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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2026

or

o 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	**85-1699753**
(State or other jurisdiction of incorporation)	(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 Capital Market
Redeemable Warrants	KITTW	The Nasdaq Capital Market

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 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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 November 16, 2026, the registrant had 2,643,176 shares of common stock outstanding.

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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 15, 2026, our quarterly report and periodic reports, and in our prospectus or any prospectus supplement which are on file with the Securities and Exchange Commission.

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

	September 30, 2026 (Unaudited)	December 31, 2025
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,966,231	$ 7,016,610
Restricted cash	606,125	600,342
Accounts receivable	1,563,486	378,683
Prepaid expenses	1,452,699	1,055,324
Other current assets	188,959	203,025
Total Current Assets	8,777,500	9,253,984
Property and equipment, net	19,921,768	21,827,769
Operating lease right-of-use assets, net	277,035	559,005
Other assets	100,362	91,276
Goodwill	9,600,745	9,600,745
Intangible assets, net	1,130,216	1,276,916
Total Assets	$ 39,807,626	$ 42,609,695
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 2,863,659	$ 3,128,459
Accrued liabilities	6,961,930	9,807,668
Deferred revenue	191,406	-
Operating lease liabilities, current	308,087	434,200
Notes payable, current	2,821,156	2,628,234
November 2024 Debentures - current, fair value option (related party)	4,200,000	163,672
Senior Secured Convertible Term Loan - current, net of discount (related party)	9,042,545	14,113,871
Senior Secured Convertible Term Loan - current, net of discount	1,106,858	4,939,247
Other liabilities	298,023	160,110
Total Current Liabilities	27,793,664	35,375,461
Warrant liabilities	468	11,281
Operating lease liabilities, non-current	8,793	203,547
Senior Secured Convertible Term Loan - long-term, net of discount (related party)	6,204,026	-
Derivative liability	157,000	-
Total Liabilities	$ 34,163,951	$ 35,590,289
Stockholders' Equity:		
Series A Convertible Preferred Stock $0.0001 par value; 40,000 shares authorized and 5,342 and 5,546 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively.	1	1

Series B Convertible Preferred Stock $0.0001 par value; 50,000 shares authorized and 1,963 and 2,813 shares issued and outstanding at September 30, 2026 and December 31, 2025 , respectively.	-	-
Series C Convertible Preferred Stock $0.0001 par value; 100,000 shares authorized and 6,824 and 2,154 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively.	-	-
Common stock, $0.0001 par value; 625,000,000 shares authorized and 2,643,176 and 600,234 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively.*	264	60
Additional paid-in capital	364,912,092	330,581,684
Accumulated other comprehensive loss	(42,229)	(42,229)
Accumulated deficit	(359,226,453)	(323,520,110)
Total Stockholders' Equity	5,643,675	7,019,406
Total Liabilities and Stockholders' Equity	$ 39,807,626	$ 42,609,695

* Reflects the 1-for-8 effected April 21, 2026 and the 1-for-6 effected September 25, 2026.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenue:				
Service	2,249,198	1,976,795	3,294,720	4,217,617
Total revenue	2,249,198	1,976,795	3,294,720	4,217,617
Costs and expenses:				
Cost of revenue (exclusive of items shown separately below)	2,962,179	4,266,894	7,823,629	9,009,892
Depreciation and amortization	859,186	590,820	2,186,396	1,645,759
General and administrative	2,684,238	3,047,001	9,233,509	11,824,874
Total costs and expenses	6,505,603	7,904,715	19,243,535	22,480,525
Operating loss	(4,256,404)	(5,927,920)	(15,948,815)	(18,262,908)
Other (income) expense, net:				
Other (income) expense, net	824	(47,117)	7,818	(182,051)
Foreign currency transaction loss	4,988	48,807	12,472	52,348
Loss on extinguishment of debt	60,316	-	5,619,646	-
Change in fair value of derivative	(94,000)	-	157,000	-
Change in fair value of warrant liabilities	(1,469)	(103,607)	(10,813)	(145,738)
Change in fair value of November 2024 Debentures	(29,000)	(407,938)	- 1,065,112	128,122
Interest expense, net	701,631	1,221,883	2,481,697	3,545,722
Total other expense, net	643,291	712,028	9,332,932	3,398,403
Net loss	$ (4,899,695)	$ (6,639,948)	$ (25,281,747)	$ (21,661,311)
Preferred stock dividend	(300,297)	-	(705,845)	-
Deemed dividends	(9,718,751)	(3,427,706)	(9,718,751)	(3,427,706)
Net loss attributable to common stockholders	(14,918,743)	(10,067,654)	(35,706,343)	(25,089,017)
Basic and diluted loss per share*	$ (10.87)	$ (124.60)	$ (42.27)	$ (358.66)
Basic and diluted weighted average shares outstanding*	1,372,455	80,802	844,638	69,953

* Reflects the 1-for-8 effected April 21, 2026 and the 1-for-6 effected September 25, 2026.

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

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

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock*		Additional Paid-in Capital *	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
							(As adjusted, see Note 15)					
Balance at June 30, 2025	**18,296**	**$ 2**	**-**	**$ -**	**-**	**$ -**	**86,587**	**$ 9**	**$ 263,086,593**	**$ (42,229)**	**$ (268,719,715)**	**$ (5,675,340)**
Stock-based compensation	-	-	-	-	-	-	-	-	398,225	-	-	398,225
Conversion of Series A Preferred Stock to Common Stock	(4,600)	(1)	-	-	-	-	22,547	2	(1)	-	-	-
Issuance of Series B Preferred Stock	-	-	3,000	-	-	-	-	-	2,855,000	-	-	2,855,000
At the Market (ATM) share offering	-	-	-	-	-	-	23,048	2	4,939,075	-	-	4,939,077
Vesting of RSUs	-	-	-	-	-	-	387	-	-	-	-	-
Reverse stock split round up	-	-	-	-	-	-	1,337	-	-	-	-	-
Deemed Dividend - Series A Down-round adjustment	-	-	-	-	-	-	-	-	3,427,706	-	(3,427,706)	-
Net loss	-	-	-	-	-	-	-	-	-	-	(6,639,948)	(6,639,948)
Balance at September 30, 2025	**13,696**	**$ 1**	**3,000**	**$ -**	**-**	**$ -**	**133,906**	**$ 13**	**$ 274,706,598**	**$ (42,229)**	**$ (278,787,369)**	**$ (4,122,986)**
Balance at June 30, 2026	**5,546**	**$ 1**	**2,013**	**$ -**	**7,193**	**$ -**	**1,145,285**	**$ 115**	**$ 349,531,589**	**$ (42,229)**	**$ (344,307,710)**	**$ 5,181,766**
Stock-based compensation	-	-	-	-	-	-	-	-	215,811	-	-	215,811
Conversion of Term Loan notes to Common Stock	-	-	-	-	-	-	168,011	17	310,299	-	-	310,316
Conversion of Series A Preferred Stock to Common Stock	(204)	-	-	-	-	-	30,641	3	(3)	-	-	-
Conversion of Series B Preferred Stock to Common Stock	-	-	(50)	-	-	-	14,047	1	(1)	-	-	-
Conversion of Series C Preferred Stock to Common Stock	-	-	-	-	(369)	-	50,012	5	(5)	-	-	-

At the Market (ATM) share offering	-	-	-	-	-	-	1,233,428	123	4,940,902	-	-	4,941,025
Vesting of RSUs	-	-	-	-	-	-	1,694	-	-	-	-	-
Preferred stock dividend	-	-	-	-	-	-	-	-	194,746	-	(300,297)	(105,551)
Deemed dividend	-	-	-	-	-	-	-	-	9,718,751	-	(9,718,751)	-
Reverse stock split round up	-	-	-	-	-	-	58	-	3	-	-	3
Net loss	-	-	-	-	-	-	-	-	-	-	(4,899,695)	(4,899,695)
Balance at September 30, 2026	**5,342**	**$ 1**	**1,963**	**$ -**	**6,824**	**$ -**	**2,643,176**	**$ 264**	**$ 364,912,092**	**$ (42,229)**	**$ (359,226,453)**	**$ 5,643,675**
Balance at December 31, 2024	**35,034**	**$ 4**	**$ -**	**- -**	**$ -**	**- -**	**22,597**	**$ 2**	**$ 233,343,162**	**$ (42,229)**	**$ (253,698,352)**	**$ (20,397,413)**
Stock-based compensation	-	-	-	-	-	-	-	-	968,240	-	-	968,240
Conversion of notes payable to Common Stock	-	-	-	-	-	-	4,180	-	2,870,573	-	-	2,870,573
Conversion of Series A Preferred Stock to Common Stock	(21,338)	(3)	-	-	-	-	64,592	7	(4)	-	-	-
Issuance of Series B Preferred Stock	-	-	3,000	-	-	-	-	-	2,855,000	-	-	2,855,000
At the Market ("ATM") share offering	-	-	-	-	-	-	40,383	4	24,377,192	-	-	24,377,196
Earnout shares (contingent	-	-	-	-	-	-	-	-	6,864,729	-	-	6,864,729
Vesting of RSUs	-	-	-	-	-	-	771	-	-	-	-	-
Reverse stock split round up and Adj	-	-	-	-	-	-	1,337	-	-	-	-	-
Other	-	-	-	-	-	-	46	-	-	-	-	-
Deemed dividend - Series A down-round adjustment	-	-	-	-	-	-	-	-	3,427,706	-	(3,427,706)	-
Net loss	-	-	-	-	-	-	-	-	-	-	(21,661,311)	(21,661,311)
Balance at September 30, 2025	**13,696**	**$ 1**	**3,000**	**$ -**	**$ -**	**- -**	**133,906**	**$ 13**	**$ 274,706,598**	**$ (42,229)**	**$ (278,787,369)**	**$ (4,122,986)**
Balance at December 31, 2025	**5,546**	**$ 1**	**2,813**	**$ -**	**2,154**	**$ -**	**600,234**	**$ 60**	**$ 330,581,684**	**$ (42,229)**	**$ (323,520,110)**	**$ 7,019,406**
Stock-based compensation	-	-	-	-	-	-	-	-	757,224	-	-	757,224
Conversion of November 24 Debentures to Common Stock	-	-	-	-	-	-	4,656	-	283,790	-	-	283,790
Exchange of November 2024 Debentures to Series C Preferred Stock	-	-	-	-	2,023	-	-	-	3,659,502	-	-	3,659,502

Conversion of Term Loan notes to Common Stock	-	-	-	-	-	-	298,483	30	1,918,427	-	-	1,918,457
Exchange of Term Loan notes to Series C Preferred Stock	-	-	-	-	4,800	-	-	-	8,320,000	-	-	8,320,000
Conversion of Series A Preferred Stock to Common Stock	(204)	-	-	-	-	-	30,641	3	(3)	-	-	-
Conversion of Series B Preferred Stock to Common Stock	-	-	(850)	-	-	-	49,750	5	(5)	-	-	-
Conversion of Series C Preferred Stock to Common Stock	-	-	-	-	(2,153)	-	222,454	22	(22)	-	-	-
ELOC Commitment Fee Settlement in Common Stock	-	-	-	-	-	-	1,111	-	100,000	-	-	100,000
At the Market (ATM) share offering	-	-	-	-	-	-	1,409,283	141	9,004,814	-	-	9,004,955
Issuance of shares for settlement of Seatrepid Earnout	-	-	-	-	-	-	13,991	1	(1)	-	-	-
Vesting of RSUs	-	-	-	-	-	-	3,291	-	-	-	-	-
Preferred stock dividend	-	-	-	-	-	-	-	-	567,930	-	(705,845)	(137,915)
Deemed dividend	-	-	-	-	-	-	-	-	9,718,751	-	(9,718,751)	-
Reverse stock split round up	-	-	-	-	-	-	9,282	2	1	-	-	3
Net loss	-	-	-	-	-	-	-	-	-	-	(25,281,747)	(25,281,747)
Balance at September 30, 2026	**5,342**	**$ 1**	**1,963**	**$ -**	**6,824**	**$ -**	**2,643,176**	**$ 264**	**$364,912,092**	**$ (42,229)**	**$(359,226,453)**	**$ 5,643,675**

* Reflects the 1-for-8 effected April 21, 2026 and the 1-for-6 effected September 25, 2026.

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

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

	Nine months ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net loss	$ (25,281,747)	$ (21,661,311)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,186,396	1,645,759
Accretion of debt discount	26,225	30,076
Amortization of debt issuance costs	321,364	530,645
Capitalized paid-in-kind (PIK) interest	552,674	514,756
Accretion of exit fee, net of amount settled on conversion	(63,055)	73,418
Stock-based compensation	757,224	968,240
Change in fair value of warrant liabilities	(10,813)	(145,738)
Change in fair value of November 2024 Debentures	1,065,112	128,122
Loss on extinguishment of debt	5,619,646	-
Change in fair value of derivative	157,000	-
Non-cash lease expense	281,970	294,324
Loss on disposal of assets	5,120	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,184,803)	(1,003,549)
Inventories	-	41,146
Prepaid expense and other assets	(392,395)	307,486
Accounts payable, accrued and other liabilities	(999,116)	(342,258)
Deferred revenue	191,406	-
Contract liabilities	-	(2,786)
Operating lease liabilities	(320,867)	(322,265)
Net cash used in operating activities	(17,088,659)	(18,943,935)
Cash flows from investing activities:		
Capital expenditures	(146,267)	(48,358)
Acquisition of business, net of cash acquired	-	(3,871,992)
Proceeds from sale of property and equipment	7,452	(500)
Net cash used in investing activities	(138,815)	(3,920,850)
Cash flows from financing activities:		
Proceeds from At the Market (ATM) offering, net	9,004,955	24,377,196
Proceeds from November 2024 Debentures	5,985,000	-
Proceeds from insurance financing	1,139,919	-
Issuance of Series B Preferred Stock	-	2,855,000
Repayment of AmeriState Loan	(80,882)	(61,108)
Repayment of insurance financing	(866,115)	-
Net cash provided by financing activities	15,182,877	27,171,088
Net change in cash and cash equivalents	(2,044,597)	4,306,303
Cash, cash equivalents and restricted cash, beginning of period	7,616,952	1,239,458
Cash, cash equivalents and restricted cash, end of period	$ 5,572,356	$ 5,545,761

Supplemental disclosure of cash flow information:				
Cash paid for interest	$	156,015	$	109,015
Fair value of conversion of Term Loan notes and interest to Common Stock	$	1,918,457	$	2,870,573
Series C Preferred Stock issued in exchange for November 2024 Debentures	$	3,659,502	$	-
Series C Preferred Stock issued in exchange for Convertible Senior Secured Term Loan Notes	$	8,320,000	$	-
Conversion of November 2024 Debentures to Common Stock	$	283,790	$	-
Conversion of Series B Preferred Stock to Common Stock	$	5	$	-
Conversion of Series C Preferred Stock to Common Stock	$	22	$	-
Preferred stock dividend	$	705,845	$	-
Deemed dividend	$	9,718,751	$	3,427,706
ELOC Commitment Fee settlement in Common Stock	$	100,000	$	-
Earnout shares for acquisition	$	-	$	6,864,729
Debt assumed in acquisition	$	-	$	2,437,743
Accrued purchase price	$	-	$	3,655,086

The accompanying notes are an integral part of these unaudited 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") is a technology-driven Company specializing in the development of advanced fully electric autonomous robotic solutions for subsea applications. Our portfolio includes autonomous underwater vehicles (AUVs), electric robotic manipulators, an open robotic operating system, and related consulting and prototype services with a strong alignment to offshore energy and national security interests. Our technology solutions enable autonomous operations for both the commercial and defense sectors.

