

Risk Factors Comparison 2025-04-15 to 2024-04-10 Form: 10-K

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Our business, financial condition, results of operations, cashflows, reputation and prospects are affected by a number of factors, whether currently known or unknown, including risks specific to us or the robotics industry, as well as risks that affect businesses in general. The risks disclosed in this Annual Report on Form 10-K, including but not limited to those described below, could materially adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects and thus our stock price. These risk factors may be important to understanding other statements in this Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements and related notes in Part I, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part I, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. Because of such risk factors, as well as other factors affecting the Company’s financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. Risk Factors Summary Risks Related to Our Business and Industry • We are an early-stage company with a history of losses and expect to incur significant expenses for the foreseeable future. • The consolidated financial statements included in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. ~~However, substantial doubt about the Company’s ability to continue as a going concern exists.~~ • We ~~previously identified a material weakness~~ **weaknesses** in our internal control over financial reporting which we are working to remediate. ~~This~~ **These** material ~~weakness~~ **weaknesses** could continue to adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner. • **If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely affected.** • A significant amount of our revenues is derived from a limited number of customers. A material portion of our revenue may be generated by sales to government entities, which are subject to a number of uncertainties, challenges, and risks. • If we fail to effectively manage our limited financial and intellectual resources, we may not be able to design, develop, manufacture, market, and launch new generations of our robotic systems successfully. • Our operating and financial projections rely on management assumptions and analyses. If these assumptions or analyses prove to be incorrect, our actual operating results may be materially different from our forecasted results. • We ~~have limited experience commercializing our products at a large scale and may not be able to do so efficiently or effectively.~~ • We may be unable to raise sufficient affordable capital needed to fund and grow our business. • **If we plan to dispose of assets to fund new opportunities and contracts but we may not be successful in commercializing our products and services, our revenue will be able to get full book value or market value concentrated in a limited number of models and a limited number of operating units for those— the foreseeable future assets in dispositions.** • Defects, glitches, or malfunctions in our products or the software that operates them, failure of our products to perform as expected, connectivity issues or operator errors could result in product recalls, lower than expected return on investment for customers, and could cause harm to operators and significant safety concerns, each of which could adversely affect our results of operations, financial condition and our reputation. • Our ability to manufacture products of sufficient quality on schedule is unproven, and delays in the design, production and launch of our products **and services** could harm our business, financial condition, results of operations, cash flows, reputation and prospects. • We are or may be subject to risks associated with strategic alliances or acquisitions and may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future. • We are highly dependent on the services of our senior management and other key employees and if we are unable to attract and retain a sufficient number of qualified employees, our ability to design, manufacture and launch our products, **provide services,** operate our business and compete could be harmed. • We ~~will incur significant increased~~ expenses and administrative burdens as a public company, which could have a material adverse effect on our business, financial condition, result of operations, cash flows, reputation and prospects. • We ~~may experience significant delays in the design, development, production and launch of our ocean robotic systems, which could harm our business, financial condition, results of operations, cash flows, reputation and prospects.~~ • The period of time from initial design of our products to obtaining binding purchase commitments from customers is long and we are subject to the risk that customers who initially expressed an interest in our products during the design phase will not enter into binding commitments. • We are dependent on our suppliers, some of which are currently single or limited source suppliers, and the inability **or other failure** of these suppliers to deliver necessary components of our products at prices and volume and with specifications and performance characteristics acceptable to us, could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. We have not yet identified all of the suppliers that we are likely to rely on to support future commercialization of our core products. • ~~Our transition to an outsourced manufacturing business model for our commercial products may not be successful, which could harm our ability to deliver products and recognize revenue.~~ • We may be unable to adequately control the costs associated with our operations. • We operate in a competitive industry that is subject to rapid technological change, and we expect competition to increase. • ~~If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely affected.~~ • Our financial results may vary significantly from period to period due to fluctuations in our operating costs, ~~product~~ demand **for our products and services, seasonal variation** and other factors. • We have yet to achieve positive operating cash flow and, given our projected funding

needs, our ability to generate positive cash flow is uncertain. • We expect to incur substantial R & D costs and devote significant resources to identifying and commercializing new products, which could significantly reduce our profitability and may never result in revenue to us. • As part of growing our business, we may undertake acquisitions, from time to time. If we fail to successfully select, execute, or integrate our acquisitions, our business, results of operations and financial condition could be materially adversely affected, and our stock price could decline. • If we are unable to adapt to and satisfy customer demands in a timely and cost- effective manner, our ability to grow our business may suffer. **Risks Related to Government Contracts** • Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, require state- of- the- art manufacturing expertise, or are dependent upon factors not wholly within our control. Failure to meet these obligations and requirements could adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. Early termination of customer contracts or contract penalties could adversely affect our results of operations. • We **have government customers** rely on a limited number of suppliers for certain raw materials and supplied components, which has caused and may continue to cause supply chain disruptions. We may not be able to obtain sufficient raw materials or supplied components to meet our manufacturing, design, and operating needs on favorable terms or at all. • Disputes with our subcontractors or the inability of our subcontractors to perform, or our key suppliers to timely deliver our components, parts or services, has caused and could continue to cause our products, systems or services to be produced or delivered in an untimely or unsatisfactory manner. • Government customers subject **subjects** us to risks including early termination, audits, investigations, sanctions and penalties. **Risks Related to Our Securities** • We may issue a significant number of shares or equity-linked securities in the future in connection with investments or acquisitions **or other efforts to raise capital**. • If certain holders of Common Stock sell a significant portion of their securities, it may negatively impact the market price of the shares of our Common Stock and such holders still may receive significant proceeds. • If we are unable to **regain and maintain** compliance with Nasdaq' s listing criteria, including their minimum bid price rule and minimum market value **and stockholder equity** requirement, Nasdaq may delist the Company' s stock. • We are an emerging growth company and smaller reporting company, and as such are subject to various risks unique only to emerging growth companies, including, but not limited to, risks associated with taking advantage of certain exemptions from disclosure requirements available to emerging growth companies or smaller reporting companies, which could, among other things, make our securities less attractive to investors and may make it more difficult to compare our performance with certain public companies. • We may redeem unexpired warrants prior to their exercise at a time that is disadvantageous to investors, thereby making Public Warrants worthless. **We may redeem outstanding Series A Preferred Stock and the November 2024 Debentures.