As of March 31, 2024, the Earnout targets have not been achieved, and the Earnout Shares remain in escrow.

**12. Warrants**

**Public Warrants** – We assumed 8,624,991 Public Warrants on September 9, 2022 which remained outstanding as of March 31, 2024. Each whole Public Warrant entitles the holder to purchase one share of Common Stock at a price of \$11.50, subject to adjustment. However, no Public Warrants will be exercisable for cash unless we have an effective and current registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants and a current prospectus relating to such shares of Common Stock. Notwithstanding the foregoing, if a registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants is not effective within 120 days of September 9, 2022, warrant holders may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise, subject to the terms of the governing warrant agreement, Public Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. The Public Warrants expire on September 9, 2027, or earlier upon redemption or liquidation. Our Public Warrants are listed on Nasdaq under the symbol “KITTW”.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

We may redeem the outstanding Public Warrants, in whole and not in part, at a price of \$0.01 per warrant:

- at any time after the Public Warrants become exercisable,
- upon not less than 30 days' prior written notice of redemption to each warrant holder,
- if, and only if, the reported last sale price of the shares of Common Stock equals or exceeds \$16.50 per share (subject to adjustment for splits, dividends, recapitalizations and other similar events), for any 20 trading days within a 30-day trading period ending on the third business day prior to the notice of redemption to warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If we call the Public Warrants for redemption as described above, we have the option to require all holders that wish to exercise warrants to do so on a "cashless basis."

The exercise price and number of shares of Common Stock issuable on exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation.

The Public Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of March 31, 2024 and December 31, 2023 at \$251,850 and \$451,088, respectively, based on their publicly-traded price. The gain in value of the Public Warrants during the three months ended March 31, 2024 and 2023, was \$199,238 and \$319,247, respectively, and was reported within other (income) expense in our condensed consolidated statements of operations.

**Private Warrants** – We assumed 7,175,000 Private Warrants, which are not publicly traded, on September 9, 2022. These remained outstanding as of March 31, 2024. Each whole Private Warrant is exercisable for one share of Common Stock at an exercise price of \$11.50 and is identical in all material respects to the Public Warrants except that the Private Warrants are exercisable for cash (even if a registration statement covering the shares of Common Stock issuable upon exercise of such warrants is not effective) or on a cashless basis, at the holder's option, and will not be redeemable by us, in each case so long as they are still held by the initial purchasers or their affiliates. The Private Warrants purchased by CleanTech Investments, LLC are not exercisable after July 14, 2026, as long as Chardan Capital Markets, LLC or any of its related persons beneficially own these Private Warrants.

The Private Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of March 31, 2024 and December 31, 2023 at \$212,476 and \$380,531, respectively. The fair value of the Private Warrants was estimated using a Black-Scholes option pricing model using the following assumptions: stock price of \$0.32, no assumed dividends, a risk-free rate of 4.36%, implied volatility of 99.9%, and a remaining term of 3.44 years. The gain in the value of the Private Warrants during the three months ended March 31, 2024 and 2023, totaled \$168,055 and \$281,362, respectively, and was reported with other (income) expense in our condensed consolidated statements of operations.

**SPA Warrants** – On September 9, 2022 and pursuant to the Securities Purchase Agreement, we issued an aggregate 2,922,425 Original SPA Warrants to the SPA Parties. Upon issuance, each whole Original SPA Warrant was exercisable over its 10-year term for one share of Common Stock at a price of \$20.00 per share, subject to certain adjustments including full ratchet anti-dilution price protections.

In connection with the Securities Purchase Agreement, the Company and the SPA Parties entered into that certain Registration Rights Agreement, dated as of September 9, 2022 (the "RRA"), pursuant to which the Company and the SPA Parties agreed to certain requirements and conditions covering the resale by the SPA Parties of the shares of Common Stock underlying the Debentures and Original SPA Warrants. Under the terms of the RRA, the Company was required to (i) file a registration statement (the "Initial Registration Statement") covering such underlying shares within 15 business days of the Closing and (ii) use its best efforts to cause the Initial Registration Statement to be declared effective as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date (as defined in



**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

the RRA) (the “Registration Requirements”). The RRA additionally provided for liquidated damages if the Registration Requirements were not met.

