

Risk Factors Comparison 2024-11-22 to 2023-11-17 Form: 10-K

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In evaluating the Company's business, you should consider the following discussion of risk factors, in addition to other information contained in this report and in the Company's other public filings with the U. S. Securities and Exchange Commission. Any such risks could materially and adversely affect our business, financial condition, results of operations, cash flow and prospects. However, the risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, results of operations, cash flow and prospects. External Factors that Could Adversely Affect Us ~~The Ongoing COVID-19 Pandemic Has Significantly Impacted Worldwide Economic Conditions and Could Have a Material Adverse Effect on Our Operations and Business.~~ The ongoing COVID-19 pandemic has negatively impacted worldwide economic activity and continues to create challenges in our markets. The COVID-19 pandemic and the related mitigation measures have disrupted our supply chain, resulting in longer lead times in materials available from suppliers and extended shipping time for these materials to reach our facilities. The occurrence or resurgence of global or regional health events such as the COVID-19 pandemic, and the related government responses, could result in a material adverse effect on our business, financial condition, results of operations and liquidity. As such, we will continue to closely monitor COVID-19 and will continue to reassess our strategy and operational structure on a regular, ongoing basis. Oil Commodity Price Levels Could Affect Demand for Our Oil and Gas Products, Which Could Materially and Adversely Affect Our Results of Operations and Liquidity. Demand for many of our products and the profitability of our operations depend primarily on the level of worldwide oil and gas exploration activity. Prevailing oil and gas prices, with an emphasis on crude oil prices, and market expectations regarding potential changes in such prices significantly affect the level of worldwide oil and gas exploration activity. During periods of improved energy commodity prices, the capital spending budgets of oil and natural gas operators tend to expand, which results in increased demand for our customers services leading to increased demand in our products. Conversely, in periods when these energy commodity prices deteriorate, capital spending budgets of oil and natural gas operators tend to contract causing demand for our products to weaken. Historically, the markets for oil and gas have been volatile and are subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors that are beyond our control. These factors include the level of consumer demand, regional and international economic conditions, weather conditions, domestic and foreign governmental regulations (including those related to climate change), price and availability of alternative fuels, political conditions, the war between Russia and Ukraine, instability and hostilities in the Middle East and other significant oil-producing regions, increases and decreases in the supply of oil and gas, the effect of worldwide energy conservation measures and the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and prices of foreign imports. Crude oil prices **have stabilized over the past two years held above \$ 65 per barrel throughout 2022 and through September 2023**, which may result in higher cash flows for exploration and production companies. Any material changes in oil and gas prices or other market trends, like slowing growth of the global economy, could adversely impact seismic exploration activity and would likely affect the demand for the Company's products and could materially and adversely affect its results of operations and liquidity. Generally, imbalances in the supply and demand for oil and gas will affect oil and gas prices and, in such circumstances, demand for our oil and gas products may be adversely affected when world supplies exceed demand. The Ongoing Armed Conflict Between Russia and Ukraine Could Adversely Affect Our Business, ~~Financial Condition,~~ and Results of Operations. **In February 2022, the Russian Federation launched a full-scale military invasion of Ukraine, and Russia and Ukraine continue to engage in active and armed conflict as of November 2024. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. As a result of the invasion, the governments of several western nations, including the U. S., Canada, the United Kingdom and the European Union, implemented new and / or expanded economic sanctions and export restrictions against Russia, Russian-backed separatist regions in Ukraine, certain banks, companies, government officials, and other individuals in Russia and Belarus.** A portion of our oil and gas product manufacturing ~~is was~~ conducted through our wholly-owned subsidiary, Geospace Technologies Eurasia LLC ("GTE"), ~~which is based~~ in the Russian Federation. In ~~February August 2022 2024~~, **we sold the these** Russian Federation launched a full-scale military invasion of Ukraine, and Russia and Ukraine continue to engage in active and armed conflict as of November 2022. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions in addition to any direct impact on our operations in Russia. As a result of the invasion, the governments of several western nations, including the U. S., Canada, the United Kingdom and the European Union, implemented new and / or expanded economic sanctions and export restrictions against Russia, Russian-backed separatist regions in Ukraine, certain banks, companies, government officials, and other individuals in Russia and Belarus. The implementation of these sanctions and export restrictions, in combination with the withdrawal of numerous private companies from the Russian market, has had, and is likely to continue to **a group of former employees of GTE. We have continued to purchase**, a negative impact on the company's business in the region. During fiscal year 2023, we imported \$ 3.8 million of products from GTE for resale elsewhere in the world **new ownership and expect to continue to do so for the foreseeable future**. ~~The~~ **However, the** rapid changes in rules and implementation of new rules on imports and