** • Currently outstanding Public Warrants, Private Warrants, SPA Warrants and New SPA Warrants are exercisable for shares of Common Stock. Additionally, the **Series A Preferred Shares and the November 2024 Debentures** are currently convertible. Any future exercise of such warrants or conversion of the **Series A Preferred Shares or the November 2024 Debentures** would increase the number of shares of Common Stock eligible for future resale in the public market and result in dilution to our stockholders. **Risks Relating to our Business and Industry** We are an early- stage company with a history of losses, and we expect to incur significant expenses for the foreseeable future. We incurred a net loss of \$ **134.9 million and \$ 50.7 million and \$ 28.3 million** for the years ended December 31, **2024 and 2023 and 2022**, respectively. We believe that we will continue to incur operating and net losses each quarter until at least the first quarter of **2025-2026**. Even though we have commercial traction for platform sales, we may not attract customers for our offering, and our potential profitability is dependent upon the successful adoption on a larger scale of our robotics systems, which may not occur. There can be no assurance that we will be financially successful. We **prospects**. We had negative cash flow from operating activities of \$ **24.2 million and \$ 21.7 million and \$ 37.3 million** for the years ended December 31, **2023-2024**, and **2022-2023**, respectively. We expect to continue to have negative cash flow from operating and investing activities for the remainder of **2024-2025**. We expect to incur research and development, sales and marketing, and general and administrative expenses and make capital expenditures in our efforts to increase sales, engage in development work and ramp up operations. Our business also will at times require significant amounts of working capital to build inventory and support the growth of additional products. An inability to generate positive cash flow for the near term may adversely affect our ability to raise needed capital for our business on reasonable terms, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long- term viability. There can be no assurance that we will achieve positive cash flow in the near future or at **all**. We expect we will continue to incur operating and net losses in future periods as we: • continue to design, develop, manufacture and commercialize our ocean robotic systems; • continue to explore new relationships with third- party partners for supply, design- to- manufacturing and manufacturing; • **investigate the potential outsourcing of the manufacturing of our ocean robotic systems**; • build up inventories of parts and components for ocean robotic systems; • mature maintenance and servicing capacity, capabilities, and replacement parts inventory; • manufacture an inventory of ocean robotic systems; • increase sales and marketing activities and enhance sales and distribution infrastructure; • further develop remote monitoring, updating, and other cloud- based services; • refine safety measures for the ocean robotic systems; • expand technology infrastructure and cybersecurity measures, policies, and controls; and • increase general and administrative functions to support growing operations as a public company. Because we will incur costs and expenses from these efforts before we receive any incremental revenues with respect thereto, we expect to experience losses in future periods. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in revenues, which would further increase our losses. The Company currently funds its operations from cash on hand and other current assets. The Company has a history of losses and negative cash flows from operations. **We believe** it is not certain that the Company' s cash and other current assets and forecasted operating cash flows currently expected to be generated from the ongoing activity will provide the Company with sufficient financial resources to fund operations and meet our capital and operating requirements and anticipated obligations as they become due in the next twelve months. **The Company may require additional liquidity to continue its operations over the next twelve months to sufficiently alleviate or mitigate the conditions and**

events noted above, which a current investor has committed to the Company. The Company believes with this investor support that there will be sufficient resources to continue as a going concern for at least one year from the date that the consolidated financial statements contained in this Form 10-K are issued. We have restated our unaudited condensed consolidated financial statements for certain prior periods, which may lead to additional risks and uncertainties, including loss of investor confidence and negative impacts on our stock price. We previously restated our unaudited condensed consolidated financial statements as of and for the quarterly period periods ended **March 31, June 30 and** September 30, **2022-2024** (the “**2022-2024 Restated Period Periods**”). In consultation with the Audit Committee of the Board (the “**Audit Committee**”) and our auditors, we made the determination to restate such financial statements following the identification of errors related to the **classification proper application of GAAP to significant and complex transactions** certain warrants that were previously recorded as equity. Due to such errors, the Company’s management and the Audit Committee concluded that our previously issued financial statements for the **2022-2024 Restated Period Periods** should no longer be relied upon. In addition, our management, with the participation and under the supervision of our **former Chief Executive Officer and former Interim Chief Financial Officer**, performed a re-evaluation of the effectiveness of our disclosure controls and procedures as of the end of the **2022-2024 Restated Period**. Based on such re-evaluation, our **former Chief Executive Officer and former Interim Chief Financial Officer** concluded that, as a result of the identified material weakness, our disclosure controls and procedures were ineffective as of the end of the **2022-2024 Restated Period Periods**. Our Quarterly Report Reports on Form 10-Q for the period periods ended **March 31, June 30 and** September 30, **2022-2024** has have been amended by an Amendment No. 1 on Form 10-Q / A to, among other things, reflect the restatement of our financial statements for the **2022-2024 Restated Period Periods**. Further Previously, we have restated our unaudited condensed consolidated financial statements as of and for the quarterly period ended March 30, 2023 (the “**2023 Restated Period**”). In consultation with the Audit Committee and our auditors, we made the determination to restate such financial statements following the identification of an error associated with a failure to timely recognize an accrued liability and expense arising out of the RRA. Due to such error, the Company’s management and the Audit Committee concluded that our previously issued financial statements for the 2023 Restated Period should no longer be relied upon. In addition, our management, with the participation and under the supervision of our former Chief Executive Officer and former Chief Financial Officer, performed a re-evaluation of the effectiveness of our disclosure controls and procedures as of the end of the 2023 Restated Period. Based on such re-evaluation, our former Chief Executive Officer and former Chief Financial Officer concluded that, as a result of the continued material weakness, our disclosure controls and procedures were ineffective as of the end of the 2023 Restated Period. As a result of these events, we have become subject to a number of additional costs and risks, including unanticipated costs for accounting and legal fees in connection with or related to the restatement and the remediation of our ineffective disclosure controls and procedures and material weakness in internal control over financial reporting. In addition, the attention of our management team has been diverted by these efforts. We could be subject to additional stockholder, governmental, or other actions in connection with the restatements or other related matters. Any such proceedings will, regardless of the outcome, consume management’s time and attention and may result in additional legal, accounting, insurance and other costs. If we do not prevail in any such proceedings, we could be required to pay substantial damages or settlement costs. In addition, the restatements and related matters could impair our reputation or could cause our counterparties to lose confidence in us. Each of these occurrences could have a material adverse effect on our business, results of operations and financial condition. **We identified material weaknesses in our internal control over financial reporting which we are working to remediate. This material weaknesses could continue to adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls. **The Company** In 2021, we