On June 22, 2023, the Company and the SPA Parties entered into the first amendment to the RRA (the “RRA Amendment”), pursuant to which the Company agreed to deliver to the SPA Parties an aggregate 1,890,066 shares of Common Stock at an agreed upon price of \$2.286 (the “RRA Amendment Shares”) in exchange for the waiver and release by the SPA Parties of any and all claims, remedies, causes of action and any other Initial Effectiveness Date Claims (as defined in the RRA Amendment) under any of the Transaction Documents (as defined in the RRA), including all past and future claims for liquidated damages under the RRA with respect to, and any other amounts that may be payable by reason of or otherwise relating to, the Effectiveness Date (as defined in the RRA) of the Initial Registration Statement.

During the third quarter of 2023, the Company issued 1,890,066 shares of Common Stock as payment for liquidated damages and interest of \$4,320,690, and the damages and interest were recorded under interest expense in the condensed consolidated statements of operations. The settlement date of the liquidated damages occurred August 3, 2023, with a closing price of \$1.95, with the change in the agreed upon price of \$2.286 to settlement resulting in a gain of \$635,061, which was also included in interest expense in the condensed consolidated statements of operations.

Pursuant to the RRA Amendment, the Company also agreed to file a registration statement for the registration and resale of the RRA Amendment Shares by the SPA Parties and to cause such registration statement to become effective as soon as practicable thereafter in accordance with the terms of the RRA, as amended by the RRA Amendment. The registration statement was filed on August 7, 2023 and was declared effective on September 12, 2023.

On June 22, 2023, we entered into the Letter Agreements with the SPA Parties (the “Letter Agreements”), pursuant to which the SPA Parties (also being the holders of the Original SPA Warrants) agreed to amend the exercise price of the Original SPA Warrants, which, since issuance, had been exercisable to purchase an aggregate 2,922,425 shares of Common Stock, in exchange for the Company’s agreement to (i) lower the exercise price of the Original SPA Warrants to a weighted average of \$3.28 per share, with multiple tranches priced between \$2.04 and \$4.64 per share, and (ii) upon the SPA Parties’ exercise of the Amended SPA Warrants, issue New SPA Warrants to the SPA Parties to purchase, in the aggregate, up to 2,922,425 shares of Common Stock.

During any period when we shall have failed to maintain an effective registration statement covering the shares of Common Stock issuable upon exercise of the Amended SPA Warrants, the registered holder may exercise its Amended SPA Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act.

On June 23, 2023, pursuant to its Letter Agreement with the Company, ATW I exercised 165,713 Amended SPA Warrants, pursuant to which 165,713 shares of Common Stock and 165,713 New SPA Warrants were issued to ATW by the Company in accordance with the terms of the Letter Agreement. The Company received proceeds of \$338,055 from the warrants exercised by ATW.

On September 18, 2023, the Company entered into a convertible senior secured term loan agreement convertible at \$6.00 per share. Based on the letter agreement, SPA warrants holders who exchange through March 1, 2024, the exercise price was reset from \$20.00 to \$6.00 a warrant pursuant to the full-ratchet provision. The exchange warrants were reset to \$6.00 with a factor of 3.3333, increasing the number of warrants to 552,377.

The New SPA Warrants will be (and, with respect to those already issued, are) substantially in the form of the Amended SPA Warrants as described above except that the New SPA Warrants (i) have an exercise price of \$20.00 per share (including, for purposes of clarification, full-ratchet anti-dilution on the exercise price and number of underlying shares issuable based on the aggregate exercise price using \$20.00 as the base exercise price), (ii) are immediately exercisable upon issuance, and (iii) are exercisable until September 9, 2032.

If a registration statement covering the shares of Common Stock issuable upon exercise of the New SPA Warrants is not effective 60 days after March 1, 2024 (or, in the event of a “full review” by the SEC, 120 days after March 1, 2024), upon the registered holder’s election to exercise its New SPA Warrants, the registered holder may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

statement, exercise its New SPA Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act.

On December 31, 2023, the Company and ATW I, as the purchaser, entered into a Securities Purchase Agreement (the "PIPE SPA"), pursuant to which the purchaser agreed to purchase up to an aggregate of \$5,000 shares of Common Stock of the Company at a \$2 per share purchase price. Based on the PIPE SPA, the exercise price of the SPA Warrants was reset from \$6.00 to \$2.00.

In March 2024, ATW I exercised 5,700,000 SPA Warrants in exchange for Common Stock. The Company did not receive cash in respect of this transaction.

Unless context otherwise requires, the term "SPA Warrants" means (i) before the entry into the Letter Agreements, the Original SPA Warrants, and (ii) upon and following the entry into the Letter Agreements, (a) the Amended SPA Warrants, and (b) the New SPA Warrants.