The Company's addressable markets include upstream, midstream, and downstream oil and gas, defense, offshore renewables, seafloor telecommunications, aquaculture, port security, oceanographic research, and subsea mining. Currently, our primary focus is on oil and gas operations and defense applications.

Liquidity and Going Concern— The Company has incurred recurring losses each year since its inception and currently does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company continues to develop its principal products and conduct research and development activities. The Company currently funds its operations with cash on hand, availability under the November 2024 Debentures (see Note 8 - Notes Payable) and the offer and sale of additional shares of Common Stock under the At The Market Offering Agreement (see Note 15 - Common Stock). The Company will require additional liquidity to continue its operations over the next twelve months. While a current investor has expressed an intention to provide financial support, factors such as stock price, volatility, trading volume, market conditions, demand and regulatory requirements may adversely affect the Company's ability to raise capital in an efficient manner. Because of these factors, the Company believes that this creates substantial doubt about the Company's ability to continue as a going concern for a period of at least twelve months from the date these consolidated financial statements were issued. The accompanying Condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Reverse Stock Split - On September 5, 2025, the Company effected a 1-for-9 reverse stock split of the shares of the Company's common stock, par value $0.0001 per share. No fractional shares were issued in connection with the reverse stock split, but were instead rounded up to the nearest whole share. The Board of Directors of the Company approved the Certificate of Amendment to meet the share bid price requirements of the NASDAQ Capital Market. The Company's stockholders authorized the reverse stock split and the Certificate of Amendment at a special meeting held on June 25, 2025.

On April 21, 2026, the Company effected a 1-for-8 reverse stock split of the shares of the Company's common stock, par value $0.0001 per share. No fractional shares were issued in connection with the reverse stock split, but were instead rounded up to the nearest whole share. The Board of Directors of the Company approved the Certificate of Amendment to meet the share bid price requirements of the NASDAQ Capital Market. The Company's stockholders authorized the reverse stock split and the Certificate of Amendment at a special meeting held on January 28, 2026.

On September 25, 2026, the Company effected a 1-for-6 reverse stock split (the "Reverse Stock Split") of the shares of the Company's common stock, par value $0.0001 per share. No fractional shares were issued in connection with the reverse stock split, but were instead rounded up to the nearest whole share. At the Company's annual meeting held on May 27, 2026, the Company's stockholders approved the Board to enact one or more reverse splits of its shares at a range of ratios that includes the Reverse Stock Split ratio.

All common shares and per common share information in these condensed consolidated financial statements have been retroactively adjusted to reflect the 1-for-9, the 1-for-8 and the 1-for-6 reverse stock splits. All options, warrants and other convertible securities of the Company outstanding immediately prior to the splits have been adjusted in accordance with the terms of the plans, agreements or arrangements governing such options, warrants and other convertible securities and subject to rounding to the nearest whole share.

Each stockholder's percentage ownership interest in the Company and proportional voting power remain virtually unchanged by the split, except for minor changes and adjustments that resulted from rounding fractional shares into whole shares. The rights and privileges of the holders of shares of the Company's Common Stock were substantially unaffected.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying Condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), under the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). All intercompany balances and transactions have been eliminated in preparation of these consolidated financial statements.

Use of Estimates – The preparation of Condensed consolidated 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 consolidated 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, (iv) the valuation of conversion options, warrants and earnouts, (v) fair value of the November 2024 Debentures, (vi) the fair value of the SeaTrepid acquisition and (vii) fair value of Preferred Stock. 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.

Restricted Cash – The Company had restricted cash of $606,125 and $600,342, held by a bank on our behalf as of September 30, 2026 and December 31, 2025, respectively, relating to a custom bond guarantee.

Accounts Receivable, Unbilled Revenues, and Allowance for Credit Losses- With the adoption of the Accounting Standards Update ("ASU") 2016-13 *Financial Instruments - Credit Losses (Topic 326)*, 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. At each consolidated 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 in income in the year of recovery, in accordance with the entity's accounting policy election. There was no allowance for credit losses as of September 30, 2026 and December 31, 2025.

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 condensed consolidated statements of operations.

Goodwill – Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Pursuant to Accounting Standards Codification ("ASC") Topic 350, Intangibles-Goodwill and Other, the Company tests goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under authoritative guidance, the Company first assessed qualitative factors to determine whether it was necessary to perform the quantitative goodwill impairment test. The assessment considers factors such as, but not limited

to, macroeconomic conditions, data showing other companies in the industry and our share price. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

Intangible Assets - Intangible assets consist primarily of trade-names/trademarks, intellectual property and non-compete agreements acquired through the SeaTrepid acquisition. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from3 to 15 years.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for potential impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In this assessment, future pre-tax cash flows (undiscounted) resulting from the use of the asset and its eventual disposal are estimated. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the difference between its carrying value and estimated fair value. For the nine months ended September 30, 2026 and 2025,no long lived assets were impaired.

Segment Reporting - In November of 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. Operating segments refer to components of a company that engage in activities for which separate financial information is available and reviewed regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and assessing performance. The CODM reviews the consolidated balance sheets and consolidated statements of operations quarterly and reviews as a single reportable segment. The CODM is the Company's Chief Executive Officer. The Company manages its operations as 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.

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. The Company had no product sales for the three and nine months ended September 30, 2026 and 2025.

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. Our service arrangements generally represent a single performance obligation.

Our performance obligations under service agreements generally are satisfied over a short period of time as the service is provided. Revenue under these contracts is recognized using an input method based on costs incurred relative to total estimated costs. This requires management to make estimates and assumptions to estimate contract sales and costs associated with its contracts with customers. Changes in estimates are recognized in the period in which they become known. Where the estimated total costs to complete a contract exceed the expected consideration to be received, the full amount of the anticipated loss is recorded in the period the loss becomes evident.

Leases – The Company’s lease arrangements are operating leases which are capitalized on the consolidated balance sheets 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 term. Leases with an initial term of 12 months or less ("short-term leases") are not recorded on the consolidated balance sheets; 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 consolidated 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 September 30, 2026 and December 31, 2025.

Fair Value Measurements - The Company categorizes financial assets and liabilities using a three-tier fair value hierarchy, based on the nature of the inputs used to determine fair value. Inputs refer broadly to assumptions that market participants would use to value an asset or liability and may be observable or unobservable. When determining the fair value of assets and liabilities, the Company uses the most reliable measurement available. See Note 22, "Fair Value Measurements."

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 private warrants sold in a private placement (the "Private Warrants") and warrants sold to the public (the "Public Warrants") should be accounted for as liabilities. The Private Warrants and Public Warrants were initially recorded at their estimated fair value on the issuance. They are then revalued at each reporting date thereafter, with changes in the fair value reported in the consolidated statements of operations. Derivative warrant liabilities are classified in the consolidated 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 consolidated 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 on the issuance and are then revalued at each reporting date thereafter, with changes in the fair value reported in the consolidated statements of operations. Derivative warrant liabilities are classified in our consolidated 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 consolidated balance sheet date.

Fair Value Election for November 2024 Debentures - The Company has elected to measure its2% Original Issue Discount Senior Secured Convertible Debentures (the "November 2024 Debentures") at fair value under the fair value option in accordance with ASC 825-10, Financial Instruments – Fair Value Option. This election was made to provide greater transparency and to more accurately reflect the economic value of the November 2024 Debentures in the Company's condensed consolidated financial statements.

Under the fair value option, the November 2024 Debentures are recorded at their estimated fair value at each reporting date, with changes in fair value recognized in earnings within "Other (income) expense" in the Condensed Consolidated

Statements of Operations. The fair value of the November 2024 Debentures are determined using a Monte Carlo simulation model that uses inputs such as the Company's stock price (KITT), stock price volatility, risk-free interest rate and conversion terms.

The fair value option eliminates the requirement to separately account for embedded conversion features that would otherwise be bifurcated under ASC 815-15, Derivatives and Hedging – Embedded Derivatives. Instead, all economic impacts of the November 2024 Debentures—including interest, conversion features, and market fluctuations—are captured in the fair value measurement.

The Company believes that the fair value measurement provides a more relevant representation of the liability's impact on financial position and performance, as it reflects the November 2024 Debentures current economic value and reduces potential measurement inconsistencies.

Earnout Shares – Earnout Shares that may be issued to former holders of Nauticus Robotics Holdings, Inc.'s common stock are held in escrow and will only be issued upon the occurrence of specified Triggering Events within 5 years of September 9, 2022. As of the reporting date, the Earnout Shares have not been issued and therefore are not considered issued or outstanding shares of common stock. The Company evaluated the earnout arrangement under ASC 815 – Derivatives and Hedging and concluded that, upon issuance, the Earnout Shares would qualify for equity classification. Accordingly, the Earnout Shares will be recognized in stockholders' equity at fair value on the issuance date and will not be subsequently remeasured.

Earnings (Loss) per Share – Basic earnings per share is computed by dividing income attributable to common stockholders 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. The Company's Convertible Preferred Stock is considered a non-participating security as it does not have the right to participate in dividends with common stockholders beyond its stated dividend or share in undistributed earnings. Accordingly, the Company does not apply the two-class method in computing earnings (loss) per share. Dividends on preferred stock are recorded as a reduction to net income (loss) attributable to common stockholders in the calculation of basic earnings (loss) per share.

Major Customer and Concentration of Credit Risk – We have a limited number of customers. During the three months ended September 30, 2026, sales to five customer accounted for 81% of total revenue. Sales to customer A, B, C, D and E accounted for 27%, 16%, 14%, 13% and 10% respectively. During the nine months ended September 30, 2026, sales to four customer accounted for 60% of total revenue. Sales to customers A, F,B and C accounted for 20%, 19%, 11% and 10% respectively. As of September 30, 2026, amounts due from five customers accounted for 99% of accounts receivable, net, made up of 37%, 21%, 16%, 14% and 11% due from Customers A, C, G, E and H, respectively. During the three months ended September 30, 2025 sales to four customers accounted for 87% of total revenue. Sales to Customers I, J, A and C accounted for 30%, 27%, 17%, and 12% of total revenue, respectively. During the nine months ended September 30, 2025, sales to four customers accounted for 64% of total revenue. Sales to Customers K, I, L and J accounted for 24%, 14%, 13% and 13% of total revenue, respectively. As of December 31, 2025, amounts due from two customers accounted for 97% of accounts receivable, net, made up 76% due from Customer M and 20% due from Customer N. Loss of these customers could have a material adverse impact on the Company.

Reclassifications – Consolidated financial statements presented for prior periods include reclassifications that were made to conform to the current year presentation. For the three and nine months ended September 30, 2025, we reclassified $50,000 and $150,000 respectively, of franchise tax expense from other expense to general and administrative expense in the consolidated statements of operations to conform to the current year presentation. For the year ended December 31, 2025 we reclassified $331,607 from accrued liabilities to notes payable in the consolidated balance sheets to conform to current year presentation. The reclassifications did not affect net loss or cash flows as presented, and there were no other reclassifications that materially impacted the consolidated financial statements.

Distinguishing Liabilities from Equity – The Company evaluates financial instruments, including preferred stock, convertible debt, equity line of credit, and warrants to determine whether they should be classified as liabilities or equity in accordance with ASC 480 and ASC 815. For warrants, the Company assesses whether the instrument is indexed to its own stock and meets the equity classification conditions. Instruments that fail equity classification are recorded as liabilities and measured at fair value, with changes recognized in earnings. This assessment is performed at issuance and reassessed each reporting period while outstanding.

Accounting for Business Combinations – The Company accounts for acquisitions in accordance with ASC 805, using the acquisition method. Under this method, the consideration transferred is allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the fair value of net identifiable assets acquired is recorded as goodwill. Identifiable intangible assets are recognized separately from goodwill if they meet the separability criteria and are amortized over the estimated useful lives. Provisional amounts are adjusted during the measurement period as new information becomes available about facts and circumstances that existed as of the acquisition date.

Accounting Standards issued but not adopted as of September 30, 2026– In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses, an update that improves income statement expense disclosure requirements. Under ASU 2024-03 issuers will be required to incorporate new tabular disclosures disaggregating prescribed expense categories within relevant income statement captions in the notes to their financial statements. These categories include purchases of inventory, employee compensation, depreciation and intangible asset amortization. The amendments are effective for fiscal years beginning after December 15, 2026 and should be applied prospectively. The adoption of ASU 2024-03 will require us to provide additional disclosures related to certain income statement expenses, but otherwise will not materially impact our consolidated financial statements.