exports of goods involving Russia has also led to serious delays in getting goods to or from Russia as port authorities struggle to keep up with the changing environment. If imports of these products from the Russian Federation are restricted by government regulation, we may be forced to find other sources for the manufacturing of these products at potentially higher costs. ~~Likewise, restrictions on our ability to send products to our subsidiary in Russia may force our subsidiary to have to find other sources for the manufacturing of these products at potentially higher costs; however, our exports to GTE have historically been limited. Boycotts, protests, unfavorable regulations, additional governmental sanctions and other actions in the region could also adversely affect our ability to operate profitably. Delays in obtaining governmental approvals can affect our ability to timely deliver our products pursuant to contractual obligations, which could result in us being liable to our customers for damages.~~ The risk of doing business in the Russian Federation and other economically or politically volatile areas could adversely affect our operations and earnings. ~~It is possible that increasing sanctions, export controls, restrictions on access to financial institutions, supply and transportation challenges, or other circumstances or considerations could necessitate a reduction, or even discontinuation, of operations by GTE or other business in Russia. We are actively monitoring the situation in Ukraine and Russia and assessing its impact on our business, including GTE. The net carrying value of GTE on our consolidated balance sheet at September 30, 2023 was \$ 5. 8 million, including cash of \$ 2. 5 million. In response to sanctions imposed by the U. S. and others on Russia, the Russian government has imposed restrictions on companies' abilities to repatriate or otherwise remit cash from their Russian-based operations to locations outside of Russia. As a result, this cash can be used in our Russian operations, but we may be unable to transfer it out of Russia without incurring substantial costs, if at all. In addition to the \$ 3. 8 million of products we imported from GTE in fiscal year 2023, the subsidiary generated \$ 1. 8 million in revenue from domestic sales in fiscal year 2023.~~ We have no way to predict the duration, progress or outcome of the military conflict in Ukraine. The extent and duration of the military action, sanctions, and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Our Foreign Subsidiaries and Foreign Marketing Efforts Are Subject to Additional Political, Economic, Legal and Other Uncertainties Not Generally Associated with Domestic Operations. Based on customer billing data, revenue to customers outside the United States accounted for approximately **50-53** % of our revenue during fiscal year **2023-2024** ; however, we believe the percentage of revenue outside the United States is likely higher since many of our products are first delivered to a domestic location and ultimately shipped to a foreign location. We again expect revenue outside of the United States to represent a substantial portion of our revenue for fiscal year **2024-2025** and subsequent years. Foreign revenue is subject to special risks inherent in doing business outside of the United States, including the risk of war, terrorist activities, civil disturbances, embargo and government activities, shifting foreign attitudes about conducting business activities with the United States, restrictions of the movement and exchange of funds, inhibitions of our ability to collect accounts receivable or repossess our rental equipment, international sanctions, expropriation and nationalization of our assets or those of our customers, currency fluctuations, devaluations and conversion restrictions, confiscatory taxation or other adverse tax policies and governmental actions that may result in the deprivation of our contractual rights, all of which may disrupt markets or our operations. Foreign revenue is also generally subject to the risk of compliance with additional laws, including tariff regulations and import and export restrictions. International revenue transactions for our products containing hydrophones require prior U. S. government approval in the form of an export license, which may be withheld by the U. S. government based upon factors which we cannot predict. ~~We may experience difficulties in connection with future foreign revenue. Additionally, due to foreign laws and restrictions, should we experience substantial growth in certain foreign markets, for example in the Russian Federation, we may not be able to transfer cash balances to the United States to assist with debt servicing or other obligations.