The SPA Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of March 31, 2024, at \$8,262,577 and as of December 31, 2023 at \$17,544,561. The fair value of the SPA Warrants was estimated using a Black-Scholes option pricing model using the following assumptions: stock price of \$0.32, no assumed dividends, implied volatility of 99.9%, and a remaining term of 8.5 years. The change in value of the SPA Warrants during the three months ended March 31, 2024 and 2023, was a gain of \$7,942,330 and a loss of \$2,837,513, respectively, and was reported with other (income) expense in our condensed consolidated statements of operations.

### **13. Stock-Based Compensation**

On September 6, 2022, shareholders approved our 2022 Omnibus Incentive Plan (the "Omnibus Incentive Plan") and on September 9, 2022, our board of directors ratified the Omnibus Incentive Plan. The Omnibus Incentive Plan provides for the grant of options, stock appreciation rights, restricted stock units ("RSUs"), restricted stock and other stock-based awards, any of which may be performance-based, and for incentive bonuses, which may be paid in cash, Common Stock or a combination thereof. During the three months ended March 31, 2024, 8,197,428 RSUs were granted with a weighted-average grant-date fair value of \$0.33. As of March 31, 2024, 8,646,527 equity units remained outstanding.

At September 9, 2022, 279,464 options originally issued under the 2015 Equity Incentive Plan were converted into 3,970,266 options to purchase shares of our Common Stock. As of March 31, 2024, 2,555,470 options remained outstanding.

Total stock-based compensation expense including options, PRSUs, and RSUs for the three months ended March 31, 2024 and 2023, net of forfeiture adjustments, totaled \$530,655 and \$1,214,863, respectively.

### **14. Employee Benefit Plan**

Nauticus offers a 401(k) plan which permits eligible employees to contribute portions of their compensation to an investment trust. The Company makes contributions to the plan totaling 3% of employees' gross salaries and such contributions vest immediately. The 401(k) plan provides several investment options, for which the employee has sole investment discretion. The Company's cost for the 401(k) plan was \$55,003 and \$117,342 for the three months ended March 31, 2024 and 2023, respectively.

### **15. Related Party Transactions**

**SPA Warrants** – The SPA Warrants are held by related parties ATW I, MIF and SLS Family Irrevocable Trust (see Note 12 – Warrants). In March 2024, ATW exercised 5,700,000 SPA Warrants in exchange for Common Stock.

**Convertible Secured Debentures** – On January 30, 2024, the Company and certain of its subsidiaries and ATW I entered into an Amendment and Exchange Agreement (the "Amendment and Exchange Agreement"), pursuant to which ATW I transferred its existing 5% Original Issue Discount Senior Secured Convertible Debenture to the Company in exchange for a new Original Issue Discount Exchanged Senior Secured Convertible Debenture due September 9, 2026 (the "New

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Debenture”) in the aggregate principal amount of \$29,591,600. In addition, on January 30, 2024, the Company and certain of its subsidiaries entered into additional Amendment and Exchange Agreements with MIF and SLS Family Irrevocable Trust on substantially similar terms, pursuant to which MIF and SLS Family Irrevocable Trust transferred their existing 5% Original Issue Discount Senior Secured Convertible Debentures to the Company in exchange for New Debentures in the aggregate principal amount of \$5,102,000 and \$1,836,720, respectively. (see Note 7, “Notes Payable”).

For the three months ended March 31, 2024, interest payable to ATW, MIF, and SLS Family Irrevocable Trust was \$369,895, \$63,775 and \$22,959 respectively. For the three months ended March 31, 2023 interest payable to ATW, MIF, and SLS Family Irrevocable Trust was \$369,895, \$65,192 and \$22,959 respectively.

***Convertible Senior Secured Term Loans*** – In the third quarter of 2023, the Company entered into a convertible senior secured term loan with related parties ATW II, ATW I, MIF and other non-related party lenders. The loan was subsequently amended in the fourth quarter of 2023 and the first quarter of 2024 (see Note 7, “Notes Payable”).

On January 30, 2024, the Company also entered into the 2024 Term Loan Agreement with related parties ATW Management, as collateral agent and lender, and ATW III, ATW II, ATW I, MIF and another non-related party lenders. The principal amounts outstanding on the convertible senior term loans to related parties ATW I, ATW II, ATW III and MIF at March 31, 2024 were \$1,933,362, \$5,666,638, \$1,000,000 and \$4,000,000, respectively. For the three months ended March 31, 2024, interest payable to ATW I, ATW II, ATW III and MIF was \$58,609, \$140,514, \$25,000 and \$102,083, respectively.