In December 2025, the FASB issued ASU 2025-10,*Accounting for Government Grants (Topic 832)*, which establishes guidance on the recognition, measurement, presentation and disclosure of government grants received by business entities. The Company does not currently receive government grants within the scope of this guidance. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements and if arrangements in the future meet the definition of a government grant, such arrangements would be evaluated under this provision.

In April 2026, the FASB issued ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock, which establishes guidance for the initial measurement of paid-in-kind dividends on equity-classified preferred stock. Under the amendments, such dividends are measured based on the contractual dividend rate specified in the preferred stock agreement. The amendments are effective for fiscal years beginning after December 15, 2026, including interim reporting periods, with early adoption permitted. The guidance may be applied prospectively or on a modified retrospective basis. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

All other new accounting pronouncements that have been issued, but not yet effective are currently being evaluated and at this time are not expected to have a material impact on our consolidated financial statements.

3. Revenue

The following table presents the components of our revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Cost plus fixed fee	$ 2,246,158	$ 1,976,795	$ 3,180,590	$ 4,217,617
Firm fixed-price	3,040	-	114,130	-
Total	$ 2,249,198	$ 1,976,795	$ 3,294,720	$ 4,217,617

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.

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Deferred revenue is billings in excess of revenue recognized and was $191,406 and $0 as of September 30, 2026 and December 31, 2025, respectively.

Contract Balances – As of September 30, 2026, accounts receivable totaled $1,563,486. There were no allowances for credit losses included in accounts receivable as of September 30, 2026 and December 31, 2025. Bad debt expense was $0 for the three and nine months ended September 30, 2026 and 2025.

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4. Cash and Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated statements of cash flows to the amounts shown in the condensed consolidated balance sheets:

	September 30, 2026	September 30, 2025
Cash and cash equivalents	$ 4,966,231	$ 5,492,350
Restricted cash	606,125	53,411
Total cash, cash equivalents and restricted cash	$ 5,572,356	$ 5,545,761

5. Prepaid Expenses

Prepaid expenses consisted of the following:

	September 30, 2026	December 31, 2025
Prepaid material purchases	$ -	$ 5,400
Prepaid insurance	1,272,512	827,713
Other prepayments	180,187	222,211
Total prepaid expenses	$ 1,452,699	$ 1,055,324

6. Property and Equipment

Property and equipment consisted of the following:

	Useful Life (years)	September 30, 2026	December 31, 2025
Land		$ 444,435	$ 444,435
Leasehold improvements	5 years	1,828,533	1,823,586
Property and equipment	3-5 years	16,017,055	11,242,513
Technology hardware equipment	3-5 years	1,973,983	1,973,983
Total		20,264,006	15,484,517
Less accumulated depreciation		(8,163,389)	(6,127,543)
Construction in progress		7,821,151	12,470,795
Total property and equipment, net		$ 19,921,768	$ 21,827,769

Depreciation expense for the three and nine months ended September 30, 2026 and September 30, 2025 was $810,286 and $2,039,696 and $590,820 and $1,645,759, respectively. During the nine months ended September 30, 2026, $4,649,643 of construction in progress was reallocated to property and equipment.

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7. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2026	December 31, 2025
Accrued compensation	$ 437,615	$ 221,724
Accrued severance	274,038	274,038
Accrued professional fees	28,350	96,786
Accrued sales and property taxes	484,039	202,638
Accrued royalties	337,500	337,500
Accrued audit fees	-	531,000
Accrued settlement	22,923	319,546
Other accrued expenses	69,668	233,398
Accrued interest	3,628,641	4,303,157
Accrued purchase liability	1,679,156	3,287,881
Total accrued liabilities	$ 6,961,930	$ 9,807,668

On March 20, 2025, the Company completed the acquisition of SeaTrepid International LLC (“SeaTrepid”), an expert in providing subsea robotic services to customers throughout the world, for total consideration of $14,209,810. On May 11, 2026, the Company entered into Amendment No. 2 to the Asset Purchase Agreement, which revised the payment terms for the remaining deferred purchase considerations and established the post-closing working capital adjustment at zero. As part of the agreement, $1,500,000 was paid down on the owed balance on May 15, 2026. The Company accounted the amended arrangement as a debt extinguishment under ASC 470. Accordingly, during the second quarter of 2026, the Company derecognized the accrued purchase price liability and recognized the new accrued purchase price liability at fair value and recognized a loss of extinguishment for $201,681. As of September 30, 2026, the outstanding accrued purchase liability was $1,679,156.

8. Notes Payable

Notes payable consisted of the following:

	September 30, 2026	December 31, 2025
November 2024 Debentures - (fair value)	$ 4,200,000	$ 163,672
Senior Secured Convertible Term Loan	16,300,846	19,284,709
SBA loan	485,325	485,300
AmeriState loan	1,730,420	1,811,327
Insurance Financing	605,411	331,607
Total	23,322,002	22,076,615
Less: debt discount, net	-	(26,225)
Less: capitalized debt issuance costs, net	-	(321,004)
2023 Term Loan Agreement exit fee provision	52,583	115,638
Total notes payable	$ 23,374,585	$ 21,845,024
Classified as:		
Current portion of notes payable	$ 17,170,559	$ 21,845,024
Long-term notes payable	6,204,026	-
Total notes payable	$ 23,374,585	$ 21,845,024
November 2024 Debentures (principal amount)	$ 3,985,000	$ 100,000

November 2024 Debentures - The November 2024 Debentures provide for, among other items: (a) an interest rate of the Prime Rate published in the Wall Street Journal plus 2% per annum, payable quarterly and added to the principal amount of the November 2024 Debentures, 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 $45.60 (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 November 2024 Debentures) by the conversion price; (d) an alternate conversion price at the lower of (1) $45.60 (subject to adjustment as provided therein) and (2) the greater of a floor price of $2.83 (subject to adjustment as provided therein) and98% of the lowest 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); (e) an original maturity date of September 9, 2026, and (f) an option by the holder to extend the maturity date by an additional year. The Company has elected to add the interest payable to the principal amount of the November 2024 Debentures.

In addition, the exercise price of the November 2024 Debentures is subject to customary anti-dilution adjustments, and, in the case of a subsequent equity sale at a per share price below the exercise price, the exercise price will be adjusted to such lower price.

On September 9, 2026, the Company received a Holder Notice and Confirmation Extension of Maturity Date, pursuant to which the holder exercised its right to extend the maturity date of the November 2024 Debentures by one year to September 9, 2027.

On February 9, March 10, May 12 and July 20, 2026, the Company issued Senior Secured Convertible Debentures Due 2027 to ATW Special Situations II LLC ("ATW II"), in aggregate principal amounts of $1,960,000, $1,000,000, $1,525,000 and $1,500,000, respectively, pursuant to the Securities Purchase Agreement dated November 4, 2024.

During the nine months ended September 30, 2026, November 2024 Debentures with a principal value of $100,000 and fair value of $283,790, were converted into 4,656 shares of Common Stock. During the nine months ended September 30, 2026, November 2024 Debentures with a principal value of $2,000,000 and fair value of $2,729,994, were exchanged into 2,023 shares of Series C Preferred Stock. The fair value of the Series C Preferred Stock was $3,659,502 and a loss on extinguishment of debt of $929,508 was reported in the condensed consolidated statements of operations for the nine months ended September 30, 2026.

The fair value of the November 2024 Debentures at September 30, 2026 and December 31, 2025 was estimated at $4,200,000 and $163,672, respectively, using Monte Carlo simulations with the following assumptions at September 30, 2026: stock price of $1.91, a risk free rate of 4.5% implied volatility of 156% and a remaining term of 0.94 years and assumptions at December 31, 2025: stock price of $36.96, a risk free rate of 3.55% implied volatility of 154% and a remaining term of 0.69 years. A gain of $29,000 and a loss of $1,065,112 on change in fair value was reported in the condensed consolidated statements of operations for the three and nine months ended September 30, 2026, respectively. A gain on change in fair value of $ 407,938 and a loss of $128,122 was reported in the condensed consolidated statements of operations for the three and nine months ended September 30, 2025, respectively. The principal amount of the November 2024 Debentures at September 30, 2026 and December 31, 2025 was $3,985,000 and $100,000, respectively.

Senior Secured Convertible Term Loan - The Company entered into senior secured convertible term loan agreements in September 2023 and January 2024 (the "2023 Term Loan Agreement" and "2024 Term Loan Agreement" and collectively, the "Term Loan Agreements") that provide aggregate financing of approximately $ 30.6 million (the "2023 Term Loans" and the "2024 Term Loans" and collectively the "Senior Secured Convertible Term Loan"). The 2023 Term Loan bears interest at 12.5% per annum and includes a 2.5% exit fee and an original issue discount. The 2024 Term Loan bears interest at 15% per annum, with an option for the Company to elect to capitalize and add to the principal amount of the 2024 Term Loan, accrued but unpaid interest as of the Interest Payment Date (as defined therein), up to (x) 100% for the six (6) months after the Closing Date (as defined therein) and (y) thereafter, 50%. The Company opted to capitalize interest payable.

The Senior Secured Convertible Term Loans mature on various dates, generally tied to the third anniversary of the respective Term Loan Agreements, with the exception of a $1.0 million extended maturity loan with a 30-year term. On September 17, 2026, the Company entered into a Fifth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the maturity date of the 2023 Term Loans was extended to January 31, 2028. The Company evaluated the Fifth Amendments under ASC 470-60 and concluded that they constitute troubled debt restructurings. The restructurings involve only modifications of the terms of existing payables. Total undiscounted future contractual cash payments exceed the carrying amounts of the respective Term Loans. Accordingly, pursuant to ASC 470-60-35-5, no restructuring gain is recognized, the existing carrying amounts are not adjusted at the restructuring date, and no fair-value remeasurement of the Term Loans is required. The effects of the restructurings will be accounted for prospectively using revised effective interest rates that equate the respective carrying amounts of the restructured Term Loans with their future contractual cash payments through January 31, 2028. No gain or loss on debt extinguishment will be recognized in connection with the Fifth Amendments.

The Senior Secured Convertible Term Loans are convertible into shares of the Company’s common stock at the lenders’ option, subject to anti-dilution adjustments.

On May 11, 2026, the Company entered into a Second Amendment to the 2023 Term Loan Agreement, with each lender thereto, pursuant to which the conversion price was reduced from $93,312 to $13.20, for the period from May 11, 2026 to May 21, 2026. Thereafter the conversion price reverted to $93,312. During this period, a lender converted its 2023 Term Loan notes with a principal amount of $500,000 into 37,879 shares of Common Stock. On June 1, 2026, the Company entered into a Third Amendment to the 2023 Term Loan Agreement, with each lender thereto, pursuant to which the conversion price was reduced from $ 93,312 to $10.80 for the period from June 1, 2026 to June 15, 2026. Thereafter the conversion price reverted to $93,312. During this period, a lender converted its 2023 Term Loan notes with a principal amount of $1,000,000 into 92,593 shares of Common Stock. On August 12, 2026, the Company entered into a Fourth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to

$10.80 for the period ending on August 13, 2026. There were no Term Loan notes converted during this period. On September 30, 2026, the Company entered into a Sixth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $ 1.488 for the period ending October 2, 2026. Thereafter the conversion price reverted to $93,312. On September 30, 2026, a lender converted its Term Loan notes with a principal amount of $250,000 into 168,011 shares of Common Stock.

The Company evaluated these transactions under ASC 470-50, Debt Modifications and Extinguishments, and concluded they qualified as an extinguishment of debt through the issuance of equity securities. The fair values of the May 11, 2026, June 1, 2026 and September 30, 2026 conversions were estimated as $532,991, $1,075,150 and $310,316, respectively, and a loss on extinguishment of debt of $ 60,316 and $168,457 was reported in the condensed consolidated statements of operations for the three and nine months ended September 30, 2026.

On June 26, 2026, the Company entered into an Exchange Agreement pursuant to which a lender converted a total of $4,000,000 2023 Term Loan notes, with principal and interest amounts of $2,146,701 and $1,853,299, respectively, into 4,800 shares of Series C Convertible Preferred Stock with a total stated value of $4,800,000. The fair value of the Series C Preferred Stock was $8,320,000 and a loss on extinguishment of debt of $4,320,000 was reported in the condensed consolidated statements of operations for the nine months ended September 30, 2026 .

The principal amounts outstanding on the Senior Secured Convertible Term Loans as of September 30, 2026 to related parties ATW II, ATW III and MIF was $ 9,391,199, $1,269,126 and $4,537,222, respectively. The principal amount outstanding on the Senior Secured Convertible Term Loans as of December 31, 2025 to related parties ATW II, ATW III and MIF was 8,685,631, 1,200,018, and $4,399,060, respectively.

Term Loan Note Conversions - During the nine months ended September 30, 2025, ATW I and ATW II converted Senior Secured Convertible Term Loan notes with principal amount of $2,551,855 and interest payable of $318,718 into 4,180 shares of Common Stock.

Interest accrues on each note in accordance with its applicable interest rate, which is recorded as interest expense. Interest expense also includes the following relating to the Senior Secured Convertible Term Loans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Debt discount amortization	$ 1,895	$ 10,156	$ 26,225	$ 30,076
Amortization of debt issuance costs	77,341	180,341	321,364	530,645
Provision for exit fee	(9,268)	24,794	(63,055)	73,418
Capitalized paid-in-kind (PIK) interest	187,386	175,974	552,674	514,756

For the three and nine months ended September 30, 2026, interest expense, including amortization of debt discount and issuance costs, exit fee provision and PIK interest, attributable to ATW II, ATW III and MIF on the Senior Secured Convertible Term Loans was $ 240,568, $28,651 and $121,168 and $706,087, $83,464 and $356,443, respectively. For the three and nine months ended September 30, 2025, interest expense attributable to ATW I, ATW II, ATW III and MIF was $ 52,515, $140,690, $26,572 and $117,011 and $155,831, $417,483, $71,116 and $331,772, respectively.