~~ Increases in Tariffs, Trade Restrictions or Taxes on our Products Could Have an Adverse Impact on our Operations. In fiscal year **2023-2024** , customers outside the United States accounted for approximately **50-53** % of our revenues. We also purchase a portion of our raw materials from suppliers in China and other foreign countries. The commerce we conduct in the international marketplace makes us subject to tariffs, trade restrictions and other taxes when the raw materials we purchase, and the products we ship, cross international borders. Trade tensions between the United States and China, as well as those between the U. S. and Canada, Mexico and other countries have been escalating in recent years. Trade tensions have led to a series of tariffs imposed by the U. S. on imports from China, as well as retaliatory tariffs imposed by China on imports from the U. S. If the U. S. and China are able to negotiate the issues to restore a mutually advantageous and fair trading regime, the increased tariffs could be eliminated. Certain raw materials we purchase from China are subject to these tariffs which has increased our manufacturing costs. Products we sell into certain foreign markets could also become subject to similar retaliatory tariffs, making the products we sell uncompetitive to similar products not subjected to such import tariffs. Further changes in U. S. trade policies, tariffs, taxes, export restrictions or other trade barriers, or restrictions on raw materials including rare earth minerals, may limit our ability to produce products, increase our manufacturing costs, decrease our profit margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase raw materials, which could have a material adverse effect on our business, results of operations or financial conditions. Climate Change and Legislation Designed to Reduce Climate Change The physical and regulatory effects of climate change could have a negative impact on our operations, our customers' operations and the overall demand for our customers' products and, accordingly, our services. There is an increasing focus of local, state, regional, national and international regulatory bodies on Greenhouse Gas (" GHG") emissions and climate change issues. Legislation to regulate GHG emissions has periodically been introduced in the U. S. Congress, and there has been a wide- ranging policy debate, both in the United States and internationally, regarding the impact of these gases and possible means for their regulation. These efforts have included consideration of cap- and- trade programs, carbon taxes, GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources. Some of the proposals would require industries to meet stringent new standards that would require substantial reductions in carbon emissions. Those reductions could be costly and difficult to implement. In the absence of federal GHG- limiting legislation, the EPA has determined that GHG emissions present a danger

to public health and the environment and has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain oil and natural gas system sources, implement Clean Air Act emission standards directing the reduction of methane emissions from certain new, modified, or reconstructed facilities in the oil and natural gas sector, and together with the DOT, implement GHG emissions limits on vehicles manufactured for operation in the United States. In April 2016, the United States signed the Paris Agreement, which requires countries to review and “represent a progression” in their nationally determined contributions, which set emissions reduction goals, every five years. Under the Paris Agreement, the Biden Administration has committed the United States to reducing its greenhouse gas emissions by 50- 52 % from 2005 levels by 2030. In November 2021, the United States and other countries entered into the Glasgow Climate Pact, which includes a range of measures designed to address climate change, including, but not limited to the phase-out of fossil fuel subsidies, reducing methane emissions 30 % by 2030, and cooperating toward the advancement of the development of clean energy. Several states and geographic regions in the United States have also adopted legislation and regulations to reduce emissions of GHGs, including cap and trade regimes and commitments to contribute to meeting the goals of the Paris Agreement. Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in increasing political risks in the United States. President Biden and Congress have identified climate change as a priority, and it is likely that additional executive orders, regulatory action, and / or legislation targeting greenhouse gas emissions, or prohibiting or restricting oil and gas development activities in certain areas, will be proposed and / or promulgated during the Biden Administration. President Biden issued an executive order imposing a moratorium on new oil and gas leasing on federal lands and offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. President Biden’s order also establishes climate change as a primary foreign policy and national security consideration, affirms that achieving net-zero greenhouse gas emissions by or before midcentury is a critical priority, affirms the Biden Administration’s desire to establish the United States as a leader in addressing climate change, generally further integrates climate change and environmental justice considerations into government agencies’ decision-making, and eliminates fossil fuel subsidies, among other measures. Other actions impacting oil and natural gas production activities that could be pursued by the Biden administration may include more restrictive requirements for the establishment of pipeline infrastructure or the permitting of liquefied natural gas export facilities. It is not possible at this time to predict the timing and effects of climate change or whether additional climate-related legislation, regulations or other measures will be adopted at the local, state, regional, national and international