***Flexible Consulting, LLC*** - On December 1, 2023, the Board appointed Victoria Hay as the Interim Chief Financial Officer and principal financial officer of the Company. Victoria Hay is the co-owner and President of Flexible Consulting, LLC, a financial and accounting consulting firm, with which the Company has engaged with since January 2023 to provide it with accounting and finance services relating to its quarterly reporting and mergers/acquisition activity. Flexible Consulting, LLC is considered to be a related party from December 1, 2023. The total value of services provided by Flexible Consulting, LLC to the Company for the three months ended March 31, 2024 was \$220,000 and accounts payable included \$102,824 and \$95,177 due to Flexible Consulting, LLC at March 31, 2024 and December 31, 2023, respectively.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**16. Earnings (Loss) Per Share**

The following table is the basic and diluted earnings (loss) per share computation:

	Three months ended March 31,	
	2024	2023
Numerator:		
Net income (loss) for basic earnings per share	\$ 413,612	\$ (14,138,665)
<b>Adjustments to net income (loss) available to shareholders</b>		
Change in fair value of SPA warrant liabilities	(7,942,330)	-
Adjusted net loss for diluted earnings per share	\$ (7,528,718)	\$ (14,138,665)
Denominator:		
Weighted average shares used to compute basic EPS	44,635,720	39,765,361
Dilutive effect of:		
Restricted and performance stock units	434,562	-
SPA Warrants	21,672,526	-
Weighted average shares used to compute diluted EPS	66,742,808	39,765,361
Basic earnings (loss) per share	\$ 0.01	\$ (0.36)
Diluted loss per share	\$ (0.11)	\$ (0.36)
<b>Anti-dilutive securities excluded from shares outstanding:</b>		
Stock options	2,555,470	3,472,129
Restricted and performance stock units	4,624,496	3,169,269
Warrants	15,800,000	18,722,425
Earnout shares	7,499,993	7,499,993
Convertible debt	119,192,018	2,922,425
Total	149,671,977	35,786,241

**17. Fair Value Measurements**

The Company measures and reports certain financial and non-financial assets and liabilities on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels related to fair value measurements are as follows:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

**NAUTICUS ROBOTICS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The estimated fair values of accounts receivable, contract assets, accounts payable, accrued expenses, and indebtedness with unrelated parties approximate their carrying amounts due to the relatively short maturity or time to maturity of these instruments. Notes payable with related parties may not be arms-length transactions and therefore may not reflect fair value. The estimated fair value of the Debentures approximates their carrying amount due to their recent issuance.

The Company's non-financial assets measured at fair value on a recurring basis include Public, Private and SPA Warrants. The Private and SPA Warrants are considered Level 3 measurements as they involve significant unobservable inputs. See Note 12 for more information about the valuation methodologies and assumptions.

In accordance with the fair value hierarchy described above, the following tables show the fair value of the Company's financial liabilities that are required to be measured at fair value on a recurring basis and the related activity for the periods presented:

	<b>Fair Value as of March 31, 2024</b>			
	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial liabilities:				
Warrant liability - Public Warrants	\$ 251,850	\$ 251,850	\$ -	\$ -
Warrant liability - Private Warrants	212,476	-	-	212,476
Warrant liability - SPA Warrants	8,262,577	-	-	8,262,577
<b>Total</b>	<b>\$ 8,726,903</b>	<b>\$ 251,850</b>	<b>\$ -</b>	<b>\$ 8,475,053</b>

The following table sets forth a summary of the changes in fair value of the Company's financial liabilities:

	<b>Warrant Liability</b>
Balance, December 31, 2023	\$ 18,376,180
Exercise of warrants	(1,339,654)
Change in fair value of warrant liabilities	(8,309,623)
Balance, March 31, 2024	<u>\$ 8,726,903</u>

**18. Subsequent Events**

On May 1, 2024, the Company entered into an amendment (the "Amendment") to the 2024 Term Loan Agreement dated January 30, 2024 between the Company, ATW Management, as collateral agent, and the lenders party thereto. Pursuant to the Amendment, ATW III, one of the lenders under the 2024 Term Loan Agreement, will loan an additional \$1,000,000 (the "2024 Incremental Loan") to the Company, as previously described in the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on February 5, 2024. The Incremental Loan will have the same terms as the Term Loan Agreement and will mature on the 30th anniversary of the date of the Term Loan Agreement or such earlier date as is required or permitted to be repaid under the Term Loan Agreement.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q.*