Small Business Administration Loan (SBA) - In 2020, SeaTrepid entered into a term loan with the US Small Business Administration ("SBA") for principal amount of $485,300, with an annual interest rate of3.75%, and a maturity date of June 19, 2050. In connection with the acquisition of SeaTrepid on March 20, 2025, the loan, with an outstanding principal of $485,325 as of September 30, 2026, is now an obligation of the Company. The loan is secured by collateral which includes all tangible and intangible property of SeaTrepid. Under the terms of the agreement, the sale of collateral without lender consent constitutes a violation of the loan agreement. As of September 30, 2026, the lender had not issued a notice of default. As a result of this and as the Company intends to repay the loan on or before June 30, 2027, the outstanding loan balance has been classified as a current liability.

AmeriState Loan - In 2017, SeaTrepid entered into a term loan with AmeriState Bank for a principal amount of $2,335,000 with an annual interest rate of prime plus 2.5%, and a maturity date of May 4, 2036. In connection with the acquisition of SeaTrepid on March 20, 2025, the loan with an outstanding principal of $1,730,420 as of September 30, 2026 is now an obligation of the Company. The loan is secured by collateral which includes all assets of SeaTrepid. The loan agreement includes customary affirmative and negative covenants, including financial covenants that require SeaTrepid to maintain a maximum Debt-to-Net Worth Ratio of 9.0 to 1.0 and a minimum Debt Service Coverage Ratio of 1.0 to 1.0, measured annually. The agreement also restricts the Company's ability to incur additional indebtedness, pay dividends, compensate officers and owners, invest in fixed asset purchases, and dispose of collateral without the consent of the bank. Under the terms of the agreement, the sale of collateral without lender consent constitutes a violation of the loan agreement and as such constitutes a non compliance with the financial covenants related to the debt-to-net worth ratio and debt service coverage ratio. As of September 30, 2026, the lender had not issued a notice of default. As a result of this and as the Company intends to repay the loan on or before June 30, 2027, the outstanding loan balance has been classified as a current liability.

Insurance Financing - The Company finances certain insurance premiums through premium finance agreements with third-party lenders. The agreements are generally collateralized by the underlying insurance policies and require monthly installment payments over terms of twelve months or less.

At September 30, 2026, the outstanding balance under the agreements was $605,411 , with interest rates ranging from 6.75% to 9.64%. The agreements mature at various dates through the third quarter of 2027.

9. 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 2023, the Company entered into an operating lease for office space in Scotland. The lease had 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 fourth quarter of 2025 management agreed early termination of the lease with the landlord.

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

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 September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Fixed lease expense	$ 103,328	$ 120,928	$ 309,986	$ 365,564
Variable lease expense	44,413	55,135	103,745	181,410
Total operating lease expense	147,742	176,063	413,731	546,974
Short-term lease expense	7,900	7,650	23,200	54,886
Total lease expense	$ 155,642	$ 183,713	$ 436,931	$ 601,860

Cash paid for operating leases was $309,987 and $365,564 for the nine months ended September 30, 2026, and 2025, 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 consolidated balance sheets:

	September 30, 2026	December 31, 2025
Operating lease right-of-use assets, net	$ 277,035	$ 559,005
Current portion of operating lease liabilities	308,087	434,200
Long-term operating lease liabilities	8,793	203,547
Total operating lease liabilities	$ 316,880	$ 637,747

For operating lease assets and liabilities, the weighted average remaining lease term was 0.7 years and 1.4 years as of September 30, 2026, and December 31, 2025, respectively. The weighted average discount rate used in the valuation over the remaining lease terms was 8.1% as of September 30, 2026, and December 31, 2025.

The following table presents the Company's maturities of lease liabilities as of September 30, 2026:

2026 (excluding the 9 months ended September 30, 2026)	$ 103,329
2027	310,855
2028	3,477
2029	3,477
2030	2,897
2031 onwards	-
Total lease payments	424,035
Total present value discount	(107,155)
Operating lease liabilities	$ 316,880

10. Commitments and Contingencies

Litigation – From time to time, we may be subject to litigation and other claims in the normal course of business. While the Company records accruals for certain matters as appropriate, it does not believe that any currently pending or threatened matters, individually or in the aggregate, are material to its consolidated financial statements.

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11. Goodwill

The Company recognized goodwill as a result of the acquisition of SeaTrepid on March 20, 2025. The goodwill represents the excess of the purchase price over the fair value of net assets acquired and is attributable to expected synergies and the assembled workforce. The goodwill is not deductible for tax purposes.

As of September 30, 2026 and December 31, 2025, goodwill totaled $9,600,745. The Company did not have any goodwill recorded on its consolidated balance sheets prior to this acquisition.

The Company evaluates goodwill for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired.No indicators of impairment were identified through the third quarter of 2026.

12. Intangible Assets

Intangible assets consisted of the following:

		September 30, 2026			December 31, 2025		
	Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradename- Trademark	15 years	$ 687,300	$ 70,085	$ 617,215	$ 687,300	$ 35,720	$ 651,580
Intellectual property	5 years	731,900	223,898	508,002	731,900	114,113	617,787
Non-Competes	3 years	10,200	5,201	4,999	10,200	2,651	7,549
Total intangible assets		$ 1,429,400	$ 299,184	$ 1,130,216	$ 1,429,400	$ 152,484	$ 1,276,916

Amortization expense for the three and nine months ended September 30, 2026 were $48,900 and $146,700, respectively.

The following table presents the Company's estimated future amortization expense:

Years ending December 31,	Amount
2026 (excluding the 9 months ended September 30, 2026)	$ 48,900
2027	195,600
2028	192,949
2029	192,200
2030	78,087
2031	45,820
Thereafter	376,660
Total	$ 1,130,216

13. 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 and nine months ended September 30, 2026or 2025, respectively. The Company has

a full valuation allowance against its net deferred tax assets as of September 30, 2026, and December 31, 2025, respectively.

14. Preferred Stock

Rights and Preferences of the Series A, B and C Preferred Stock **-**The Series A, B and C Preferred Stock of the Company, with respect to the payment of dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company, ranks senior to all capital stock of the Company, unless the Required Holders (as defined in the applicable Certificate of Designations) consent to the creation of other capital stock of the Company that is senior or equal in rank to the specific series of Preferred Stock. For the avoidance of doubt, the Series A, B and C Preferred Stock ranks in parity with each other.

The holders of Series B and C Preferred Stock will be entitled to a 10% per annum dividends and holders of Series A Preferred Stock will be entitled to 5% per annum dividends. The dividends are payable to each record holder of the Preferred Stock in shares of Common Stock so long as there has been no Equity Conditions Failure (as defined in the applicable Certificate of Designations), and the Company may, at its option, under certain circumstances, capitalize the dividend by increasing the stated value of each Preferred Shares or elect a combination of the capitalized dividend and a payment in dividend shares. During the three months ended September 30, 2026, the Company recognized preferred stock dividends totaling $300,297 consisting of $73,133, $53,982 and $173,182 attributable to Series A, B and C Preferred Stock, respectively. During the nine months ended September 30, 2026, the Company recognized preferred stock dividends totaling $705,845 consisting of $219,757, $177,256 and $308,832 attributable to Series A, B and C Preferred Stock, respectively.

Management has elected to capitalize dividends on each dividend date, which is the first Trading Day of the quarter after to which the dividend relates. During the three months ended September 30, 2026, dividends relating to the Series A, B and C Preferred Stock of $74,958, $54,006 and $65,782, respectively, were capitalized. During the nine months ended September 30, 2026, dividends relating to the Series A, B and C Preferred Stock of $219,772, $194,999 and $153,159, respectively, were capitalized. The stated value of the Series A and B Preferred Stock increased to $1,077 and $1,093, respectively. The stated value of the Series C Preferred Stock was $1,046 for stock held by ATW I and $1,001 for stock held by a non-related party investor. At September 30, 2026, dividends payable of $71,942, $53,656 and $172,425 relating to Series A, B and C Preferred Stock, respectively, were reported under other liabilities in the Condensed Consolidated Balance Sheets. At December 31, 2025, dividends payable of $71,958, $71,399 and $16,753 relating to Series A, B and C Preferred Stock, respectively, were reported under other liabilities in the Condensed Consolidated Balance Sheets.

Series A Convertible Preferred Stock - A total of 5,342 shares of Series A Convertible Preferred Stock were outstanding as of September 30, 2026, held by related party MIF.

On August 12, 2026, the Company entered into a Fourth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $10.80 for the period ending on August 13, 2026. On September 30, 2026, the Company entered into a Sixth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $1.488 for the period ending October 2, 2026. Both Amendments constitute a deemed issuance under the Certificate of Designations governing the Series A Convertible Preferred Stock (the "Series A Certificate") and the conversion price of the Series A Convertible Preferred Stock was reduced from $28.51 to $10.80 on August 12, 2026 and from $10.80 to $1.49 on September 30, 2026. The expiration of the temporary reduction window does not reverse the conversion price reduction of the Series A Convertible Preferred Stock. The resulting value transfers of $370,094 at August 12, 2026 and $3,323,205 at September 30, 2026 were recorded as reclassifications within equity (charged to Accumulated Deficit and credit to APIC) and treated as a deemed dividend to preferred shareholders for EPS purposes. There was no impact on total stockholders' equity or the consolidated statement of operations.

On September 30, 2026, the Company received an executed waiver from a holder of its Series A Convertible Preferred Stock. Section 5(a)(xv) of the certificate of designations for the Series A Convertible Preferred Stock provides that a Triggering Event (as defined in the Series A Certificate) occurs if any shares of the Series A Convertible Preferred Stock remain outstanding on or after September 30, 2026 (the “Series A Specified Event”). The Holder waived the Series A Specified Event for the period beginning September 30, 2026 and continuing through and including January 31, 2027. Solely to the extent attributable to the Series A Specified Event during the period covered by the Waiver, the Holder waived the increase in the dividend rate to the default rate of 18% per annum (or the maximum lawful rate, if lower), related incremental dividends, and the right to a Triggering Event Conversion (as defined in the Series A Certificate), including the 125% multiplier applied to the Conversion Amount (as defined in the Series A Certificate) (a 25% premium) and any related surviving alternate conversion period. The Waiver also relieves the Company of the related Triggering

Event notice requirement and provides that the Series A Specified Event is disregarded for purposes of the applicable Equity Conditions (as defined in the Series A Certificate) and the other consequences specified in the Waiver.

During the nine months ended September 30, 2026, SLS converted 204 shares of Series A Convertible Preferred Stock into 30,641 shares of Common Stock, respectively. During the nine months ended September 30, 2025, ATW I and SLS converted 19,038 and 2,300 shares of Series A Convertible Preferred Stock into 58,118 and 6,474 shares of Common Stock, respectively.

Series B Convertible Preferred Stock - A total of 1,963 shares of Series B Convertible Preferred Stock were outstanding at September 30, 2026, held by related party ATW II.

On August 12, 2026, the Company entered into a Fourth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $10.80 for the period ending on August 13, 2026. On September 30, 2026, the Company entered into a Sixth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $1.488 for the period ending October 2, 2026. Both Amendments constitute a deemed issuance under the Certificate of Designations governing the Series B Convertible Preferred Stock (the "Series B Certificate") and the conversion price of the Series B Convertible Preferred Stock was reduced from $28.51 to $10.80 on August 12, 2026 and from $10.80 to $1.49 on September 30, 2026. The expiration of the temporary reduction window does not reverse the conversion price reduction of the Series B Convertible Preferred Stock. The resulting value transfers of $146,950 at August 12, 2026 and $1,278,934 at September 30, 2026 were recorded as reclassifications within equity (charged to Accumulated Deficit and credit to APIC) and treated as a deemed dividend to preferred shareholders for EPS purposes. There was no impact on total stockholders' equity or the consolidated statement of operations.

On September 30, 2026, the Company received an executed waiver from a holder of its Series B Convertible Preferred Stock. Section 5(a)(xv) of the certificate of designations for the Series B Convertible Preferred Stock provides that a Triggering Event occurs if any shares of the Series B Convertible Preferred Stock remain outstanding on or after September 30, 2026 (the “Series B Specified Event”). The Holder waived the Series B Specified Event for the period beginning September 30, 2026 and continuing through and including March 31, 2027. Solely to the extent attributable to the Series B Specified Event during the period covered by the Waiver, the Holder waived the increase in the dividend rate to the default rate of 18% per annum (or the maximum lawful rate, if lower), related incremental dividends, and the right to a Triggering Event Conversion (as defined in the Series B Certificate), including the 125% multiplier applied to the Conversion Amount (as defined in the Series B Certificate) (a 25% premium) and any related surviving alternate conversion period. The Waiver also relieves the Company of the related Triggering Event notice requirement and provides that the Series B Specified Event is disregarded for purposes of the applicable Equity Conditions (as defined in the Series B Certificate) and the other consequences specified in the Waiver.

During the three and nine months ended September 30, 2026, 50 and 850 shares of Series B Convertible Preferred Stock were converted into 14,047 and 49,750 shares of Common Stock, respectively.

Series C Convertible Preferred Stock - A total of 6,824 shares of Series C Convertible Preferred Stock were outstanding at September 30, 2026, of which 2,024 were held by related party ATW II.

On June 26, 2026, the Company entered into an Exchange Agreement pursuant to which a lender exchanged a total of $4,000,000 2023 Term Loan notes, with principal and interest amounts of $2,146,701 and $1,853,299, respectively, for 4,800 shares of Series C Convertible Preferred Stock with a stated value of $4,800,000. The fair value of the Series C Preferred Stock was $8,320,000 and a loss on extinguishment of debt of $4,320,000 was reported in the condensed consolidated statements of operations for the nine months ended September 30, 2026.