levels. However, continued efforts by governments and non-governmental organizations to reduce GHG emissions appear likely, and additional legislation, regulation or other measures that control or limit GHG emissions or otherwise seek to address climate change could adversely affect our customers and our business. Because our business depends on the level of oil exploration, existing or future laws or regulations related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, our business could be negatively impacted if such laws or regulations reduce demand for our customers’ products and, accordingly, our services. These political, litigation, and financial risks may result in our customers restricting or cancelling exploration or production activities which also could reduce demand for our products and services. In addition to regulatory impacts, the occurrence of weather events caused or exacerbated by climate change could impact local, national or global commodity demand or availability in ways that could be material to our business and / or the business of our customers. We Operate in Highly Competitive Markets and Our Competitors May Be Able to Provide Newer or Better Products Than We Are Able to Provide The markets for most of our products are highly competitive. Many of our existing and potential competitors have substantially greater marketing, financial and technical resources than we do. Some competitors currently offer a broader range of instruments and equipment for sale than we do and may offer financing arrangements to customers on terms that we may not be able to match. In addition, new competitors may enter the market and competition could intensify. Revenue from our products may not continue at current volumes or prices if current competitors or new market entrants introduce new products with better features, performance, price or other characteristics than our products. Competitive pressures or other factors may also result in significant price competition that could have a material adverse effect on our results of operations. A General Downturn in the Economy in Future Periods May Adversely Affect Our Business. Economic slowdowns, currently or in the future, in the United States, China or India, could adversely affect our business in ways that we cannot predict. During times of economic slowdown, our customers may reduce their capital expenditures and defer or cancel pending projects and product orders. Such developments occur even among customers that are not experiencing financial difficulties. During times of economic slowdowns, some of our customers have (and other customers may have) undergone restructuring or bankruptcy that has or could adversely impact our revenues and profitability. Any economic downturn may adversely affect the demand for oil and gas generally or cause volatility in oil and gas commodity prices and, therefore, adversely affect the demand for delivery of our oil and gas products. It could also adversely affect the demand for consumer and industrial products, which could in turn adversely affect our Adjacent Markets business segment. To the extent these factors adversely affect other companies in the industries we serve, there could be an oversupply of products and services and downward pressure on pricing for our products and services, which could adversely affect us. Additionally, bankruptcies or financial difficulties among our oil and gas customers could reduce our cash flows and adversely impact our liquidity and profitability. For a discussion of the customers of our oil and gas products, see “The Limited Market for Our Oil and Gas Products Can Affect Our Revenue,” below. Risks Associated with Our Business Strategy and Operations Our New Products Require a Substantial Investment by Us in Research and Development Expense and May Not Achieve Market Acceptance. Our outlook and assumptions are based on various macro-economic factors and internal assessments, and actual market conditions could vary materially from those assumed. In recent years, we have incurred significant expenditures to fund our research and development efforts, and we intend to continue those expenditures in the future. However, research and development is by its nature speculative, and we cannot assure that these expenditures will result in the development of new products or services or

that any new products and services we have developed recently or may develop in the future will be commercially marketable or profitable to us. In particular, we have incurred substantial expenditures to develop our oil and gas nodal seismic data acquisition systems, as well as other products for PRM applications. In addition, we try to use some of our capabilities to supply products to new adjacent and emerging markets. We cannot assure that we will realize our expectations regarding acceptance of and revenue generated by our new products and services in existing or new markets. The Short- Term Nature of Our Order Backlog for Sales of Our Oil and Gas Products and Delayed or Canceled Customer Orders May Cause Us to Experience Fluctuations in Quarterly Results of Operations. Historically, the rate of new orders for the sale of our oil and gas products has varied substantially from quarter to quarter. Moreover, we typically operate, and expect to continue operating, on the basis of orders in hand for our products before we commence substantial manufacturing “ runs. ” The short- term nature of our order backlog for most of our oil and gas products generally does not allow us to predict with any accuracy demand for our products more than approximately three months in advance. Thus, our ability to replenish orders and the