### Overview

Nauticus Robotics, Inc. (the "Company," "our," "us" or "we") is a developer of ocean robots, cloud software and services delivered to the ocean industry. The Company's principal corporate offices are located in Webster, Texas. Our services provide customers with the necessary data collection, analytics, and subsea manipulation capabilities to support and maintain assets while reducing their operational footprint, operating cost, and greenhouse gas emissions, as well as to improve offshore health, safety, and environmental exposure.

Our subsea robotic product, Aquanaut, is a vehicle that begins its mission in a hydrodynamically efficient configuration that enables efficient transit to the worksite (i.e., operating as an autonomous underwater vehicle, or "AUV"). During transit (operating in survey mode), Aquanaut's sensor suite provides the capability to observe and inspect subsea assets or other subsea features. Once it arrives at the worksite, Aquanaut transforms its hull configuration to expose two electric manipulators that can perform dexterous tasks with (supervised), or without (autonomous), direct human involvement. In this intervention mode, the vehicle has capabilities similar to a conventional remotely operated vehicle ("ROV"). The ability to operate in both AUV and ROV modes is a quality unique to our subsea robot and is protected under a U.S. patent. To take advantage of these special configuration qualities, we have developed underwater acoustic communication technology, called Wavelink, our over-the-horizon remote connectivity solution, which removes the need for long umbilical cables to connect the robot with topside vessels. Eliminating these umbilical cables and communicating with the robot through acoustic or other latent, laser, or RF methods reduces much of the system infrastructure currently required for ROV servicing operations and is core to our value proposition.

The component technologies that comprise the Aquanaut are also marketable to the existing worldwide ROV fleet. Aquanaut's perception and machine learning software technologies combined with its perception and electric manipulators can be retrofitted on existing ROV platforms to improve their ability to perform subsea maintenance activities.

Our key technologies are autonomous platforms, acoustic communications networks, electric manipulators, AI-based perception and control software, and high-definition workspace sensors. Implementation of these technologies enables operators to reduce costs relative to conventional methods.

## Results of Operations

### Three months ended March 31, 2024, Compared to three months ended March 31, 2023

The following table sets forth summarized condensed consolidated financial information:

	Three months ended		Change	
	March 31, 2024	March 31, 2023	\$	%
Revenue				
Service	\$ 464,354	\$ 2,820,780	\$ (2,356,426)	-84 %
Total revenue	<u>464,354</u>	<u>2,820,780</u>	<u>(2,356,426)</u>	<u>-84 %</u>
Costs and Expenses				
Cost of revenue	2,093,955	2,932,267	(838,312)	-29 %
Depreciation	426,185	273,099	153,086	56 %
Research and development	63,534	226,967	(163,433)	-72 %
General and administrative	3,430,010	5,212,644	(1,782,634)	-34 %
Total costs and expenses	<u>6,013,684</u>	<u>8,644,977</u>	<u>(2,631,293)</u>	<u>-30 %</u>
Operating loss	(5,549,330)	(5,824,197)	(274,867)	5 %
Other (income) expense:				
Other (income) expense, net	(96,473)	1,152,381	(1,248,854)	-108 %
Gain on lease termination	(15,365)	-	(15,365)	-
Foreign currency transaction loss (gain)	5,147	(9,884)	15,031	152 %
Change in fair value of warrant liabilities	(8,309,623)	2,236,904	(6,072,719)	-271 %
Interest expense, net	<u>2,453,372</u>	<u>4,935,067</u>	<u>(2,481,695)</u>	<u>-50 %</u>
Net income (loss)	<u>\$ 413,612</u>	<u>\$ (14,138,665)</u>	<u>\$ (14,552,277)</u>	<u>-103 %</u>

**Revenue.** For the three months ended March 31, 2024, revenue decreased \$2,356,426, or 84% as compared to the three months ended March 31, 2023 primarily driven by a reduction in government related contracts.

**Cost of revenue.** For the three months ended March 31, 2024, cost of revenue decreased \$838,312, or 29% as compared to the three months ended March 31, 2022 driven by the decrease in revenue.

**Depreciation.** For the three months ended March 31, 2024, depreciation increased \$153,086, or 56% as compared to the three months ended March 31, 2023 primarily due to the increase in property and equipment.