On August 12, 2026, the Company entered into a Fourth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $10.80 for the period ending on August 13, 2026. On September 30, 2026, the Company entered into a Sixth Amendment to the 2023 Term Loan Agreement with each lender, pursuant to which the conversion price was reduced to $1.488 for the period ending October 2, 2026. Both Amendments constitute a deemed issuance under the Certificate of Designations governing the Series C Convertible Preferred Stock (the "Series C Certificate") and the conversion price of the Series C Convertible Preferred Stock was reduced from $45.60 to $10.80 on August 12, 2026 and from $10.80 to $1.49 on September 30, 2026. The expiration of the temporary reduction window does not reverse the conversion price reduction of the Series C Convertible Preferred Stock. The resulting value transfers of

$475,343 at August 12, 2026 and $4,124,225 at September 30, 2026 were recorded as reclassifications within equity (charged to Accumulated Deficit and credit to APIC) and treated as a deemed dividend to preferred shareholders for EPS purposes. There was no impact on total stockholders' equity or the consolidated statement of operations.

On September 23 and 30, 2026, the Company received executed waivers from a holders of its Series C Convertible Preferred Stock. Section 5(a)(xv) of the certificate of designations for the Series C Convertible Preferred Stock provides that a Triggering Event occurs if any shares of the Series C Convertible Preferred Stock remain outstanding on or after September 30, 2026 (the "Series C Specified Event"). The Holders waived the Series C Specified Event for the period beginning September 30, 2026 and continuing through and including March 31, 2027 and December 31, 2027, respectively. Solely to the extent attributable to the Specified Event during the period covered by the Waivers, the Holders waived the increase in the dividend rate to the default rate of 18% per annum (or the maximum lawful rate, if lower), related incremental dividends, and the right to a Triggering Event Conversion (as defined in the Series C Certificate), including the 125% multiplier applied to the Conversion Amount (as defined in the Series C Certificate) (a 25% premium) and any related surviving alternate conversion period. The Waivers also relieve the Company of the related Triggering Event notice requirement and provides that the Serie C Specified Event is disregarded for purposes of the applicable Equity Conditions (as defined in the Series C Certificate) and the other consequences specified in the Waivers.

During the nine months ended September 30, 2026, November 2024 Debentures with a principal value of $2,000,000 and fair value of $2,729,994, were exchanged into 2,023 shares of Series C Convertible Preferred Stock. The fair value of the Series C Convertible Preferred Stock was $3,659,502 and a loss on extinguishment of debt of $929,508 was reported in the condensed consolidated statements of operations for the nine months ended September 30, 2026.

During the three and nine months ended September 30, 2026, 369 and 2,153 shares of Series C Convertible Preferred Stock were converted into 50,012 and 222,454 shares of Common Stock, respectively.

Series D Convertible Preferred Stock **-**On February 6, 2026, the Company entered into a Securities Purchase Agreement and a registration rights agreement with Master Investment Group ("Investor"), pursuant to which the Company agreed to issue and sell in a private offering to Investor, (1) certain shares of Series D Convertible Preferred Stock of the Company, $0.0001 par value (the "Series D Preferred Stock") for an aggregate purchase price of up to $3,000,000 and may issue additional shares of Series D Preferred Stock valued at up to $47,000,000 and (2) certain common stock purchase warrants (the "Warrants") to purchase up to a number of shares of the Company's common stock, par value $0.0001 per share (the "Common Stock"), equal to 30% of the aggregate purchase price (the "Preferred Offering"). The Preferred Offering also relates to the offering of the shares of the Common Stock issuable upon the conversion of or otherwise pursuant to the terms of the Series D Preferred Stock ("Conversion Shares") and the shares of the Common Stock issuable upon the exercise of the Warrants.

Pursuant to the Purchase Agreement, the Company agreed to issue the Initial Preferred Shares for an aggregate purchase price of $3,000,000 in two closings, in each case following the demonstration that Investor has made expenditures agreed by, and on behalf of, the Company in an aggregate amount equal to the applicable milestone aggregate investment amount specified in the Purchase Agreement. At each such milestone closing, the Company will issue to Investor a number of shares of Series D Preferred Stock equal to the applicable milestone aggregate investment amount invested by Investor, at a price of $1,000 per share. The Company and Investor agree that the proceeds of the Preferred Offering will be deployed exclusively as UAE related working capital to fund and support, directly or indirectly, the establishment and operation of the Company's business in the United Arab Emirates.

In addition, for a period of up to 3 years from the date of the Purchase Agreement (or such later date as mutually agreed to by the Company and Investor), by written notice from the Company to Investor and subject to other terms and conditions set forth in the Purchase Agreement, the Company may require the Investor to participate in one or more additional milestone closings and issue additional shares of Series D Preferred Stock to Investor up to an aggregate maximum purchase price of $47,000,000 in one or more tranches, and additional Warrants exercisable for an amount of shares of Common Stock with an aggregate initial value equal to 30% of the value of the Series D Preferred Stock to be issued at each such additional closings, subject to mutually agreed milestones, assignments, and definitive documentation, and in each case, consent of certain existing holders of securities of the Company.

The Purchase Agreement further provides for a two-year lock-up period, during which Investor shall not, without the prior written consent of the Company and certain existing holders of securities of the Company, sell, transfer, pledge or

otherwise dispose of any shares of Common Stock upon conversion of the Series D Preferred Stock, nor enter into any swap or other arrangement that transfers the economic consequence of ownership of such shares.

Pursuant to the Registration Rights Agreement, the Company agreed that in the event that the Company files a registration statement with the Securities and Exchange Commission, registering the offer and sale of any shares of its Common Shares under the Securities Act, the Investor shall have the option to require the Company to include registration under the Securities Act of 1933, as amended (the "Securities Act"), of the resale by Investor of shares of Common Stock issuable upon conversion of the Series D Preferred Stock and upon the exercise of the Warrants.

The Purchase Agreement and the Registration Rights Agreement contain customary representations, warranties, conditions and indemnification obligations of the parties.

On July 6, 2026, the Company designated 50,000 shares of the Company's authorized and unissued preferred stock as Series D Preferred Stock and established the rights, preferences and privileges of the Series D Preferred Stock pursuant to the Certificate of Designations of Series D Preferred Stock, filed with the Secretary of State of the State of Delaware.

As of September 30, 2026 no shares of Series D Preferred Stock had been issued pursuant to the Purchase Agreement. During the three months ended September 30, 2026, the Company received advertising services valued at $79,950 in connection with the arrangement. As the contractual milestones required for the issuance of the Series D Preferred Stock had not been achieved as of September 30, 2026, the Company recognized the cost of these services and recorded a corresponding liability of $79,950 within accounts payable in the condensed consolidated balance sheets.

Warrants - The Warrants, when issued pursuant to the Purchase Agreement, are immediately exercisable upon issuance and will expire on the fifth anniversary of the original issuance date. The Warrants have an initial exercise price equal to $53.40, subject to certain adjustments as described in the Warrant.

A Warrant holder will not have the right to exercise any portion of the Warrants to the extent that, after giving effect to such conversion, the holder would beneficially own in excess of 4.99% (the "Maximum Percentage") of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion.

Corrections to Certificates of Designations -On April 15, 2026, the Company filed with the Secretary of State of the State of Delaware, amendments to the Certificates of Designations of Rights and Preferences, respectively, of the Series A Convertible Preferred Stock, the Series B Convertible Preferred Stock, and the Series C Convertible Preferred Stock, to correct an error in each such instrument.

15. Common Stock

In October 2025, the Company filed a prospectus supplement to its shelf registration statement on Form S-3 (File No. 333-284675), initially filed with the SEC on February 3, 2025 registering the sale of up to $92 million of its common stock pursuant to its ATM offering program. During the three and nine months ended September 30, 2026, we issued and sold 1,233,428 and 1,409,283 shares, for gross proceeds of $5,107,972 and $9,352,076 and net proceeds of $4,941,025 and $9,004,954 after deducting commissions and offering expenses totaling $166,946 and $347,122, respectively. At September 30, 2026, $76,684,398 remains available for issuance under the Company's ATM program pursuant to the prospectus supplement filed on October 31, 2025 under a registration statement on Form S-3. During the three and nine months ended September 30, 2025, the Company conducted ATM offerings to offer and sell shares of its common stock for an aggregate offering price of up to $ 25,699,037. Under this offering we issued and sold 23,048 and 40,383 shares for gross proceeds of $5,160,244 and $25,302,149 and net proceeds of $4,939,077 and $24,377,196 after deducting commissions and offering expenses totaling $221,167 and $924,953, respectively.

During the three and nine months ended September 30, 2026,204 Series A Convertible Preferred Stock, 50 and 850 Series B Convertible Preferred Stock and 369 and 2,153 Series C Convertible Preferred Stock were converted into 30,641, 14,047 and 49,750 and 50,012 and 222,454 shares of Common Stock, respectively.

During the nine months ended September 30, 2026, November 2024 Debentures with a principal value of $100,000 and fair value of $283,790, were converted into 4,656 shares of Common Stock. During the three and nine months ended September 30, 2026, Senior Secured Term Loan notes with principal amount of $250,000 and $1,750,000, respectively, with fair value amounts of $310,316 and $1,918,457, respectively, were converted into 168,011 and 298,483 shares of Common Stock, respectively.

During the nine months ended September 30, 2025, ATW I and SLS converted 19,038 and 2,300 shares of Series A Preferred Shares into 58,118 and 6,474 shares of Common Stock, respectively. During the nine months ended September 30, 2025, ATW I and ATW II converted Term Loan notes with principal amount of $ 2,551,855 and interest payable of $318,718 into 4,180 shares of Common Stock.

CleanTech Merger 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 483 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 $233,280 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 $272,160 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 $311,040 per share over any 20 trading days within a 30-day trading period.

As of September 30, 2026, the earn out targets have not been achieved and the Earnout Shares remain in escrow.

SeaTrepid Acquisition Earnout Shares - The acquisition of SeaTrepid on March 20, 2025 included a contingent consideration arrangement in which the Company agreed to issue shares of its common stock to the sellers of SeaTrepid, subject to the achievement of $4 million of business revenue for the year ended December 31, 2025. As of December 31, 2025, the earnout target was achieved and 13,991 shares of Common Stock were issued to the sellers of SeaTrepid in March 2026.

16. Warrants

Public Warrants – As of September 30, 2026, there were 11,779,167 Public Warrants outstanding. For every 15,552 Public Warrants, the holder is entitled to purchase one share of Common Stock at a price of $11.50, subject to adjustment. 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".

The Public Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of September 30, 2026 and December 31, 2025 at $8 and $1,612, respectively, based on their publicly-traded price.

For the three months ended September 30, 2026 and 2025, the Company reported a gain in value of Public Warrants of $97 and $30,209, respectively. For the nine months ended September 30, 2026 and 2025 , the Company reported a gain in value of the Public Warrants of $ 1,604 and $7,511, respectively. The change in fair value of the Public Warrants was reported within other (income) expense in our condensed consolidated statements of operations.

Private Warrants – As of September 30, 2026 there were 4,020,833 Private Warrants outstanding, which are not publicly traded. For every 15,552 Private Warrants, the holder is entitled to purchase one share of Common Stock at an exercise price of $11.50.

The Private Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of September 30, 2026 and December 31, 2025 at $4 and $589, respectively. The fair value of the Private Warrants at September 30, 2026 was estimated using a Black-Scholes option pricing model using the following assumptions: stock price of $1.91, no assumed dividends, a risk-free rate of 4.5%, implied volatility of 318.1%, and a remaining term of 0.94 years. The gain in fair value of the Private Warrants during the three months ended September 30, 2026 and 2025 was $47 and $11,110 , respectively. The gain in fair value of the Private Warrants during the nine months ended September 30, 2026 and 2025 was $585 and $7,312, respectively. The change in fair value of the Private Warrants was reported with other (income) expense in our consolidated statements of operations.

SPA Warrants – As of September 30, 2026, there were 247 SPA warrants outstanding. Each whole SPA Warrant is exercisable for one share of Common Stock.

The SPA Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of September 30, 2026 and December 31, 2025 at $456 and $9,080, respectively, and were estimated using a Black-Scholes valuation model using the following assumptions: stock price $1.23, implied volatility of 152.0%, and remaining term of 6.25 years. The change in the value of the SPA Warrants during the three months ended September 30, 2026 and 2025 was a gain of $1,325 and $62,288 respectively. The change in fair value of SPA Warrants during the nine months ended September 30, 2026 and 2025 was a gain of $ 8,624 and $130,915 respectively. The change in fair value of SPA Warrants was reported with other (income) expense in our condensed consolidated statements of operations.

17. Equity Purchase Facility Agreement and Derivative Liability

On October 24, 2025, the Company entered into an equity purchase facility agreement (the "EPFA") and a registration rights agreement (the "Registration Rights Agreement") with a certain institutional investor ("Investor"), pursuant to which the Investor has committed to purchase up to $250 million of the Company's common stock, par value $0.0001 per share.

Upon the terms and subject to the satisfaction of the conditions set forth in the EPFA, the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, up to $250 million (the "Commitment Amount") in shares of Common Stock. Such sales of Common Stock by the Company, if any, are subject to certain limitations set forth in the EPFA, and may occur from time to time, at the Company's sole discretion, over a period of up to 24 months, commencing on the date of the EPFA (such period, the "Commitment Period").

During the Commitment Period, the Company may from time to time, by written notice delivered by the Company to the Investor (each, an "Advance Notice"), direct the Investor to purchase a number of shares of Common Stock up to the Maximum Advance Amount (as defined therein) as set forth in the Advance Notice, subject to limitations and adjustments as set forth in the EPFA. The prices at which such shares will be sold will be based on the applicable Market Price (as defined therein). Unless earlier terminated as provided under the EPFA, the term of the facility provided under the EPFA expires on the earlier to occur of (i) the first day of the next month following the 24-month anniversary of the first trading date after the date of the EPFA (the "Effective Date"), (ii) the date on which the Investor shall have made payment of Advances (as defined therein) pursuant to the EPFA for shares of Common Stock equal to the Commitment Amount and all shares of Common Stock purchased pursuant to the EPFA have been delivered, and (iii) the date on which the Company announces or publicly discloses a material restatement of its consolidated financial statements for two or more fiscal quarters (the "Lapsed Registration Termination").