identified **deficiencies a material weakness in our its** internal control over financial reporting, such that **represented material weaknesses. Specifically, there the** was a reasonable possibility **Company’s management determined that the Company did a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. To address this material weakness, we engaged a technical accounting and financial reporting consulting firm to assist the Company with (i) our financial accounting close, (ii) the application of technical accounting literature, (iii) the preparation of our financial statements, and (iv) the independent audit of our financial statements. We hired additional personnel in the third and fourth quarters of 2022 to supplement our accounting and financial reporting staff to remediate this weakness in our internal controls. We are also strengthening internal control over financial reporting by implementing an enterprise resource planning system (“ERP”), a software used to automate business processes, containing workflows and business rules that ensure process is followed by approved policies, roles, and procedures. In reviewing our internal controls for 2023, we identified a gap in the implementation of the above. Due to the turnover of key finance personnel in the fourth quarter of 2023, certain tasks that were required to be completed to remediate the material weakness were not performed or handed over to the new finance personnel and as a result, management concluded the material weakness has not been remediated. In addition to the steps already taken, we plan to continue to devote significant effort and resources to the remediation and improvement of **December 31** our internal control over financial reporting. We plan to formally document the system controls that we have in place, **2024** including user access reviews and a formally documented segregation of duties that includes formal system-based roles. Further, **design and maintain effective** we will implement a testing plan of our internal controls over financial reporting **related to: (1) ineffective design and operation of controls over significant complex transactions, which resulted in restatements of all interim periods of 2024, (2) failure to remediate previously reported material weakness over ineffective design and operation of user access controls. The Company continues to implement certain remediation actions and continues to test and evaluate the elements of the remediation plan. These elements****

include: • Design and implementation of a Significant Complex Transaction policy which identifies transactions that should be evaluated for additional 3rd party expert evaluation for proper accounting treatment; • Design and implementation user access controls and proper segregation of duties for all critical accounting systems, supported by formal policies and training for all Information Technology personnel. The Company believes that the actions listed above will provide appropriate remediation of the material weaknesses; however, the testing of the effectiveness of the controls has not been completed by the Company. 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 weaknesses will be fully reviewed and signed off quarterly. The elements of our continued remediation remediated plan can only be accomplished over when the Company concludes that the controls have been operating for sufficient time, and we independently validated by management. We can offer no assurances that these initiatives will ultimately have all or some of the intended effects. Any failure to maintain such internal control could adversely impact our ability to report our financial position and results of operations on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our Common Stock is listed, the SEC or other regulatory authorities. In either case, that could result in a material adverse effect on our business. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading of our Common Stock. As identified in our amended quarterly report on Form 10-Q/A for the period ended September 30, 2022, we identified a material weakness affecting the classification of the SPA Warrants, which were previously recorded as equity. Further, this continued material weakness, specifically in relation to the accounting for complex transactions and contracts of the Company, is associated with the untimely recognition of an accrued liability and expense arising out of the RRA. This material weakness was considered remediated as of December 31, 2023. We can give no assurances that going forward, the measures we plan to take in the future will remediate any additional material weaknesses or restatements of financial results will not arise in the future due to failure to implement and maintain adequate control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair preparation and presentation of our consolidated financial statements. For more The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls, internal control over financial reporting and other procedures that are designed to ensure that information, please see required to be disclosed by us in the reports that risk factor entitled "If we fail to file to maintain with the SEC is recorded, processed, summarized, and reported within the requisite timeframes, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal effective executive system and financial officers. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company may require costs greater than expected. Our current controls and any new controls that we develop may be inadequate because of changes in conditions of our business. Further, weaknesses in our internal controls have been identified in connection with the preparation of financial statements for the years ended December 31, 2024 and 2023 and may be discovered in the future. Any future failure to develop, maintain and implement effective internal controls, our or any difficulties encountered in their implementation or improvement, and the consequent ability inability to produce timely and accurate financial statements on a timely basis could adversely affect or our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting-related costs, and significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase operating costs and could materially and adversely affect our ability to operate our business. Our independent registered public accounting firm currently is not and will not be required to formally attest to the effectiveness of internal control over financial reporting until after we are no longer an emerging growth company. Once attestation reports are required by reason of us no longer being an emerging growth company, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with applicable regulations could be adversely affected the level at which our controls are documented, designed or operating. "A significant amount of our revenues is derived from a limited number of customers. A material portion of our current revenue may be generated by sales to government entities, which are subject to a number of uncertainties, challenges, and risks. We currently have a limited number of customers. For During the year ended December 31, 2024, sales to three customers accounted for 82 % of total revenue. Sales to Customer A accounted for 39 % of total revenue; sales to Customer B accounted for 27 % of total revenue; and sales to Customer C accounted for 16 % of total revenue. Total accounts receivable for the year ended December 31, 2024 was made up by three customers. During the year ended December 31, 2023, sales to two customers accounted for almost 100 % of total revenue. Sales to Customer D accounted for 61 % of total revenue; and the sales to Customer C accounted for 39 % of total revenue. The total balance due from these customers made up as of December 31, 2023 comprised 68 % of accounts receivable as of December 31, 2023, with the remaining 32 % being made up by one additional customer. For the year ended December 31, 2022, sales to two customers accounted for 95 % of total revenue, and the total balance due from this one other customer made up 82. No other customer represented more than 10 % of our revenue accounts receivable as of December 31, 2022. Due to our limited number of customers, the breach, cancellation, or amendment of any sales agreement with our current or future customers may have an outsized effect on our