**Research and development.** For the three months ended March 31, 2024, research and development costs decreased \$163,433, or 72% compared to the three months ended March 31, 2023, primarily due to the Company achieving technological feasibility in both hardware and software development and focusing on bringing its products to market.

**General and administrative.** For the three months ended March 31, 2024, general and administrative costs decreased \$1,782,634, or 34% compared to the three months ended March 31, 2023, driven by headcount reductions.

**Other expense, net.** For the three months ended March 31, 2024, other income related mainly to proceeds received from the sale of expensed equipment. Other expense, net for the three months ended March 31, 2023 is related mainly to a state sales tax assessment of \$1.2 million from the Texas Comptroller of Public Accounts for which the audit is currently ongoing.

**Gain on lease termination.** For the three months ended March 31, 2024, a gain on lease termination of \$15,365 was reported primarily due to the reduction in office space leased in Norway.

**Change in fair value of warrant liabilities.** For the three months ended March 31, 2024, a gain in the fair value of warrant liabilities of \$8,309,623 was reported as compared to a loss of \$2,236,904 for the three months ended March 31, 2023.

**Interest expense, net.** For the three months ended March 31, 2024, interest expense, net decreased \$2,481,695, or 50%. Interest expense for the three months ended March 31, 2023 included \$4 million associated with liquidated damages and interest arising out of the RRA. The decrease is partially offset by increased interest expense for the three months ended March 31, 2024 relating to the convertible senior secured term loans received in the second half of 2023 and the first quarter of 2024.

#### **Liquidity and Capital Resources**

The Company continues to develop its principal products and conduct research and development activities. Currently, the Company does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company has embarked on cost-cutting measures to continue to preserve cash. The Company may require additional liquidity to continue its operations over the next twelve months which a current investor has committed to provide. The Company believes with this investor support that there will be sufficient resources to continue as a going concern for at least one year from the date that the condensed consolidated financial statements contained in this Form 10-Q are issued.

As of March 31, 2024, the Company had \$6,187,307 of cash and cash equivalents. The cash equivalents consist of money market funds.

#### **Significant sources and uses of cash during the three months ended March 31, 2024.**

Sources of cash:

- The Company received net proceeds of \$12,025,709 from debt financing.

Uses of cash:

- Cash used in operating activities was \$6,660,282, of which \$1,143,922 was used to increase working capital.
- Cash from investing activities related mainly to proceeds from the sale of AHFS of \$384,708 partially offset by capital expenditures of \$324,147.

**Indebtedness.** The Company's indebtedness as of March 31, 2024, is presented in Item 1, "Financial Statements – Note 7 – Notes Payable" and our lease obligations are presented in Item 1, "Financial Statements – Note 8 – Leases."

#### **Critical Accounting Policies and Estimates**

Please refer to "Critical Accounting Policies and Estimates" contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023 for a complete discussion of our critical accounting estimates.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

#### **ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures.** Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.



Our management, with the participation and under the supervision of our Chief Executive Officer and our Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on such evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of March 31, 2024, as a result of the continuation of the previously disclosed material weakness discussed below, our disclosure controls and procedures were not effective because of a material weakness in our internal control over financial reporting described below. In light of this fact, our management, including our Chief Executive Officer and Interim Chief Financial Officer, have performed additional analyses, reconciliations, and other post-closing procedures in order to conclude that, notwithstanding such material weakness, the unaudited condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP as of the dates and for the periods presented in this Form 10-Q.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, as amended. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

**Previously identified material weakness.** In 2021, we identified a material weakness in our internal control over financial reporting, as defined in the standards established by the Sarbanes-Oxley Act of 2002. This material weakness related to a lack of qualified accounting and financial reporting personnel with an appropriate level of experience and inadequate procedures for the accounting close process including obtaining information supporting significant accounting estimates and judgments affecting the financial statements on a timely basis. As a result, our management concluded that a material weakness existed in our internal control over financial reporting.

Through the year ended December 31, 2022 and 2023, we continued to implement remediation initiatives in response to the previously identified material weakness, including, but not limited to, hiring additional experienced accounting and financial reporting personnel and modifying a new Enterprise Resource Planning (ERP) System which will assist in the automation of processes, including standardizing workflows, enhancing segregation of duties, and ensuring compliance with policies. As a result of the significant turnover of key finance personnel at the end of 2023, we have concluded there was a gap in the implementation of the above remediation initiatives with certain tasks that would have to be completed to remediate the material weakness not being handed over to the new personnel. Our remediation activities are ongoing and are subject to continued management review supported by ongoing design and testing of our framework of internal controls over financial reporting.