Under the EPFA, the Company will control the timing and amount of sales of Common Stock to the Investor, if any. The Investor has no right to require the Company to sell any shares of Common Stock to the Investor, but the Investor is obligated to make purchases as the Company directs, subject to certain conditions set forth in the EPFA. Actual sales of shares of Common Stock to the Investor, if any, will depend on a variety of factors to be determined by the Company from time to time, including, among others, market conditions, trading volume, the trading prices for the Common Stock, and determinations by the Company as to the appropriate sources of funding for the Company and its operations.

Consistent with the applicable Nasdaq listing rules, the aggregate number of shares of Common Stock that the Company may issue to the Investor under the EPFA may not exceed 19.99% of the shares of Common Stock issued and outstanding as of the execution date of the EPFA (the "Exchange Cap"), unless the Company first obtains stockholder approval to issue shares of Common Stock in excess of the Exchange Cap in accordance with applicable Nasdaq listing rules.

Pursuant to the EPFA, the Company is required to provide each stockholder entitled to vote at a meeting of stockholders of the Company (the "Stockholder Meeting"), which shall be promptly called and held not later than 60 days following the date of the EPFA, a proxy statement in a form reasonably acceptable to the Investor and its counsel, at the expense of the Company to solicit each of the Company's stockholders' affirmative vote at the Stockholder Meeting for approval of the proposal to authorize the issuance of all shares of Common Stock issuable thereunder in compliance with the rules and regulations of Nasdaq, and the Company is required to use its reasonable best efforts to solicit its stockholders' approval of such proposal and to cause the board of directors of the Company to recommend to the stockholders that they approve such proposal. A special meeting of stockholders was held on January 28, 2026 and the issuance of shares of Common Stock pursuant to the EPFA was approved.

In connection with the EPFA, on October 24, 2025, the Company also entered into the Registration Rights Agreement with the Investor with respect to the resale of the shares of Common Stock issuable under the EPFA Agreement and the Commitment Shares. The Company filed the Resale Registration Statement on May 13, 2026.

The Company evaluated the EPFA under ASC 815, Derivatives and Hedging, and concluded that the EPFA meets the definition of a derivative instrument. The Company further determined that the EPFA does not qualify for the scope exception for contracts indexed to and settled in the Company's own stock under ASC 815-40 due to certain provisions that adjust the number of shares deliverable based on trading volume and other factors that are not inputs to the fair value of a fixed-for-fixed equity instrument. Accordingly, the EPFA is accounted for as a freestanding derivative instrument and is measured at fair value at each reporting date, with changes in fair value recognized in earnings.

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As of December 31, 2025, the Company determined that the fair value of the derivative associated with the EPFA was de minimis due to the low likelihood of utilization, the absence of any outstanding advances, and the Company's discretion over whether to access the EPFA. As of September 30, 2026, the Company recorded a derivative liability of $157,000 related to the EPFA. The fair value of the derivative liability was estimated using Monte Carlo simulations and estimates as to the likelihood of the Company utilizing the EPFA and the following assumptions at September 30, 2026: stock price $1.91, implied volatility of 126.0% and a risk free rate of4.4%.

The Company recognized a gain of $94,000 for the three months ended September 30, 2026 and loss of $157,000 for the nine months ended September 30, 2026, related to the change in fair value of the derivative liability, which is included in the condensed consolidated statements of operations within other (expense) income, net.

18. Stock-Based Compensation

Our 2022 Omnibus Incentive Plan provides for the grant of options, stock appreciation rights, restricted stock units ("RSU"s), 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 September 30, 2026, 60,984 RSUs were granted with a weighted-average grant-date fair value of $9.83. As of September 30, 2026, 48,020 RSUs remained outstanding. Total stock-based compensation expense including options and RSUs for the three and nine months ended September 30, 2026, net of forfeiture adjustments, totaled $215,811 and $757,224, respectively. Stock based compensation expense including options and RSUs for the three and nine months ended September 30, 2025, net of forfeiture adjustments, totaled $398,225 and $968,240, respectively.

19. 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 $49,435 and $149,482 for the three and nine months ended September 30, 2026 respectively. The Company's cost for the 401(k) plan was $51,896 and $147,586 for the three and nine months ended September 30, 2025, respectively.

20. Related Party Transactions

ATW I, ATW II, ATW III, MIF and SLS are considered related parties as they can significantly influence the management of the Company, and we require their consent on all material transactions. Further, MIF is considered a related party as Adam Sharkawy is a member of the Board of Directors of the Company and the founder and managing partner of MIF.

SPA Warrants – The SPA Warrants are held by related parties ATW I, MIF and SLS (see Note 16 – Warrants).

November 2024 Debentures - The November 2024 debentures are held by ATW II (see Note 8 - Notes Payable).

Senior Secured Convertible Term Loan - The Senior Secured Convertible Term Loan includes amounts outstanding to related parties, ATW II, ATW III and MIF (see Note 8 - Notes Payable).

Series A, B and C Convertible Preferred Stock - The Series A, B and C Convertible Preferred Stock is held by related parties ATW I, ATW II, MIF and SLS (see Note 14 - Preferred Stock).

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. On July 25, 2025, the Board appointed Jimena Begaries, also a Flexible Consulting LLC employee, as the Interim Chief Financial Officer succeeding Victoria Hay. 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 and nine months ended September 30, 2026 and 2025 was $194,000 and $727,016 and $275,000 and $907,684, respectively. Accounts payable included $134,000 and $45,000 due to Flexible Consulting, LLC at September 30, 2026 and December 31, 2025, respectively.

21. Loss Per Share

Following is the computation of loss per basic and diluted share:

	Three months ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net loss	$ (4,899,695)	$ (6,639,948)	$ (25,281,747)	$ (21,661,311)
Preferred stock dividend	(300,297)	-	(705,845)	-
Deemed dividend	(9,718,751)	(3,427,706)	(9,718,751)	(3,427,706)
Net loss attributable to Common Stockholders	$ (14,918,743)	$ (10,067,654)	$ (35,706,343)	$ (25,089,017)
Denominator:				
Weighted average shares outstanding	1,372,455	80,802	844,638	69,953
Basic and diluted loss per share	$ (10.87)	$ (124.60)	$ (42.27)	$ (358.66)
Anti-dilutive securities excluded from shares outstanding:				
Stock options	14	22	14	30
Restricted and performance stock units	39,732	1,953	14,658	858
Warrants	1,263	1,263	1,263	1,263
Earnout shares	483	483	483	483
SeaTrepid earnout shares	-	13,991	-	13,991
Convertible debt	119,437	20,385	119,437	20,385
Series A, B and C Convertible Preferred Stock	11,937,713	50,515	11,937,713	50,515
Total	12,098,642	88,612	12,073,568	87,525

Basic loss per share ("EPS") is computed by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period.

In computing the loss attributable to common shareholders, the Company deducts dividends on its preferred stock in accordance with ASC 260, Earnings Per Share. For the three and nine months ended September 30, 2026, total preferred dividends of $300,297 and $705,845 were deducted from net loss, consisting of $2,273 and $407,822 of dividends that were capitalized and added to the stated value of the preferred stock in accordance with the applicable Certificates of Designation; and $298,023 of dividends that were accrued but unpaid as of September 30, 2026.

Total preferred dividends increased the loss attributable to common shareholders for purposes of calculating basic and diluted earnings per share.

During the three and nine months ended September 30, 2026, the Company recognized deemed dividends totaling $9,718,751 associated with the down-round adjustments of its Series A, B and C Preferred Stock conversion prices on August 12, 2026 and September 30, 2026 of $992,387 and $8,726,364, respectively. During the three and nine months ended September 30, 2025, the Company recognized deemed dividends totaling $3,427,706 associated with the down-round adjustment of its Series A Preferred Stock conversion price on August 6, 2025. These amounts were deducted from net loss in determining loss attributable to common shareholders for purposes of calculating basic and diluted earnings per share.

22. 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.

The estimated fair values of accounts receivable, contract assets, accounts payable and accrued expenses 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 arm's-length transactions and therefore may not reflect fair value.

The Company elected to measure the November 2024 Debentures at fair value under the fair value option in accordance with ASC 825-10, Financial Instruments - Fair Value Option. The fair value of the November 2024 Debentures are measured at each reporting date in accordance with ASC 820-10, Fair Value Measurement, using a Monte Carlo simulation model. This model incorporates Level 3 inputs, including, current stock price, stock price volatility (historical and implied), risk free interest rate (U.S. Treasury rates), and expected term to maturity. The fair value measurement is classified as Level 3 in the fair value hierarchy due to the use of unobservable inputs. At September 30, 2026, the following assumptions were used in order to estimate the fair value of the November 2024 Debentures: stock price of $1.91, a risk free rate of4.5% implied volatility of 156% and a remaining term of 0.94 years.

The fair value of the Public, Private and SPA Warrants are measured at each reporting date in accordance with ASC 820-10. The Public Warrants were valued based on their publicly-traded price. The fair value of the Private Warrants at September 30, 2026 was estimated using a Black-Scholes valuation model using the following assumptions: stock price of $1.91, no assumed dividends, a risk-free rate of4.5%, implied volatility of 318.1%, and a remaining term of 0.94 years. The fair value of the SPA Warrant was estimated at September 30, 2026 using a Black-Scholes valuation model using the following assumptions: stock price $1.23, implied volatility of 152.0%, and remaining term of 6.25 years.

The fair value of notes payable acquired approximated their carrying values at the acquisition date as the Company plans to pay off the notes in the short-term. The fair values of working capital items, including cash, accounts receivable, accounts payable, and accrued expenses, approximated their carrying values at the acquisition date due to their short-term nature. These items are not presented in the table below.

The Company measures the derivative liability associated with the EPFA at fair value on a recurring basis. The fair value of the derivative liability is classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs. The fair value of the derivative liability was estimated using a Monte Carlo simulation model. This model incorporates Level 3 inputs, including, current stock price, stock price volatility (historical and implied), risk free interest rate (U.S. Treasury rates), and the expected utilization of the EPFA during its term. The fair value measurement is classified as Level 3 in the fair value hierarchy due to the use of unobservable inputs. The following assumptions were used in order to estimate the fair value of the EPFA at September 30, 2026: stock price $1.91, implied volatility of 126.0% and a risk free rate of4.4%.

The fair values of the 2,023 and 4,800 Series C Preferred Stock were measured on the exchange dates of March 27, 2026 and June 28, 2026, respectively, in accordance with ASC 820-10, Fair Value Measurement, using a Monte Carlo simulation model. This model incorporates Level 3 inputs, including, current stock price, stock price volatility (historical and implied), risk free interest rate (U.S. Treasury rates), and expected term to maturity. The fair value measurement is

classified as Level 3 in the fair value hierarchy due to the use of unobservable inputs. The following assumptions were used in order to estimate the fair value of the Series C Preferred Stock at March 27, 2026: stock price of $4.24, risk free rate of 3.77%, implied volatility of 152%, and remaining term of 1.01 years. The following assumptions were used in order to estimate the fair value of the Series C Preferred Stock at June 28, 2026: stock price of $1.15, risk free rate of 3.9%, implied volatility of 75% and remaining term of 0.76 years.

In connection with the Fourth Amendment to the 2023 Term Loan Agreement, pursuant to which the conversion price was reduced to $10.80 for the period ending on August 12, 2026, the Company measured the fair value of the Series A, B and C Preferred stock using a Monte Carlo simulation model. Consistent with the guidance in ASC 260-10-30-1, the valuation incorporated two separate simulations: (a) the fair value of the instrument assuming the pre-reset conversion price ($28.51 per share for Series A and B Preferred stock and $45.60 for Series C Preferred stock), and (b) the fair value of the instrument assuming the reduced conversion price resulting from the down-round trigger ($10.80 per share). All other model inputs, including the fair value of the Company's common stock, volatility, and risk-free interest rate, were held constant between the two simulations. The incremental fair value resulting from the difference between these two measurements represents the value transferred due to the down-round feature and was recognized in the period's fair-value remeasurement.

In connection with the Sixth Amendment to the 2023 Term Loan Agreement, pursuant to which the conversion price was reduced to $1.488 for the period ending October 2, 2026, the Company measured the fair value of the Series A, B and C Preferred stock using a Monte Carlo simulation model. The valuation incorporated two separate simulations: (a) the fair value of the instrument assuming the pre-reset conversion price ($10.80 per share), and (b) the fair value of the instrument assuming the reduced conversion price resulting from the down-round trigger ($1.49 per share). All other model inputs, including the fair value of the Company's common stock, volatility, and risk-free interest rate, were held constant between the two simulations. The incremental fair value resulting from the difference between these two measurements represents the value transferred due to the down-round feature and was recognized in the period's fair-value remeasurement.