revenue, cash on hand, and profitability. In addition, we may have an increased interest in accepting less favorable terms of any amendment as a result. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. In the event that we are successful in being awarded further government contracts, such awards may be subject to appeals, disputes, or litigation, including, but not limited to, bid protests by unsuccessful bidders. Government demand and payment for our solutions may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. Government entities may have statutory, contractual, or other legal rights to terminate our contracts for convenience or default. For purchases by the U. S. federal government, the government may require certain products to be manufactured in the United States and other high-cost manufacturing locations, and we or any third-party manufacturers may not manufacture all products in locations that meet government requirements, and as a result, our business and results of operations may suffer. As a government contractor or subcontractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to non-ordinary course audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling our products to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages, downward contract price adjustments or refund obligations, civil or criminal penalties, and termination of contracts and suspension or debarment from government contracting or subcontracting for a period of time or indefinitely. Any such damages, penalties, disruption, or limitation in our ability to do business with a government would adversely impact, and could have a material adverse effect on, our business, financial condition, results of operations, cash flows, reputation and prospects. We intend to invest to expand our business. Any failure to manage our limited financial and intellectual resources effectively could materially and adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. We intend to expand our operations. We expect our expansion to include: • expanding the management, engineering, and product teams; • identifying and recruiting individuals with the appropriate relevant experience; • hiring and training new personnel; • launching commercialization of new products and services; • forecasting production and revenue and ERP modifications; • entering into relationships with one or more third-party design-for-manufacturing partners and third-party manufacturers and/or expanding our internal manufacturing capabilities; • controlling expenses and investments in anticipation of expanded operations; • carrying out acquisitions and entering into collaborations, in-licensing arrangements, joint ventures, strategic alliances, or partnerships; • expanding and enhancing internal information technology, safety, and security systems; • establishing or expanding sales, customer service, and maintenance and servicing facilities; • conducting demonstrations of ocean robotic systems; • entering into agreements with suppliers and service providers; and • implementing and enhancing administrative infrastructure, systems, and processes. Should achieved market penetration warrant, we intend to continue to hire a significant number of additional personnel, including engineers, design and production personnel, and **operators and** service technicians for our ocean robotic systems and services. Because of the innovative nature of our technology, individuals with the necessary experience may not be available to hire, and as a result, we will need to expend significant time and expense to recruit and retain experienced employees and appropriately train any newly hired employees. Competition for individuals with experience designing, producing, **operating** and servicing dexterous ocean robots and their software is intense, and we may not be able to attract, integrate, train, motivate, or retain additional highly qualified personnel. The failure to attract, integrate, train, motivate, and retain these additional employees could seriously harm our business, financial condition, results of operations, cash flows, reputation and prospects. We are an ocean robotics and services company, with limited experience commercializing our products and services. The projected financial and operating information appearing elsewhere in this Annual Report on Form 10-K reflect estimates of future performance and is based on multiple financial, technical, and operational assumptions, including hiring of additional skilled personnel in a timely manner to support continued development and commercialization of the core products; the ~~timing of commercial launch of our ocean robotic system;~~ the level of demand for our ocean robotic systems; the performance of our ocean robotic systems; the utilization of the ocean robot fleet; the useable life of the ocean robotic systems; the ~~cost of manufacturing;~~ the cost and availability of adequate supply of components; the nature and length of the sales cycle; and the costs of, maintenance and servicing and refurbishing of our ocean robotic systems. However, given our limited commercial experience, it is likely that many of these assumptions will prove incorrect. The projections are forward-looking statements that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. See “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Cautionary Note Regarding Forward-Looking Statements.” Whether actual operating and financial results and business developments will be consistent with our expectations and assumptions as reflected in our forecast depends on a number of other factors, many of which are outside our control, including, but not limited to: • whether we can obtain sufficient capital to sustain and grow our business; • our ability to manage our growth; • the contractual terms of one or more agreements with third-party manufacturers; • whether we can manage relationships with key suppliers and partners; • the timing and costs of the required marketing and promotional efforts; • whether customers and their employees will adopt the ocean robotic systems offered by us; • the timing required and success of customer testing of our technology; • competition, including from established and future competitors; • our ability to retain existing key management, to attract additional leaders, to integrate recent hires and to attract, retain, and motivate qualified personnel, including engineers, design and production personnel, and service technicians; • the overall strength and stability of domestic and international economies; • demand for currently available and future ocean robots; • regulatory, legislative, and political changes; and • customer requirements and preferences. Unfavorable changes in any of

these or other factors, most of which are beyond our control, could cause us to fail to meet our operating and financial projections and could materially and adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. We rely on third- party manufacturers / suppliers and expect to continue to do so for the foreseeable future. This reliance on third parties increases the risk that we will not have sufficient quantities of our products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts. We rely on third- party manufacturers / suppliers. This reliance on third- party manufacturers / suppliers increases the risk that we will not have sufficient quantities of our products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts. Additionally, we may be unable to establish or continue any agreements with third- party manufacturers / suppliers, on acceptable terms or at all. Even if we are able to establish agreements with third- party manufacturers / suppliers, reliance on third- party manufacturers / suppliers entails additional risks, including: • failure of third- party manufacturers / suppliers to comply with regulatory requirements and maintain quality assurance; • breach of the manufacturing / supply agreement by the third party; • failure to manufacture / supply our product according to our specifications; • failure to manufacture / supply our product according to our schedule or at all; • misappropriation of our proprietary information, including our trade secrets and know- how; and • termination or non- renewal of the agreement by the third party at a time that is costly or inconvenient for us. If our current or future third- party manufacturers / suppliers cannot perform as agreed, we may be required to replace such manufacturers / suppliers and we may be unable to replace them on a timely basis or at all. Our current and anticipated future dependence upon third- party manufacturers / suppliers may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis. ~~Although we have sold products to a limited number of individual customers in the past, we have limited experience commercializing ocean robotic systems at a large scale and may not be able to do so efficiently or effectively. A key element of our long- term business strategy is the continued growth in sales, marketing, training, customer service and maintenance, and servicing operations, including hiring personnel with the necessary experience. Managing and maintaining these operations is expensive and time consuming, and an inability to leverage such an organization effectively or at all could inhibit potential sales or subscriptions and the penetration and adoption of our products into new markets. In addition, certain decisions we make regarding staffing in these areas in our efforts to maintain adequate spending levels could have unintended negative effects on our revenues, such as the weakening of our sales, marketing and maintenance and servicing infrastructures or lowering the quality of our customer service.