**Remediation Plan.** In order to remediate the material weakness, the Company plans to formally document the system controls that we have in place, including user access reviews and a formally documented segregation of duties that includes formal system-based roles. In addition, there is a plan, which is expected to be completed prior to the end of the second quarter of 2024, that will ensure that all internal controls are fully documented with a testing plan that will be reviewed and signed off quarterly. We will not consider the material weakness remediated until our enhanced control is operational for a sufficient period of time and tested, enabling management to conclude that the enhanced controls are operating effectively.

**Changes in internal control over financial reporting.** During the fiscal quarter ended March 31, 2024, there were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent limitation on the effectiveness of internal control.** The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Although we may, from time to time, we may be subject to litigation and other claims in the normal course of business, we are currently not a party to any material legal proceeding. No amounts have been accrued in the condensed consolidated financial statements with respect to any such matters.

### ITEM 1A. RISK FACTORS

During the three months ended March 31, 2024, there have been no material changes in the “Risk Factors” as set forth in “Item 1A. Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed by the Company with the SEC. The risks described therein are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 30, 2024, the Company also entered into a senior secured term loan agreement (the “2024 Term Loan Agreement”) with ATW Management, as collateral agent and lender, and ATW III, MIF, VHG Investments, ATW II and ATW I, as lenders.

The 2024 Term Loan Agreement provides the Company with an aggregate \$9,551,856 of secured term loans. Any portion of the outstanding principal amount of the 2024 Loans is prepayable at the Company’s option pro rata to each Lender upon at least 5 days’ prior written notice to each Lender. The 2024 Term Loan Agreement also provides for up to an additional \$6 million of secured term loans within 180 days of signing, \$1 million of which has already been committed by ATW III or an affiliate.

The 2024 Loans bear interest at the rate of 15% per annum, payable quarterly in arrears on the first day of each calendar quarter commencing April 1, 2024. The Loans (other than the ATW Extended Maturity Term Loan) will mature on the earliest of: (a) the third anniversary of the date of the Term Loan Agreement, (b) the maturity of the Indebtedness under that certain Senior Secured Term Loan Agreement among the Company, the lenders party thereto and Acquiom Agency Services LLC, as collateral agent, dated September 18, 2023, as amended on December 31, 2023, and as further amended on January 30, 2024 (the “Term Loan Agreement”), and (c) 91 days prior to the maturity of the 5% Original Issue Discount Senior Secured Convertible Debentures, dated as of September 9, 2022 (the “Original Debentures”), issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of December 16, 2021, as amended on January 31, 2022, and as further amended on September 9, 2022, and as further amended on January 30, 2024 (the “SPA”). The ATW Extended Maturity Term Loan will mature on the earlier of the 30th anniversary of the date of the Term Loan Agreement or such earlier date as is required or permitted to be repaid under the Term Loan Agreement.

Subject to the terms and conditions of the Term Loan Agreement, the Company may, upon at least two trading days’ written notice to the Lenders, elect to redeem some or all of the then outstanding principal amount of the Loans. In connection with any such election, which shall be irrevocable, the Company shall pay each Lender, on a pro rata basis, an amount in cash equal to the greater of (x) the sum of (i) 100% of the then outstanding principal amount of the Loans, (ii) accrued but unpaid interest and (iii) all liquidated damages and other amounts due in respect of the Loans (including, without limitation, the Minimum Return Fee (as defined in the Term Loan Agreement)) (the “Optional Redemption Amount”) and (y) the product of (i) the aggregate number of shares of the Company’s common stock, par value \$0.0001 per share (“Common Stock”), then issuable upon conversion of the applicable Optional Redemption Amount (without regard to any limitations on conversion set forth in the Term Loan Agreement) multiplied by (ii) the greatest closing sale price of the Common Stock on any trading day during the period commencing on the date immediately preceding the date that the applicable notice of redemption is delivered to the Lenders and ending on the trading day immediately prior to the date the Company makes the entire payment required to be made in connection with such redemption.