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 and non-recurring basis and the related activity for periods presented:

	Fair Value as of September 30, 2026				Fair Value as of December 31, 2025			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Financial liabilities:								
November 2024 Debentures	$ 4,200,000	$ -	$ -	$ 4,200,000	$ 163,672	$ -	$ -	$ 163,672
Derivative liability	$ 157,000	$ —	$ —	$ 157,000	$ —	$ —	$ —	$ —
Warrant liability - Public Warrants	$ 8	$ 8	$ —	$ —	$ 1,612	$ 1,612	$ —	$ —
Warrant liability - Private Warrants	$ 4	$ —	$ —	$ 4	$ 589	$ —	$ —	$ 589
Warrant liability - SPA Warrants	$ 456	$ —	$ —	$ 456	$ 9,080	$ —	$ —	$ 9,080
Total warrant liabilities	$ 468	$ 8	$ -	$ 460	$ 11,281	$ 1,612	$ -	$ 9,669
Non-recurring fair value instruments:								

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Series A Preferred Stock - strike price $1.49 at September 30, 2026	$ 12,933,463	$ -	$ -	$ 12,933,463	$ -	$ -	$ -	$ -
Series A Preferred Stock - strike price $10.80 at September 30, 2026	$ 9,610,258	$ -	$ -	$ 9,610,258	$ -	$ -	$ -	$ -
Series A Preferred Stock- strike price $10.80 at August 12, 2026	$ 10,073,035	$ -	$ -	$ 10,073,035	$ -	$ -	$ -	$ -
Series A Preferred Stock- strike price $28.51 at August 12, 2026	$ 9,702,942	$ -	$ -	$ 9,702,942	$ -	$ -	$ -	$ -
Series B Preferred Stock - strike price $1.49 at September 30, 2026	$ 4,958,518	$ -	$ -	$ 4,958,518	$ -	$ -	$ -	$ -
Series B Preferred Stock - strike price $10.80 at September 30, 2026	$ 3,679,585	$ -	$ -	$ 3,679,585	$ -	$ -	$ -	$ -
Series B Preferred Stock- strike price $10.80 at August 12, 2026	$ 3,851,072	$ -	$ -	$ 3,851,072	$ -	$ -	$ -	$ -
Series B Preferred Stock- strike price $28.51 at August 12, 2026	$ 3,704,122	$ -	$ -	$ 3,704,122	$ -	$ -	$ -	$ -
Series C Preferred Stock - strike price $1.49 at September 30, 2026	$ 15,989,996	$ -	$ -	$ 15,989,996	$ -	$ -	$ -	$ -
Series C Preferred Stock - strike price $10.80 at September 30, 2026	$ 11,865,770	$ -	$ -	$ 11,865,770	$ -	$ -	$ -	$ -
Series C Preferred Stock- strike price $10.80 at August 12, 2026	$ 12,418,759	$ -	$ -	$ 12,418,759	$ -	$ -	$ -	$ -
Series C Preferred Stock- strike price $45.60 at August 12, 2026	$ 11,943,416	$ -	$ -	$ 11,943,416	$ -	$ -	$ -	$ -

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Series C Preferred Stock at March 27, 2026	$ 3,659,502	$ -	$ -	$ 3,659,502	$ -	$ -	$ -	$ -
Series C Preferred Stock at June 28, 2026	$ 8,320,000	$ -	$ -	$ 8,320,000	$ -	$ -	$ -	$ -

The following table sets forth a summary of the changes in fair value of the Company's financial liabilities categorized within Level 3:

	November 2024 Debentures	Warrant Liability	Derivative Liability
Balance, December 31, 2024	$ 2,583,832	$ 172,833	$ -
Change in fair value of November 2024 Debentures	128,122	-	-
Change in fair value of warrant liabilities	-	(138,227)	-
Balance September 30, 2025	$ 2,711,954	$ 34,606	$ -
Balance, December 31, 2025	$ 163,672	$ 9,669	$ -
Issuance of November 2024 Debentures	5,985,000	-	-
Fair value conversion of November 2024 Debentures to Common Stock	(283,790)	-	-
Exchange of November 2024 Debentures to Series C Preferred Stock	(2,729,994)	-	-
Change in fair value of November 2024 Debentures	1,065,112	-	-
Change in fair value of warrant liabilities	-	(9,209)	-
Change in fair value of derivative liability	-	-	157,000
Balance, September 30, 2026	$ 4,200,000	$ 460	$ 157,000

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23. Segment Information

The Company operates as a single operating and reportable segment. The Company's Chief Operating Decision Maker ("CODM"), the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operational decisions, allocating resources, and evaluating financial performance.

The Company's operations are organized and managed as a single segment because its products and services share similar economic characteristics, including production processes, customer types, distribution methods and regulatory environment. Accordingly, the Company has determined that it has one reportable segment. The CODM assesses performance by reviewing the Consolidated Balance Sheets and Consolidated Statements of Operations quarterly. Segment assets are not regularly reviewed by the CODM and, therefore, are not disclosed.

Substantially all of the Company's revenues are derived from customers located in the United States, and substantially all long-lived assets are located in the United States.

24. Subsequent Events

On November 12, 2026, the Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission relating to a proposed public offering of its 10.0% Series E Convertible Preferred Stock. The Series E Preferred Stock is expected to carry cumulative dividends at an annual rate ofl0.0% and will be convertible into shares of the Company's common stock, subject to certain terms and conditions. The Company has applied to list the Series E Preferred Stock on the Nasdaq Capital Market under the symbol "KITTP." The proposed offering remains subject to the effectiveness of the registration statement and other customary conditions, and there can be no assurance that the offering will be completed.

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, software and intelligent services that transform operations in offshore energy, environmental monitoring, and defense. Our principal corporate offices are located in Webster, Texas. Our portfolio includes fully autonomous underwater vehicles ("AUVs"), remotely operated vehicles ("ROVs"), electric robotic manipulators, and the Nauticus ToolKITT™ software platform. We believe our technology solutions position us at the forefront of the global shift of ocean services vehicles toward autonomy.

Our flagship autonomous vehicle, Aquanaut®, provides advantages over conventionally tethered ROVs and traditional AUVs. Leveraging advanced thruster configurations, a streamlined hull, payload capacity, and integrated electric manipulation, Aquanaut® performs complex subsea tasks with efficiency, precision, and minimal surface support. Nauticus ToolKITT™is our platform-agnostic autonomy software, designed to provide capabilities such as assisted piloting, navigation, perception, and autonomous mission execution across Aquanaut® and compatible third-party vehicles. During 2026, we introduced Nauticus ToolKITT™ commercially for existing ROV fleets, initially emphasizing assisted piloting and navigation capabilities. We continue to develop additional autonomous mission capabilities for inspection and other subsea applications. The Olympic Arm™ is a fully electric subsea manipulator designed for complex intervention tasks on both work-class ROVs and Aquanaut®. Its patented electric actuators replace traditional hydraulic systems. A next-generation manipulator is also under development to address known use cases requiring a less complex solution. We believe these technologies, coupled with the integration of the SeaTrepid acquisition in March 2025, position Nauticus at the forefront of the industry's shift toward autonomy.

Recent Developments - During the third quarter of 2026, we announced the commercial availability of Nauticus ToolKITT™ with its Pilot Assist module for ROV operators. The offering is designed to add assisted positioning and navigation capabilities to existing ROV fleets while maintaining operator supervision and preserving the vehicles' original control systems. The release supports our strategy to expand software licensing and integration services alongside our established subsea operations business.

Market Environment and Outlook - We anticipate the offshore energy market remains stable, with vessel and subsea asset utilization in the Gulf of America slowing down for the winter season as typically occurs each year. While customers in the North American northeast offshore wind sector experienced temporary delays in capital expenditures due to policy shifts, the recent easing of restrictions resulted in select opportunities for us. Projects were performed and completed during the third quarter and we anticipate future projects to come online in 2027. Work off the west coast was also completed in the third quarter and we are actively pursuing opportunities for additional projects. We are also exploring international markets and targeting long-term projects with steady revenue upside.

We anticipate adoption of autonomous subsea robotics is accelerating, driven by customer priorities around safety, efficiency, and data quality. We believe energy operators are increasingly leading this innovation push, creating tailwinds for advanced solutions like Aquanaut® and Nauticus ToolKITT™.

We continue to pursue opportunities in defense and government markets, including applications involving autonomous subsea inspection, object detection and identification, and subsea infrastructure monitoring. During 2026, we have expanded engagement with potential customers and partners in the United States and internationally, while continuing to develop and evaluate technologies relevant to these applications. We believe our combination of autonomous underwater vehicles, platform-agnostic autonomy software, and subsea operating experience positions us to participate in emerging defense programs. The timing, scope, and value of potential contract awards remain uncertain.

Overall, our near-term pipeline remains robust in 2027, supported by active contracts, prospective projects in multiple basins, and international interest in our autonomous services.

Operational Performance and Product Advancement - Service revenue in the quarter was mainly fueled by SeaTrepid's ROV operations. Cross-selling momentum continues: SeaTrepid's longstanding customers are expressing interest in our autonomous solutions, while Nauticus' existing customers are contracting ROV services for both oil-and-gas and environmental projects. The integration of the SeaTrepid fleet and workforce has enabled higher utilization and broadened our geographic reach.

Aquanaut® advancements during the quarter continued to emphasize the validation and refinement of autonomous subsea workflows, including search and inspection behaviors. Operations at our Florida facility provided data used to identify reliability improvements, refine mission execution, and improve the software and operator experience. We also expanded development efforts in autonomous underwater object detection and classification, including the collection and evaluation of data to support potential defense and security inspection applications. These efforts are intended to support more complex autonomous missions, with additional testing and validation required before these capabilities are ready for routine commercial use.

During the third quarter, we advanced commercialization of Nauticus ToolKITT™ following its commercial release for existing ROV fleets. The initial offering, Pilot Assist, provides semi-autonomous positioning and navigation capabilities designed to reduce operator workload and improve consistency in subsea operations. Earlier deployments of Nauticus ToolKITT™ on our Comanche ROVs during customer projects demonstrated the potential operational benefits of adding autonomy to existing vehicles.

We continued improving the software's reliability, usability, and deployment readiness through structured testing and operational feedback. These efforts support our objective of making Nauticus ToolKITT™ repeatable to integrate, operate, and support across compatible third-party vehicles. We are also developing additional autonomous mission capabilities, including object detection and inspection workflows, for potential future applications in commercial and defense markets.

We continue to mature the Olympic Arm™ program as we jointly move towards a commercial product targeting the entire ROV market. The next-generation manipulator is currently in development in-house with an emphasis on improving repair efficiency and durability. We anticipate the smaller, observation work-class ROV and AUV markets' demand for a next-generation compact, fully electric manipulator remains strong, and we intend to capitalize on that demand as development of the next-generation manipulator proceeds.

Conclusion - The first nine months of 2026 set a strong technical and strategic foundation for the year. Customer interest across the oil and gas, wind, and government sectors remains encouraging, and the Company continues to pursue opportunities within its services pipeline. Management believes that its current workforce, technology capabilities and developing customer relationships position it to compete in the growing subsea autonomy market. However, the Company's ability to capitalize on these opportunities remains dependent on securing sufficient funding to support its operations and execute its business strategy, and there can be no assurance that the Company will achieve its strategic objectives or generate long-term value for stockholders.

Results of Operations

***Three and nine months ended September 30, 2026, compared to three and nine months ended*September 30, 2025**

The following table sets forth summarized condensed consolidated financial information:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2026	2025	$	%	2026	2025	$	%
Revenue								
Service	$ 2,249,198	$ 1,976,795	$ 272,403	14%	$ 3,294,720	$ 4,217,617	$ (922,897)	-22%
Total revenue	2,249,198	1,976,795	272,403	14%	3,294,720	4,217,617	(922,897)	-22%
Costs and Expenses								
Cost of revenue	2,962,179	4,266,894	(1,304,715)	-31%	7,823,629	9,009,892	(1,186,263)	-13%
Depreciation and amortization	859,186	590,820	268,366	45%	2,186,396	1,645,759	540,637	33%
General and administrative	2,684,238	3,047,001	(362,764)	-12%	9,233,509	11,824,874	(2,591,365)	-22%
Total costs and expenses	6,505,603	7,904,715	(1,399,113)	-18%	19,243,535	22,480,525	(3,236,991)	-14%
Operating loss	(4,256,404)	(5,927,920)	(1,671,516)	-28%	(15,948,815)	(18,262,908)	(2,314,093)	-13%
Other (income) expense, net:								
Other (income) expense, net	824	(47,117)	47,941	-102%	7,818	(182,051)	189,869	-104%
Foreign currency transaction loss	4,988	48,807	(43,819)	-90%	12,472	52,348	(39,876)	-76%
Loss on extinguishment of debt	60,316	-	60,316	-%	5,619,646	-	5,619,646	-%
Change in fair value of derivative	(94,000)	-	(94,000)	-%	157,000	-	157,000	-%
Change in fair value of warrant liabilities	(1,469)	(103,607)	102,138	-99%	(10,813)	(145,738)	134,925	-93%
Change in fair value of November 2024 Debentures	(29,000)	(407,938)	378,938	-93%	1,065,112	128,122	936,990	731%
Interest expense, net	701,631	1,221,883	(520,252)	-43%	2,481,697	3,545,722	(1,064,025)	-30%
Total other expense, net	643,291	712,028	(68,737)	-10%	9,332,932	3,398,403	5,934,529	175%
Net loss	$ (4,899,695)	$ (6,639,948)	$ (1,740,253)	-26%	$ (25,281,747)	$ (21,661,311)	$ 3,620,436	17%

Revenue. For the three months ended September 30, 2026, revenue increased $272,403 or 14% compared to the three months ended September 30, 2025, driven by ROV jobs in the Gulf of America and Northeast Coast primarily. For the nine months ended September 30, 2026 revenue decreased $922,897 or 22%, as compared to the nine months ended September 30, 2025, primarily driven by a slow start of the first half of the year in the ROV market.

Cost of revenue. For the three and nine months ended September 30, 2026, cost of revenue decreased $1,304,715 or 31% and $1,186,263 or 13% respectively, as compared to the three and nine months ended September 30, 2025. The improvement during the three months ended September 30, year over year, can be attributed to a more efficient use of the vessel. The decrease in cost of revenue for the nine months ended September 30, year over year, additionally includes the natural decline due to lower revenue.

Depreciation and Amortization. For the three and nine months ended September 30, 2026, depreciation and amortization increased $268,366 or 45% and, $540,637 or 33% respectively, as compared to the three and nine months ended September 30, 2025, due to the increase in property and equipment and intangibles primarily related to the acquisition of SeaTrepid.

General and administrative. For the three and nine months ended September 30, 2026, general and administrative costs decreased $362,764 or 12% and $2,591,365 or 22%, compared to the three and nine months ended September 30, 2025, as 2025 included non-recurring expenses related to the SeaTrepid acquisition as well as cost saving initiatives implemented at the end of 2025 and beginning of 2026 coming to fruition.

Other (income) expense, net. For the three and nine months ended September 30, 2026, other expense increased $47,941 or 102% and $189,869or 104% respectively, as compared to the three and nine months ended September 30, 2025 due to non-recurring credits received in 2025 related to payment from customer written off in prior years as well as assets sold.