~~ Our business plans require a significant amount of capital. Our future capital needs may require us to sell additional equity or debt securities that may dilute our stockholders or introduce covenants that may restrict our operations or our ability to pay dividends. We will require significant capital to operate our business and fund our capital expenditures for the next several years. While we expect that we will have sufficient capital to fund our currently planned operations, it is possible that we will need to raise additional capital to fund our business, including to finance ongoing research and development costs, manufacturing, any significant unplanned or accelerated expenses, and new strategic alliances or acquisitions. The fact that we have limited experience commercializing our ocean robotic systems on a large scale, coupled with the fact that our products represent a new product category in the commercial and industrial ocean robotic market, means we have limited historical data on the demand for our robotic systems. In addition, we expect our capital expenditures to continue to be significant in the foreseeable future as we continue generational improvements for our commercial products, and that our level of capital expenditures will be significantly affected by customer demand for our ocean robotic systems. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We may need to seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business model. These factors may make the timing, amount, terms, and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities, or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct business as projected, both of which could mean that we would be forced to curtail or discontinue our operations. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity- linked securities could dilute our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and / or our ability to pay dividends. If we cannot raise additional funds when we need or want them, our business, financial condition, results of operations, cash flows, reputation and prospects could be negatively affected. We may not be able to increase our capital resources by engaging in additional debt or equity financings. Even if we complete such financings, they may not be on favorable terms. These circumstances could materially and adversely affect our financial results and impair our ability to achieve our business objectives. Additionally, we may be required to accept terms that restrict our ability to incur additional indebtedness or take other actions (including terms that require us to maintain specified liquidity or other ratios) that would otherwise be in the best interests of our stockholders. ~~To adapt to changing markets, we plan to dispose of assets to fund new opportunities and contracts. Our assets are expensive and we may not be able to get full book or market value for those assets in dispositions.~~ Our products and services are disruptive to the ocean services industries, and important assumptions about the market demand, pricing, adoption rates and sales cycles with respect to our current and future products and services may be inaccurate. Our core offering, a tetherless subsea robot, presents a new service paradigm in the ocean services markets, which are currently dominated by conventional, tethered devices. The market demand for and adoption of our offering is unproven, and important assumptions about the characteristics of targeted markets, pricing, and sales cycles may be inaccurate. Although we have engaged in ongoing dialogue with potential customers, we have few binding commitments to purchase products and services or to enter into software subscriptions. Existing or new

regulatory or safety standards, or resistance by customer employees and labor unions, all of which are outside of our control, could cause delays or otherwise impair adoption of these new technologies, which will adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. **Customers may resist or delay the adoption of our products and services for several reasons, including lack of confidence in autonomous and semi-autonomous ocean vehicles. If our customers resist or delay adoption of our ocean robotic platforms, our business, financial condition, results of operations, cash flows, reputation and prospects will be materially and adversely affected.** We may be required to offer products such as “augmented autonomy” solutions in order to allow for required cultural changes to occur. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products or the future growth of the markets we expect to target. If one or more of the targeted markets experience a shift in customer or prospective customer demand, our products may not compete as effectively, if at all, and they may not be fully developed into commercial products. As a result, the financial projections in this Annual Report on Form 10-K necessarily reflect various estimates and assumptions that may not prove accurate and these projections could differ materially from actual results because of the risks included in this “Risk Factors” section, among others. If demand does not develop as expected or if we cannot accurately forecast pricing, adoption rates and sales cycles of our products, our business, results of operations and financial condition will be adversely affected. The benefits of our products **and services** to customers and projected return on investment have not been substantiated through long-term trials or use. Our core products’ benefits to customers and projected return on investment have not been substantiated through long-term trials or use. We currently have a limited frame of reference for evaluating the performance of our ocean robotic systems upon which our business prospects depend. There can be no assurance that such units will provide the expected benefit to customers. Our ocean robotic systems may not perform consistently with customers’ expectations or consistently with other robotics products that may become available. Any failure of our robotic systems and software to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, results of operations, cash flows, reputation and prospects. Additionally, problems and defects experienced by competitors or others in the ocean robotics market could, by association, have a negative impact on perception and customer demand for our ocean robotic systems. Even if we successfully market our products and services, the purchase or subscription, adoption, and use of the products and services may be materially and negatively impacted if our customers resist the use and adoption of the products and services. We have designed and developed our robotic systems with the goal of reducing operating costs and greenhouse gases via all-electric robot subsystems and the use of smaller surface vessels. Even if we successfully market our products and services to customers, the purchase or subscription, adoption, and use of the products and services may be materially and negatively impacted if our customers resist or delay their use and adoption **of** our novel technology products and service offerings. Customers may resist or delay the adoption of our products and services for several reasons, including lack of confidence in autonomous and semi-autonomous ocean vehicles. We will spend significant time and resources ~~on beta units of our Aquanaut~~ **Aquanauts** for customer testing. If our customers resist or delay adoption of our ocean robotic platforms, our business, financial condition, results of operations, cash flows, reputation and prospects will be materially and adversely affected. If we are successful in commercializing our products and services, our revenue will be concentrated in a limited number of models for the foreseeable future. **If Further, we are successful have only a very limited number of robotic systems in operation commercializing our products and services, our revenue and significant time and capital resources will be required to manufacture additional systems** concentrated in a limited number of models for the foreseeable future. We launched the Aquanaut platform in 2021 and expect to launch the commercial **services utilizing production versions of the Aquanaut robotic system in 2024, and expect to launch a commercial version of ToolKITT software in 2025.** Such timeline may be delayed, including due to challenges in recruiting skilled employees, difficulties in securing components and materials, development delays, difficulties relating to manufacturing of the units, and other factors. Such challenges may result in the delay of the anticipated commercial launch **or continued growth** of one or more of the products and services, which would adversely affect our financial and operating results. To the extent our products and services do not meet customer expectations, or cannot be completed or manufactured or delivered on their projected timelines and in line with cost and volume targets, our future sales and operating results may be adversely affected. Given that for the foreseeable future our business will depend on a limited number of ~~product models~~ **robotic systems in service**, to the extent **the operation of a particular product model robotic system is not well-received by** **disrupted due to damage or defect or any the other market reason**, our revenue could be materially and adversely affected. This could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. We may not be able to complete or enhance our product and service offerings through our research and development efforts. **We To commercially launch the commercialized aquanaut business model, we** will need to continue to advance and evolve our products in response to the evolving demands of our customers in the various industries we expect to serve. We expect to **continue to develop our launch a newer version of the Aquanaut, a mobile subsea robotic system systems, in 2024**, which will require significant additional expenses, and we may not be successful in commercializing or marketing the associated products and services at all or within the currently expected timeline. In addition, notwithstanding our market research efforts, our future products and services may not be accepted by customers or their employees. The success of any proposed product and service offerings will depend on numerous factors, including our ability to: • attract, recruit and retain qualified personnel, including engineers, design and production personnel and service technicians; • identify the preferred product and service features in multiple industries, such as offshore wind energy, defense, and subsea oil and gas and successfully incorporate those features into our products; • develop and introduce in a timely manner proposed products and services of sufficient quality and in sufficient quantities; • adequately protect our intellectual property and avoid infringing upon the intellectual property rights of third parties; and • demonstrate the cost savings and efficacy of our products and services. We have managed and expect to continue to manage our