The 2024 Loans are convertible, in whole or in part, at the option of each Lender into shares of Common Stock until the date that the Loans are no longer outstanding, at a conversion rate equal to the outstanding principal amount of the Loans to be converted divided by a conversion price of \$0.4582 per share of Common Stock, subject to certain adjustments as described in the 2024 Term Loan Agreement.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

***Trading Plans***

During the three months ended March 31, 2024, no director or Section 16 officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibits	Filing Date
2.1	Agreement and Plan of Merger, dated as of October 2, 2023, by and among Nauticus Robotics, Inc., 3D Merger Sub, Inc. and 3D at Depth, Inc.	Form 8-K	001-40611	2.1	October 6, 2023
3.1	Second Amended and Restated Certificate of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.5	September 15, 2022
3.2	Amended and Restated Bylaws of Nauticus Robotics, Inc (as of May 11, 2023).	Form 8-K	001-40611	3.1	May 15, 2023
10.1†	Senior Secured Term Loan Agreement, dated as of January 30, 2024, by and among Nauticus Robotics, Inc., ATW Special Situations Management LLC, as collateral agent and lender, and the lenders party thereto	Form 8-K	001-40611	10.1	February 5, 2024
10.2‡	Pledge and Security Agreement, dated as of January 30, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, and ATW Special Situations Management LLC, as collateral agent	Form 8-K	001-40611	10.2	February 5, 2024
10.3‡	Intellectual Property Security Agreement, dated as of January 30, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, and ATW Special Situations Management LLC, as collateral agent	Form 8-K	001-40611	10.3	February 5, 2024
10.4	Subsidiary Guarantee, dated as of January 30, 2024, by Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, and Nauticus Robotics USA LLC, and acknowledged and agreed to by Nauticus Robotics, Inc.	Form 8-K	001-40611	10.4	February 5, 2024
10.5	Pari Passu Intercreditor Agreement, dated as of January 30, 2024, by and among ATW Special Situations Management LLC, as collateral agent for the lenders under the Term Loan Agreement, Acquiom Agency Services LLC, as collateral agent for the lenders under the 2023 Term Loan Agreement, and Nauticus Robotics, Inc., and Nauticus Robotics Holdings, Inc., as grantors	Form 8-K	001-40611	10.5	February 5, 2024

10.6†	Intercreditor Agreement, dated as of January 30, 2024, by and between ATW Special Situations Management LLC, as 2024 first lien collateral agent, ATW Special situations I LLC, as second lien collateral agent, and acknowledged by Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC.	Form 8-K	001-40611	10.6	February 5, 2024
10.7†	Second Amendment to Senior Secured Term Loan Agreement, dated as of January 30, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, ATW Special Situations II LLC, ATW Special Situations I LLC, and Material Impact Fund II, L.P.	Form 8-K	001-40611	10.7	February 5, 2024
10.8 †	Second Agreement Regarding Incremental Loans, dated as of January 30, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, ATW Special Situations II LLC, and Material Impact Fund II, L.P.	Form 8-K	001-40611	10.8	February 5, 2024
10.9	Form of Amendment and Exchange Agreement	Form 8-K	001-40611	10.9	February 5, 2024
10.10	Form of Original Issue Discount Exchanged Senior Secured Convertible Debenture Due September 9, 2026	Form 8-K	001-40611	10.10	February 5, 2024
10.11	Nauticus Second Lien Restructuring Agreement, entered into as of January 31, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, and SLS Family Irrevocable Trust	Form 8-K	001-40611	10.11	February 5, 2024
10.12	Nauticus Second Lien Restructuring Agreement, entered into as of January 31, 2024, by and among Nauticus Robotics, Inc., Nauticus Robotics Holdings, Inc., NautiWorks LLC, Nauticus Robotics Fleet LLC, Nauticus Robotics USA LLC, and Material Impact Fund II, L.P.	Form 8-K	001-40611	10.12	February 5, 2024
10.13	Employment Agreement dated February 21, 2024 between John W. Gibson Jr. and Nauticus Robotics, Inc.	Form 8-K	001-40611	10.13	February 22, 2024
10.14	First Amendment to Senior Secured Term Loan Agreement dated May 1, 2024.	Form 8-K	001-40611	10.14	May 1, 2024
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Furnished herewith

† Certain of the exhibits, schedules and/or annexes to this Exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any such omitted exhibit, schedule or annex to the SEC upon its request.

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**NAUTICUS ROBOTICS, INC.**

By: /s/ John W. Gibson, Jr.  
John W. Gibson, Jr.  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 13, 2024

By: /s/ Victoria Hay  
Victoria Hay  
Interim Chief Financial Officer

Date: May 13, 2024