completion of orders, particularly large orders for deep water PRM projects, can significantly impact our operating results and cash flow for any quarter, and results of operations for any one quarter may not be indicative of results of operations for future quarters. Additionally, customers can delay or even cancel orders and rental contracts before product delivery occurs. For larger orders which generally require us to make a substantial capital investment in our inventories or rental fleet, we attempt to negotiate for a non- refundable deposit or cancellation penalties depending on our relationship with the customer. However, such deposits or penalties, even when obtained, may not fully compensate us for our inventory investment and forgone profits if the order is ultimately cancelled. These periodic fluctuations in our operating results and the impact of any order delays / cancellations could adversely affect our stock price. Our Credit Risk Could Increase and We May Incur **Bad Debt Credit Loss** Write- Offs If Our Customers Continue to Face Difficult Economic Circumstances. While we believe that our allowance for **bad debts credit losses** is adequate in light of known circumstances, additional amounts attributable to uncollectible accounts and notes receivable and **bad debt credit loss** write- offs may have a material adverse effect on our future results of operations. Many of our oil and gas customers are not well capitalized and as a result cannot always pay our invoices when due. We have in the past incurred write- offs in our accounts and notes receivable due to customer credit problems. We have found it necessary from time to time to extend trade credit, including promissory notes, to long- term customers and others where some risks of non- payment exist. Many of our oil and gas customers continue to experience significant liquidity difficulties, which increase those credit risks, due to prolonged periods of low crude oil prices. An increase in the level of **bad debts credit losses** and any deterioration in our credit risk could adversely affect the price of our stock. In addition, we rent equipment to our oil and gas customers who utilize such equipment in various countries around the world. If these customers experience financial difficulties, it could be difficult or impossible to retrieve our rental equipment from foreign countries. The Industries in Which We Operate are Characterized by Rapid Technological Development and Product Obsolescence, Which May Affect Our Ability to Provide Product Enhancements or New Products on a Timely and Cost- Effective Basis. Our instruments and equipment are constantly undergoing rapid technological improvement. Our future success depends on our ability to continue to: • improve our existing product lines, • address the increasingly sophisticated needs of our customers, • maintain a reputation for technological leadership, • maintain market acceptance of our products, • anticipate changes in technology and industry standards, • respond to technological developments on a timely basis and • develop new markets for our products and capabilities. Current competitors or new market entrants may develop new technologies, products or standards that could render our products obsolete. We cannot assure you that we will be successful in developing and marketing, on a timely and cost- effective basis, product enhancements or new products that respond to technological developments, that are accepted in the marketplace or that comply with new industry standards. Additionally, in anticipation of customer product orders, from time to time we acquire substantial quantities of inventories, which if not sold or integrated into products within a reasonable period of time, could become obsolete. In such case, we would be required to impair the value of such inventories on our balance sheet. The Limited Market for Our Oil and Gas Markets and Emerging Markets' Products Can Affect Our Revenue. In our Oil and Gas Markets segment, we generally market many of our products to seismic service contractors. We estimate that fewer than 30 oil and gas seismic contracting companies are currently operating in countries other than those operating in the Russian Federation and the former Soviet Union, India, the People' s Republic of China and certain Eastern European countries, where such information is difficult to verify. We estimate that fewer than 15 seismic contractors are engaged in marine seismic exploration activities. Due to these market factors, a relatively small number of customers, some of whom are experiencing financial difficulties, account for most of our oil and gas product revenue. From time to time, these contractors have sought to vertically integrate and acquire our competitors, which has influenced their supplier decisions before and after such transactions. In addition, consolidation among our customers may further concentrate our business to a limited number of customers and expose us to increased risks related to dependence on a small number of customers. We market our seabed PRM systems' products to large oil and gas companies. Since this product' s introduction in 2002, we have received system orders from three offshore oil and gas operators: BP, Shell and Equinor, which have accounted for a significant portion of our revenue in fiscal year 2014 and prior fiscal years. We have not received any orders for large- scale seabed PRM systems since November 2012. Our emerging markets segment primarily sells its products to a small number of agencies within the U. S. government. The loss of a small number of these customers, and particularly our oil and gas customers, could materially and adversely impact our future revenues. We Cannot Be Certain of the Effectiveness of Patent Protection on Our Products. We hold and from time to time apply for certain patents relating to some of our products. We cannot assure you that our patents will prove enforceable or free of challenge, that any patents will be issued for which we have applied or that competitors will not develop functionally similar technology outside the protection of any patents we have or may obtain. Our Strategy of Renting Our Oil and Gas Seismic Products Exposes Us to Additional Risks Relating to Equipment Recovery, Rental Renewals, Technological Obsolescence and Impairment of Assets. Our rental fleet of oil and gas seismic equipment represents a significant portion of our assets and accounts for a significant portion of our revenue. Equipment we rent