product development efforts through the development of alpha units, beta units, and commercial units. If we fail to adequately communicate to customers the improvements that are expected from one development stage to the next, or if customer feedback from one development stage is not adequately reflected in the next, customers may not be persuaded of the value of our products and services. If we fail to generate demand by developing products that incorporate features desired by customers, we may fail to generate sufficient contracts to achieve or maintain profitability. We have in the past experienced, and may in the future experience, delays in various phases of product development, including during research and development, manufacturing, limited release testing, marketing, and customer education efforts. Further, delays in product development would postpone demonstrations and customer testing, which are important opportunities for customer engagement, and cause us to miss expected timelines. Such delays could cause customers to delay or forgo purchases of or subscriptions to our products and services, or to purchase or subscribe for competitors' products and services. Even if we can successfully develop proposed products when anticipated, these products and their related services may not produce revenue in excess of the costs of development and service, and they may be quickly rendered obsolete by changing customer preferences or the introduction by competitors of products and services embodying new technologies or features. Defects, glitches, or malfunctions in our products or the software that operates them, failure of our products to perform as expected, connectivity issues or operator errors, could result in product recalls, lower than expected return on investment for customers, and could cause harm to operators and significant safety concerns, each of which could adversely affect our results of operations, financial condition and our reputation. The design, manufacture, and marketing of our products involve certain inherent risks. Manufacturing or design defects, glitches, malfunctions, connectivity issues between the central processing unit and peripheral vehicle subsystems, unanticipated use of our robotic systems, operator errors or inadequate disclosure of risks relating to the use of ocean robotic systems, among other things, can lead to injury, property damage, or other adverse events. We conduct extensive testing of our units, in some instances in collaboration with our customers, to ensure that any such issues can be identified and addressed in advance of commercial launch of the products. However, there can be no assurance that we will be able to identify all such issues or that, if identified, efforts to address them will be effective in all cases. In addition, if the manufacturing of our products is outsourced, we may not be aware of manufacturing defects that could occur. Such adverse events could lead to unexpected failures in our products and could result, in certain cases, in the removal of our products from the market. A product recall could result in significant costs. To the extent any manufacturing defect occurs, our agreement with the third-party manufacturer may contain a limitation on the third-party manufacturer's liability, and therefore we could be required to incur the majority of related costs. Product defects or recalls could also result in negative publicity, damage to our reputation or, in the event of regulatory developments, delays in new product acceptance. Our products incorporate sophisticated computer software. Complex software frequently contains errors, especially when first introduced. Our software may experience errors or performance problems in the future. If any part of our products' hardware or software were to fail, the service mission could be compromised. Additionally, users may not use our products in accordance with safety protocols and training, which could amplify the risk of failure. Customers or other users also may fail to install updates and fixes to the software for several reasons, including poor connectivity or inattention. Any such occurrence could cause delays in the market acceptance of our products, damage to our reputation, or result in product recalls, increased service and warranty costs, product liability claims and loss of revenue relating to such hardware or software defects. ~~We anticipate that, as part of our ordinary course of business, we may be subject to product liability claims alleging defects in the design or manufacture of our products. A product liability claim, regardless of our merit or eventual outcome, could result in significant legal defense costs and high punitive damage payments. Although we maintain product liability insurance, the coverage is subject to deductibles and limitations, and may not be adequate to cover future claims. Additionally, we may be unable to maintain our existing product liability insurance in the future at satisfactory rates or adequate amounts.~~ Even if our products perform properly and are used as intended, if operators sustain any injuries while using our products, we could be exposed to liability and our results of operations, financial condition, and reputation may be adversely affected. Our products contain complex technology and must be used as designed and intended in order to operate safely and effectively. While we expect to develop **operation and safety procedures, as well as** a training, ~~customer service and maintenance and servicing infrastructure to ensure users are equipped to operate~~ **operation of** our products in a safe manner, we cannot be sure that the products will ultimately **perform safely in all circumstances** ~~be used as designed and intended~~. In addition, we cannot be sure that we will be able to predict all the ways in which use ~~or misuse~~ of the products can lead to injury or damage to property, and our **operating procedures and** training resources may not be successful at preventing all incidents. If operators were to sustain any injuries or cause any damage to property ~~while using~~ **from the use of** our products, ~~in a manner consistent with our training and instructions or otherwise~~, we could be exposed to liability and our results of operations, financial condition and reputation may be adversely affected. **Our ability to manufacture** ~~We have no experience maintaining or servicing our products~~ **of sufficient quality on schedule is unproven** at a large scale. Under the conventional service contract model, we will be responsible for maintenance and servicing **delays in the design, production and launch** of our products. ~~However, we have no experience providing maintenance and servicing on a global scale. We may elect to partner with one or more third parties to perform some or all of the servicing and maintenance on our products, but there can be no assurance that we will be able to enter into an acceptable arrangement with any such third-party provider. Although such servicing partners may have experience in servicing complex machinery, they will initially have limited experience in servicing our ocean vehicles. If we are unable or elect not to enter into a partnership with third parties to perform maintenance and servicing, we would be required to provide such services directly, which would significantly increase our capital expenditures and personnel costs. We would also be required to recruit and train employees to provide these services and we may not be able to attract persons with the necessary knowledge or experience to provide these services. In addition, there can be no assurance that our service and maintenance arrangements will adequately address the service and maintenance requirements of our customers to their satisfaction, or that we and our servicing partners will have sufficient resources, experience or inventory to~~