Loss on extinguishment of debt. For the three and nine months ended September 30, 2026, the loss on the extinguishment of debt of $60,316 and $5,619,646, respectively, was driven primarily by the exchange of November 2024 Debentures and Convertible Senior Secured Term Loan Notes for Series C Preferred Stock, both in the second quarter and the third quarter of 2026.

Change in fair value of derivative. For the three and nine months ended September 30, 2026 , a gain on derivative of $94,000and a loss of $157,000, respectively, was reported driven by the change in fair value of the equity purchase facility agreement (the "EPFA").

Change in fair value of warrant liabilities. For the three months ended September 30, 2026 and 2025, the Company reported gains in the fair value of warrant liabilities of $1,469 and $103,607, respectively. For the nine months ended September 30, 2026 and 2025, the Company reported a gain in fair value of warrant liabilities of $10,813 and $145,738, respectively.

Change in fair value of November 2024 Debentures. For the three and nine months ended September 30, 2026 , the Company reported a gain/loss on the fair value of the November 2024 convertible debentures of $29,000 and $1,065,112 respectively, related to the change in fair value of the debentures.

Interest expense, net. For the three months ended September 30, 2026, interest expense decreased $520,252 or 43%. For the nine months ended September 30, 2026, interest expense decreased $1,064,025, or 30% driven by reduced outstanding balances on the convertible senior secured term loans due to conversions.

Liquidity and Capital Resources - The Company has incurred recurring losses each year since its inception and currently does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company continues to develop its principal products and conduct capability advancement activities. The Company currently funds its operations with cash on hand, availability under the November 2024 Debentures (see Note 8 - "Notes Payable"), the Equity Purchase Facility Agreement (see Note 17 - "Equity Purchase Facility Agreement and Derivative Liability") and the offer and sale of additional shares of Common Stock under the At The Market Offering Agreement (see Note 15 - "Common Stock"). The Company will require additional liquidity to continue its operations over the next twelve months. While a current investor has expressed an intention to provide financial support, factors such as stock price, volatility, trading volume, market conditions, demand and regulatory requirements may adversely affect the Company's ability to raise capital in an efficient manner. Because of these factors, the Company believes that this creates substantial doubt about the Company's ability to continue as a going concern for a period of at least twelve months from the date the September 30, 2026 financial statements were issued.

As of September 30, 2026, the Company had $5,572,356 of cash, cash equivalents and restricted cash.

Significant sources and uses of cash during the nine months ended September 30, 2026 and 2025

Sources of cash:

- During the nine months ended September 30, 2026, the Company received net proceeds of $9,004,955 fron financing activities attributable to proceeds from ATM share offering and $5,985,000 from the November 2024 debentures.
- During the nine months ended September 30, 2025, the Company received net proceeds of $27,171,088 from equity financing primarily attributable to the ATM share offering and issuance of Series B Preferred Stock.

Uses of cash:

- Cash used in operating activities was $17,088,659 and $18,943,935 during the nine months ended September 30, 2026 and 2025, respectively.

- Cash used in investing activities during the nine months ended September 30, 2026 related to capital expenditure of $146,267. Cash used in investing activities during the nine months ended September 30, 2025 related to the acquisition of SeaTrepid of $3,871,992 and capital expenditures of $48,358.

Critical Accounting Policies and Estimates -Management's discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements included in this Form 10-Q, which have been prepared in accordance to US GAAP. Certain of our accounting estimates are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates are susceptible to material changes as a result of changes in facts and circumstances. 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, 2025, filed with SEC for a complete discussion of our critical accounting estimates.

There have been no significant changes to our accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

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 September 30, 2026, as a result of the previously disclosed material weakness discussed below, our disclosure controls and procedures were not effective. 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 2024, the Company identified material weaknesses in its internal controls over financial reporting related to: ineffective design and operation of controls over significant complex transactions, which resulted in restatements of financial statements for all interim periods of 2024. As of September 30, 2026, the material weakness had not yet been remediated.

Remediation Plan. The Company continues to implement remediation actions, including: establishing a formal Significant and Complex Transaction review process that will identify transactions that should be reviewed by third party experts to ensure proper treatment. Due to the nature of the remediation process and the need for sufficient time after implementation to evaluate and test the effectiveness of the controls, no assurance can be given as to the timing for completion of remediation. The material weakness will be fully remediated when the Company concludes that the controls have been operating for sufficient time and independently validated by management.

Changes in internal control over financial reporting. During the fiscal quarter ended September 30, 2026, except as described above in "Remediation Plan" 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, 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

The disclosure below supplements the risk factors previously disclosed under “Item 1A. Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2025 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.

If we fail to satisfy the Nasdaq Capital Market continued listing requirements, our common stock could be delisted from the Nasdaq.

The listing of our common stock on the Nasdaq Capital Market is contingent on our compliance with the Nasdaq Capital Market’s conditions for continued listing.

On October 16, 2025, the Company received a letter from Nasdaq notifying the Company that, for the preceding 30 consecutive trading days, the market value of the Company’s listed securities had been below the minimum $35,000,000 requirement for continued listing on The Nasdaq Capital Market, pursuant to Nasdaq Listing Rule 5550(b)(2). The Company also did not meet the alternative $2,500,000 stockholders' equity requirement under Nasdaq Listing Rule 5550(b)(1) (the "Equity Rule"). Accordingly, the Company timely requested a hearing before the Nasdaq Hearings Panel (the “Panel”), which was held on December 4, 2025. The Panel granted the Company's request for continued listing on Nasdaq, subject to the following conditions: (1) From the date of the Panel decision until April 14, 2026 (the end of the Panel's jurisdiction in the matter), the Company shall maintain compliance with all Nasdaq listing rules; and (2) the Company shall maintain a shareholder equity value of $3,500,000 for each fiscal quarter until December 19, 2026.

On December 19, 2025, the Company received a letter from Nasdaq indicating that it had demonstrated compliance with the Equity Rule and, as a result, satisfied the continued listing requirements of The Nasdaq Capital Market.

On April 27, 2026, the Company received a letter from the Panel confirming that the Company satisfied the terms of the Panel's December 4, 2025 decision and is in compliance with the Nasdaq Listing Rules. Notwithstanding the foregoing, there can be no assurance that the Company will ultimately maintain compliance with all applicable requirements for continued listing. As set forth in the Panel's determination and confirmed in the April 27, 2026 letter, the Company is still subject to a mandatory panel monitor pursuant to Nasdaq Listing Rule 5815(d)(4)(B). During the monitoring period, the Company is required to maintain a minimum stockholder's equity of $3,500,000 for each fiscal quarter until the end of the panel monitor period, December 19, 2026. If the Company fails to satisfy this requirement, the Company's common stock may be delisted.

A delisting of the Company’s common stock could negatively impact the Company and its stockholders by, among other things: reduce the liquidity and market price of its common stock; reduce the number of investors willing to hold or acquire the Company’s common stock, which could negatively impact its ability to raise equity financing; decrease the amount of news and analyst coverage of the Company; and limit the Company’s ability to issue additional securities or obtain additional financing in the future. In addition, delisting from the Nasdaq might negatively impact the Company’s reputation and, as a consequence, its business, operating results, cash flows, financial condition, or securities.

If Nasdaq’s proposed $5 million minimum Market Value of Listed Securities continued listing requirement becomes effective, or if we fail to maintain compliance with other exchange listing standards, our Common Stock may be delisted, which would materially and adversely affect its liquidity, market price, and our access to capital.

Our Common Stock (KITT) is listed on the Nasdaq Capital Market. On July 22, 2026, the Securities and Exchange Commission (“SEC”) approved a new Nasdaq continued listing rule requiring all listed issuers to maintain a minimum Market Value of Listed Securities (“MVLS”) of at least $5.0 million for each listed class, calculated as the consolidated closing bid price multiplied by the total listed securities outstanding of that class. Unlike other Nasdaq continued listing standards, the new $5.0 million MVLS standard carries no compliance or cure period. If a listed class remains below $5.0 million MVLS for 30 consecutive business days, Nasdaq will immediately issue a Staff Delisting Determination, resulting in the immediate suspension of trading without an automatic stay upon appeal.

Although implementation of this rule was automatically stayed on July 29, 2026, pursuant to SEC Rule of Practice 431(e), and the SEC subsequently granted petitions for review of the approval order on September 11, 2026, continuing the stay

pending further Commission action, there can be no assurance that the SEC will modify or reverse the approval order, or that the rule will not become effective in its current form. The MVLS of our Common Stock has historically fluctuated near the $5.0 million threshold. If the proposed rule becomes enforceable upon the lifting or resolution of the SEC stay, and the market price or share count of our Common Stock does not sustain an MVLS above $5.0 million:

• No Cure Window: We will not be granted a 180-day cure period to regain compliance, and trading in our Common Stock will be immediately suspended by Nasdaq.

• Limited Appeal Standards: The Nasdaq Hearings Panel's discretion to grant an exception upon appeal is strictly limited to instances of factual calculation errors or our ability to demonstrate compliance with all initial (rather than continued) listing standards across our equity tiers.

• Remedial Structural Actions: To maintain or restore compliance, we may be required to pursue corporate restructurings or executing equity issuances. Such actions may require charter amendments, board or shareholder approvals, or cause dilution or market volatility.

If our Common Stock is delisted from Nasdaq, trading would likely be conducted on an over-the-counter ("OTC") market. OTC trading generally involves significantly reduced liquidity, wider bid-ask spreads, decreased institutional investor coverage, and heightened price volatility.

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

During the three months ended September 30, 2026, the Company completed certain unregistered sales of securities previously disclosed in the Company's Current Reports on Form 8-K filed with the SEC on July 21, 2026, which disclosures are incorporated herein by reference. Except as previously disclosed in such filings, the Company did not sell any securities during the quarter ended September 30, 2026 in transactions that were not registered under the Securities Act of 1933, as amended.

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 September 30, 2026, no director or Section 16 officer of the Companyadopted 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

		Incorporated by Reference			
Exhibit	**Description**	**Schedule/ Form**	**File Number**	**Exhibits**	**Filing Date**
3.1	Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.5	September 15, 2022
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	July 18, 2024
3.3	Certificate of Designations of Rights and Preferences of Series A Convertible Preferred Stock of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	December 27, 2024

3.4	Certificate of Designations of Rights and Preferences of Series B Convertible Preferred Stock of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	August 7, 2025
3.5	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	September 2, 2025
3.6	Certificate of Designations of Rights and Preferences of Series C Convertible Preferred Stock of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	December 3, 2025
3.7	Certificate of Correction (Series A CoD) 2026	Form 10-K	001-40611	3.9	April 15, 2026
3.8	Certificate of Corrections (Series B CoD) 2026	Form 10-K	001-40611	3.10	April 15, 2026
3.9	Certificate of Corrections (Series C CoD) 2026	Form 10-K	001-40611	3.11	April 15, 2026
3.10	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation	Form 8-K	001-40611	3.1	April 21, 2026
3.11	Certificate of Designations of Rights and Preferences of Series D Convertible Preferred Stock of Nauticus Robotics, Inc	Form 8-K	001-40611	3.1	July 9, 2026
3.12	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	September 23, 2026
3.13	Amended and Restated Bylaws of Nauticus Robotics Inc (as of May 11, 2023).	Form 8-K	001-40611	3.1	May 15, 2023
3.14	Amendment No. 1 to the Amended and Restated By-laws of Nauticus Robotics. Inc.	Form 8-K	001-40611	3.1	August 19, 2025
10.1	Fourth Amendment, dated August 12, 2026, by and among Nauticus Robotics, Inc. and the lenders signatories thereto.	Form 8-K	001-40611	10.1	August 13, 2026
10.2	Form of Holder Notice and Confirmation of Extension of Maturity Date, dated September 9, 2026, delivered by ATW Special Situations II, LLC to Nauticus Robotics, Inc.	Form 8-K	001-40611	10.1	September 11, 2026
10.3	Form of Fifth Amendment to Term Loan Agreement, by and among Nauticus Robotics, Inc. and the lenders signatories thereto.	Form 8-K	001-40611	10.1	September 18, 2026
10.4	Form of Collateral Agent Acknowledgment And Consent.	Form 8-K	001-40611	10.2	September 18, 2026
10.5	Form of waiver of September 30, 2026 Triggering Event relating to Series C Convertible Preferred Stock, effective September 23, 2026.	Form 8-K	001-40611	10.1	October 1, 2026
10.6	Form of waiver of September 30, 2026 Triggering Event relating to Series A Convertible Preferred Stock, effective September 30, 2026.	Form 8-K	001-40611	10.1	October 1, 2026
10.7	Form of waiver of September 30, 2026 Triggering Event relating to Series B Convertible Preferred Stock, effective September 30, 2026.	Form 8-K	001-40611	10.1	October 1, 2026
10.8	Form of waiver of September 30, 2026 Triggering Event relating to Series C Convertible Preferred Stock, effective September 30, 2026.	Form 8-K	001-40611	10.1	October 1, 2026
10.9	Form of Sixth Amendment, dated September 30, 2026, by and among Nauticus Robotics, Inc. and the lender signatories thereto.	Form 8-K	001-40611	10.1	October 1, 2026
10.1	Form of Collateral Agent Acknowledgement and Consent	Form 8-K	001-40611	10.2	October 1, 2026

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).

+ Filed herewith

* Furnished herewith

† Certain portions of this document that constitute confidential information have been redacted pursuant to Item 601(b)(10) of Regulation S-K.

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: November 16, 2026

By: /s/ Jimena Begaries
Jimena Begaries
Interim Chief Financial Officer
(Principal Financial Officer)

Date: November 16, 2026

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, John W. Gibson, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Nauticus Robotics, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 16, 2026

/s/ John W. Gibson, Jr.

John W. Gibson, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Jimena Begaries, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Nauticus Robotics, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 16, 2026

/s/ Jimena Begaries

Jimena Begaries

Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, the undersigned Officer of Nauticus Robotics, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2026 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 16, 2026

/s/ John W. Gibson, Jr.

John W. Gibson, Jr.

Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, the undersigned Officer of Nauticus Robotics, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2026 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 16, 2026

/s/ Jimena Begaries

Jimena Begaries

Interim Chief Financial Officer