to our customers is frequently located in foreign countries where retrieval of the equipment after the termination of the rental agreement is difficult or impossible if the customer does not return the equipment. The costs associated with retrieving this equipment or the loss of equipment that is not retrieved could be significant and could adversely affect our operations and earnings. The advancement of seismic technology having a significant competitive advantage over the equipment in our rental fleet could have an adverse effect on our ability to profitably rent and / or sell this equipment. Significant improvements in technology may also require us to record asset impairment charges to write- down the value of our rental fleet investment and to invest significant sums to upgrade or replace our rental fleet with newer equipment demanded by our customers. In addition, rental contracts may not be renewed for equipment in our rental fleet. Significant technology improvements by our competitors could have an adverse effect on our results of operations and earnings. Our equipment rental business has high fixed costs, which primarily consist of depreciation expenses. In periods of declining rental revenue, these fixed costs generally do not decline. As a result, any significant decline in rental revenue caused by reduced demand could adversely affect our results of operations. Our Expansion into the Border and Perimeter Security Market May Not Be Successful. We have not previously operated in the border and perimeter security marketplace prior to our 2018 acquisition of Quantum. Quantum is also a relatively recent entrant into this marketplace, and Quantum was not cash- flow positive when we acquired it. In fiscal year 2021, we completed our first contract with the U. S. Customs and Border Protection (“ CBP ”), except for on- going service and maintenance. While we will continue to devote management time and resources, financial and otherwise, to develop our business in this marketplace, our lack of experience in this market makes it difficult to estimate our financial returns from this business. In addition, some of the customers for this business will be governmental entities and contracting with those entities can be difficult, costly, and unpredictable. We do not have extensive experience in government contracting, and so we may not win, retain, or perform under such future contracts in a manner that is profitable. If we are not successful in this emerging market segment, it will negatively impact our financial performance and could negatively impact our reputation and harm our other business segments.

~~Cybersecurity Breaches and Other Disruptions of Our Information Technology Network and Systems Could Adversely Affect Our Business. We rely on information technology networks and systems, some of which are owned and operated by third parties, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for a variety of functions, including worldwide financial reporting, inventory management, procurement, invoicing and email communications. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. Despite the implementation of network security measures, our systems and those of third parties on which we rely may also be vulnerable to computer viruses, break- ins, malware and similar disruptions. Malware, if surreptitiously installed on our systems and not timely detected and removed, could collect and disclose sensitive information relating to our customers, employees or others, exposing us to legal liability and causing us to suffer reputational damage. It could also lead to disruptions in critical systems or the corruption or destruction of critical data. If we are unable to prevent such outages and breaches, these events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential liability.~~

~~We Rely on Key Suppliers for Certain Components Used in Our Products. Certain models of our oil and gas marine wireless products require a timing device we purchase from a United States manufacturer. We currently do not possess the ability to manufacture this component and have no other reliable source for this device. If this manufacturer were to discontinue its production of this timing device, were to become unwilling to contract with us on competitive terms or were unable to supply the component in sufficient quantities to meet our requirements, our ability to compete in the marine wireless marketplace could be impaired, which could adversely affect our financial performance. For our imaging products, we purchase all of our thermal film from one manufacturer. Except for the film sold to us by this manufacturer, we know of no other source for thermal film that performs as well in our imaging equipment. If the manufacturer were to discontinue producing thermal film, were to become unwilling to contract with us on competitive terms or were unable to supply thermal film in sufficient quantities to meet our requirements, our ability to compete in the direct thermal imaging marketplace could be impaired, which could adversely affect our financial performance. Our Success Depends Upon a Limited Number of Key Personnel. Our success depends on attracting and retaining highly skilled professionals. A number of our employees are highly- skilled engineers and other professionals. In addition, our success depends to a significant extent upon the abilities and efforts of the members of our senior management team. If we fail to continue to attract and retain such professionals, our ability to compete in the industry could be adversely affected. We Have a Minimal Disaster Recovery Program at Our Houston Facilities. Due to its proximity to the Texas Gulf Coast, our facilities in Houston, Texas are annually subject to the threat of hurricanes, and the aftermath that follows. Hurricanes may cause, among other types of damage, the loss of electrical power for extended periods of time. If we lost electrical power at our Pinemont facility, or if a fire or other natural disaster occurred, we would be unable to continue our manufacturing operations during the power outage because we do not own a generator or any other back- up power source large enough to provide for our manufacturing power consumption needs. Additionally, we do not have an alternative manufacturing or operating location in the United States. Therefore, a significant disruption in our manufacturing operations could materially and adversely affect our business operations during an extended period of a power outage, fire or other natural disaster. We have a back- up generator to provide power for our information technology operations. We store our back- up data offsite and we replicate our mission critical data to an alternative cloud- based data center on a real- time basis. In the event of a major service interruption in our data center, we believe we would be able to activate our mission critical applications within less than 24 hours .~~

Our Storage of Lithium Batteries is a Fire Hazard. We use lithium batteries in several of our products which are stored at our Pinemont facility. These batteries are known to pose significant fire hazards. Should a fire occur, it could result in personal injuries, damage to our facility and likely interrupt our manufacturing operations. Such an event could materially and adversely affect our business operations. We currently evaluating our fire suppression system in an effort further to mitigate this risk .

Our Credit Agreement Imposes Restrictions on Our Business. We and several of our subsidiaries domiciled in the United States are parties

to a credit agreement. Amounts available for borrowing under the credit agreement are determined by a borrowing base, which is determined based upon certain of our domestic assets. Borrowings under the credit agreement will be secured by substantially all of our domestic assets, except for certain excluded property. The credit agreement limits the incurrence of additional indebtedness, contains a covenant that requires us to maintain a certain amount of consolidated tangible net worth and liquidity, and contains other covenants customary in agreements of this type. Our ability to comply with these restrictions may be affected by events beyond our control, including, but not limited to, prevailing economic, financial and industry conditions and continuing declines in our product revenue. The breach of any of these covenants or restrictions, as well as any failure to make a payment of interest or principal when due, could result in a default under the credit agreement. Such a default would permit our lender to declare any amounts borrowed from it to be due and payable, together with accrued and unpaid interest, and our ability to borrow under the credit agreement could be terminated. If we are unable to repay any debts owed to our lender, the lender could proceed against the collateral securing such debt. While we intend to seek alternative sources of cash in such a situation, there is no guarantee that any alternative cash source would be available or would be available on terms favorable to us.

Reliance on Third Party Subcontractors Could Adversely Affect Our Results of Operations and Reputation. We may rely on subcontractors to complete certain projects. The quality and timing of production and services by our subcontractors is not totally under our control. Reliance on subcontractors gives us less control over a project and exposes us to significant risks, including late delivery, substandard quality and high costs. The failure of our subcontractors to deliver quality products or services in a timely manner could adversely affect our profitability and reputation. **The High Fixed Costs of Our Operations Could Adversely Affect Our Results of Operations.** We have a high fixed cost structure primarily consisting of (i) depreciation expenses associated with our rental equipment and (ii) fixed manufacturing costs including salaries and benefits, taxes, insurance, maintenance, depreciation and other fixed manufacturing costs. In regards to our rental equipment, large declines in the demand for rental equipment could result in substantial operating losses due to the on- going fixed nature of rental equipment depreciation expense. Concerning our product manufacturing costs, in periods of low product demand our fixed costs generally do not decline or may decline only in modest increments. Therefore, lower demand for our rental equipment and manufactured products could adversely affect our results of operations.

Legal and Compliance Risks Our Global Operations Expose Us to Risks Associated with Conducting Business Internationally, Including Failure to Comply with U. S. Laws Which Apply to International Operations, Such as the Foreign Corrupt Practices Act and U. S. Export Control Laws, as Well as the Laws of Other Countries We have offices in Brazil, Colombia, Canada, ~~the Russian Federation, Kazakhstan~~ and the United Kingdom, in addition to our offices in the United States. In addition to the risks that are inherent in conducting business internationally, we are also liable for compliance with international and U. S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export control laws, U. S. laws such as the Foreign Corrupt Practices Act and similar laws in other countries which also prohibit certain payments to governmental officials or certain payments or remunerations to customers. Many of our products are subject to U. S. export law restrictions that limit the destinations and types of customers to which our products may be sold, or require an export license in connection with revenue transactions outside the United States. Given the high level of complexity of these laws, there is a risk that some provisions may be inadvertently breached, for example through the negligent or the unauthorized intentional behavior of individual employees, our failure to comply with certain formal documentation requirements or otherwise. Additionally, we may be held liable for actions taken by our local dealers and partners. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brands, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. **Because We Have No Plans to Pay Any Dividends for the Foreseeable Future, Investors Must Look Solely to Stock Appreciation for a Return on Their Investment in Us.** We have not paid cash dividends on our common stock since our incorporation and do not anticipate paying any cash dividends in the foreseeable future. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our financial condition, capital requirements, loan covenants and other factors that our Board of Directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. **We Have a Relatively Small Public Float, and Our Stock Price May be Volatile.** At September 30, ~~2023~~ **2024**, we have approximately ~~12~~ **11.28** million shares outstanding held by non- affiliates. This limited number of shares outstanding results in a relatively limited market for our common stock. Our daily trading volume for the year ended September 30, ~~2023~~ **2024** averaged approximately ~~41-85~~ **41-85**, 000 shares. Our small float and daily trading volumes have in the past caused, and may in the future result in, significant volatility in our stock price. **Financial and Accounting Risks Unfavorable Currency Exchange Rate Fluctuations Could Adversely Affect Our Results of Operations.** Substantially all of our third- party revenue from the United States is invoiced in U. S. dollars, though from time to time we may invoice revenue transactions in foreign currencies including intercompany sales. As a result, we may be subject to foreign currency fluctuations on our revenue. The reporting currency for our financial statements is the U. S. dollar. However, the assets, liabilities, revenue and costs of our ~~Russian,~~ Canadian and United Kingdom subsidiaries and our Brazilian, ~~and~~ Colombian, ~~and~~ Kazakhstan branch offices are denominated in currencies other than U. S. dollars. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenue and expenses into U. S. dollars at then- applicable exchange rates. Consequently, increases and decreases in the value of the U. S. dollar versus these other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. For the fiscal year ended September 30, ~~2023~~ **2024**, approximately ~~5-6~~ **5-6**% of our consolidated revenue was related to the operations of our foreign subsidiaries and branches. **Our Long- Lived Assets May be Subject to**

Impairment. We periodically assess our long-lived assets for impairment. Significant sustained future decreases in crude oil and natural gas prices may require us to write down the value of our long-lived assets in our Oil and Gas Markets business segment, including our manufacturing facilities, manufacturing equipment and rental equipment if future cash flows anticipated to be generated from these assets fall below the asset's net book value. Furthermore, we may be required to write down the value of other intangible assets related to our ~~acquisitions-~~ **acquisition** of Quantum, the OptoSeis® fiber optic sensing technology or the goodwill and other intangible assets related to our Aquana acquisition if sufficient cash flows are not generated to recover the carrying value of such assets. If we are forced to write down the value of our long-lived assets, these ~~non-cash~~ **non-cash** asset impairments could adversely affect our results of operations. Should We Fail to Maintain an Effective System of Internal Control Over Financial Reporting, We May Not Be Able to Accurately Report Our Financial Results and Prevent Material Fraud, Which Could Adversely Affect the Value of Our Common Stock. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and effectively prevent and detect material fraud. If we cannot provide reliable financial reports or prevent or detect material fraud, our operating results could be misstated. There can be no assurances that we will be able to prevent control deficiencies from occurring which could cause us to incur unforeseen costs, negatively impact our results of operations, cause the market price of our common stock to decline, or have other potential adverse consequences.