meet these service requirements in a timely manner as the volume of robotic systems we deliver increases. Even if we and our servicing partners have the sufficient resources and experience needed, we or they still may not adequately service or maintain the units. If we are unable to, directly or through third- party partners, roll out and establish a widespread service network, including on- site services, customer satisfaction could **harm** be adversely affected, which in turn could materially and adversely affect our reputation and thus our business, financial condition, results of operations, cash flows, reputation and prospects. Our customers will also depend on our customer support team to resolve technical and operational issues relating to the integrated software underlying our ocean robotic systems. Customer behavior and usage may result in higher than expected maintenance and repair costs. As we continue to grow, additional pressure may be placed on our customer support team or partners, and we may be unable to respond quickly enough to accommodate short- term increases in customer demand for technical support. We also may be unable to modify the future scope and delivery of our technical support to compete with changes in the technical support provided by our competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect our operating results. If we are unable to successfully address the service requirements of our customers or if there is a market perception that we do not maintain high- quality support, we may be subject to claims from our customers, including loss of revenue or damages, and our business, financial condition, results of operations, cash flows, reputation and prospects may be materially and adversely affected. Our future business depends in large part on our ability to execute our plans to design, develop, manufacture, market, deploy and service our products. We intend to increasingly outsource the manufacturing of our ocean robotic systems to one or more third- party manufacturing partners. While this arrangement may lower operating costs, it also reduces our direct control over production and manufacturing. Such diminished control may have an adverse effect on the quality or quantity of our units, or our flexibility to respond to changing conditions. Further, we plan to continue to retain third- party vendors and service providers to engineer, design and test some of the critical systems and components of our units. While this allows us to draw from such third parties' industry knowledge and expertise, there can be no assurance such systems and components will be successfully developed to our specifications or delivered in a timely manner to meet our program timing requirements. Also, slower payment of vendors due to constrained capital could make access to needed equipment and consumables difficult or expensive to procure. Our continued development and manufacturing of our commercially available robotic system, Aquanaut, and of future models of our products, are and will be subject to risks, including with respect to: • costs to be incurred by us and / or any third- party manufacturing partners in meeting our specifications and design tolerances; • hiring and retaining a sufficient number of qualified employees, which are challenges that have contributed to us being historically understaffed • long- and short- term durability of our ocean robotic systems to withstand day- to- day wear and tear; • delays in delivery of final systems and components by our suppliers; • manufacturing of robotic systems units in excess of demand due to contractual requirements or unexpected changes in demand; • shifts in demand for future models; • quality controls, particularly as we plan to expand our production capabilities; • delays or disruptions in our supply chain, or the need to order supplies in excess of demand due to batch number requirements or price thresholds; • work stoppages, labor strikes and other labor disputes or shortages affecting us or our suppliers, third- party manufacturers and other partners; and • other delays and cost overruns. We may seek to enter into strategic alliances, joint ventures, minority equity investments, acquisitions, collaborations and in- license arrangements. There is no guarantee that any of these partnerships or acquisitions would lead to any binding agreements or lasting or successful business relationships with third parties. If any of these relationships are established, they may subject us to a number of risks, including risks associated with sharing proprietary information, non- performance by the third party, and increased expenses in establishing new relationships, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party. Strategic business relationships will be an important factor in the growth and success of our business. However, there are no assurances that we will be able to identify or secure suitable business relationship opportunities in the future or that our competitors will not capitalize on such opportunities before we do. Moreover, identifying such opportunities could require substantial management time and resources, and negotiating and financing relationships involves significant costs and uncertainties. If we are unable to successfully source and execute on strategic relationship opportunities in the future, our overall growth could be impaired, and our business, financial condition, results of operations, cash flows, reputation and prospects could be materially adversely affected. When appropriate opportunities arise, we have in the past, and may in the future acquire additional assets, products, technologies or businesses that are complementary to our existing business. From time to time, the sellers of these assets, products and technologies or businesses may retain limited rights to the technology that they sell to us, which in some circumstances could allow the sellers to compete with us in a limited fashion. In addition to possible stockholder approval, we may need to obtain approvals and licenses from relevant government authorities and will be required to comply with any applicable laws and regulations in connection with consummating proposed acquisitions, which could result in increased delay and costs, and may disrupt our business strategy if we fail to do so. Furthermore, acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations and financial results. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. We are highly dependent on the services of our senior management and other key employees and, if we are unable to attract and retain a sufficient number of qualified employees, our ability to design, manufacture and launch our products, operate our business and compete could be harmed. Our success depends, in part, on our ability to retain our key personnel. We expect that we will be

required to increase compensation levels of senior management and key employees to remain competitive with our peers. The unexpected loss of or failure to retain one or more of our senior managers or other key employees could **impair operations**, delay product development and require outsourcing to third parties, each of which in turn could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, attract, train and develop other highly qualified personnel. Experienced and highly skilled employees are in high demand and competition for these employees can be intense, and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. We may not be able to attract, assimilate, develop or retain qualified personnel in the future, and our failure to do so could adversely affect our business, including the execution of our business strategy. Any failure by our management team and our employees to perform as expected may have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. We ~~will~~ incur significant expenses and administrative burdens as a public company which could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. We ~~will~~ incur significant legal, accounting and other expenses as a public company, and these expenses may increase even more after we are no longer an emerging growth company, as defined in Section 2 (a) of the Securities Act. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, as well as rules adopted, and to be adopted, by the SEC and Nasdaq. Our management and other personnel will need to continue devoting a substantial amount of time to these compliance initiatives. We may need to hire additional personnel to support our operations as a public company, which will increase our operating costs in future periods. Moreover, our compliance with these rules and regulations has to date, and may in the future, involve substantially increased legal and financial costs in addition to certain activities being more time- consuming and costly. The increased costs have and may further increase our net loss. We cannot accurately predict or estimate the amount or timing of additional costs we may incur in connection with being a public company. The impact of being a public company could also make it more difficult for us to attract and retain qualified persons to serve on our Board, or on committees of our Board or as executive officers. Such increased expenses and administrative burdens involved in operating as a public company could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. We may become subject to new or changing governmental regulations relating to the design, manufacturing, marketing, distribution, servicing, or use of our products, including as a result of climate change, and a failure to comply with such regulations could lead to withdrawal or recall of our products from the market, delay our projected revenues, increase costs, or make our business unviable if we are unable to modify our products to comply. We may become subject to new or changing international, federal, state and local regulations, including laws relating to the design, manufacturing, marketing, distribution, servicing or use of our products. Such laws and regulations may require us to pause sales and modify our products, which could result in a material adverse effect on our revenues and financial condition. Such laws and regulations can also give rise to liability, such as fines and penalties, property damage, bodily injury and cleanup costs. Capital and operating expenses needed to comply with laws and regulations can be significant, and violations may result in substantial fines and penalties, third- party damages, suspension of production or a cessation of our operations. Any failure to comply with such laws or regulations could lead to withdrawal or recall of our products from the market. Climate change laws and environmental regulations could result in increased operating costs and reduced demand for our products and services. Concerns over environmental pollution and climate change have produced significant legislative and regulatory efforts on a global basis, and we believe this will continue both in scope and in the number of countries participating. These changes could directly increase the cost of energy, which may have an effect on the way we manufacture products or utilize energy to produce our products. In addition, any new regulations or laws in the environmental area might increase the cost of raw materials or key components we use in our products. Environmental regulations may require us to reduce product energy usage, monitor and exclude an expanding list of restricted substances and participate in recovery and recycling of our products or components. We are unable to predict how any future changes will impact us and if such impacts will be material to our business. Further, climate change laws, environmental regulations, and other similar measures may have an effect on the operating activities of our customers, which may, in turn, reduce the demand for our products and services. To the extent increasing concentrations of greenhouse gases in the Earth’ s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events, such events could have a material adverse effect on the Company and potentially subject the Company to further regulation. Our core ~~products~~ **We may be subject to various new or changing regulations**, including the Aquanaut, Olympic Arm and **environmental laws** ~~FootKITT~~, will be offered to customers through direct sales, lease, and **regulations** service contracts. We expect that the nature of these products will require continuous improvements and further testing throughout their product and generational lifecycles in order to innovate and develop these products fully. Commercial customer use of our core products is not expected to begin until the third quarter of 2024, **which** and may occur later or not at all. Such timeline may be delayed, including due to challenges in recruiting skilled employees, difficulties in securing components and materials, development delays, difficulties relating to manufacturing of the units and other factors. Any delay in the design, development, production and release of our products could ~~materially damage~~ **cause significant fines and liability**, our ~~or brand~~, **otherwise adversely affect our** business, financial condition, results of operations, cash flows, reputation and prospects. We may experience delays in ~~must also comply with extensive government laws and regulations related to, among the other~~ **design things**, **health** development, production and release of new products, including due to integration, safety and performance issues. ~~To the environment, which govern the offshore and the other areas where~~ **extent we delay the commercial launch of our ocean robotic systems operate**, including vessel and port security laws. **Since we have no prior history of offshore operations, we may experience difficulties meeting the compliance standards of such laws and regulations, and our inability to do so may cause us to lose prospective** business ~~and adversely affect our~~ financial condition ~~and~~ results of operations ~~. Further~~, **environmental**, health and safety and vessel and port security laws change frequently, and we may not be

able to anticipate such changes or the impact of such changes. There is no assurance that we can avoid significant costs, liabilities and penalties imposed as a result of governmental regulation in the future. Changes in laws or regulations concerning our offshore activities, the cost or availability of insurance, and decisions by clients, governmental agencies or other industry participants could reduce demand for our services or increase our costs of operations, which could have a negative impact on our financial position, results of operations or ~~cash~~ cash flows, **but we cannot reasonably or reliably estimate that such changes will occur, when they will occur or if they will impact us. We are subject to the evolving data privacy and security laws and regulations and any data breach may cause significant liabilities, fines, litigation and may negatively affect our business, financial condition, results of operations, cash flows,** reputation and prospects. **We are subject to or affected by a number of U. S. federal, state and local and non- U. S. laws and regulations, as well as likely as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and security, and govern our collection, storage, retention, protection, use, processing, transmission, sharing and disclosure of personal information, including that of our employees, customers and others. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such laws may be materially inconsistent or may change,** and new laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Mandatory disclosures relating to security breaches are costly, could lead to negative publicity, result in penalties, fines, or litigation, cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and / or alleviate problems caused by the actual or perceived security breach. Our privacy policy regarding our collection, processing, use and disclosure of personal information and / or other confidential information is published on our website. Although we endeavor to comply with our published policies, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance, including if our employees, contractors, service providers or vendors fail to comply with our policies and other requirements. Such failures can subject us to potential action by governmental or regulatory authorities if they are found to be deceptive, unfair, or misrepresentation of our actual practices. Any actual or perceived inability of the Company to adequately address privacy and security concerns or comply with applicable laws, rules and regulations relating to privacy, data protection or data security, or applicable privacy notices, could lead to investigations, claims, and proceedings by governmental entities and private parties, damages for contract breach, and other significant costs, penalties, and other liabilities. Any such claims or other proceedings could be expensive and time- consuming to defend and could result in ~~adversely~~ **adversely affected publicity. Any of the foregoing may have an adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects.** We ~~are subject~~ **are subject** ~~have no experience to date~~ **have no experience to date** ~~cybersecurity risks to our operational systems, security systems, infrastructure, integrated software~~ **in high- volume manufacturing of our products, and data processed by us** ~~nor~~ **or do we have the facility, employees, or equipment needed to manufacture our products in high volume. We intend to continue under existing agreements and / or enter into new contracts with one or more third- party manufacturers **vendors. Our business and operations involve the collection, storage, processing, and transmission of personal data and certain other sensitive and proprietary data of collaborators, customers, and others. Additionally, we maintain sensitive and proprietary information relating to produce our ocean vehicles business, such as our own proprietary information and personal data relating to our employees. An increasing number of organizations have disclosed breaches of their information security systems and other information security incidents, some of which have involved sophisticated and highly targeted attacks.** We ~~do not know whether~~ **may be a target for attacks by state- sponsored actors and others designed to disrupt our operations** ~~our~~ **or future to attempt to gain access to our systems or data that is processed or maintained in our business. We are at risk for interruptions, outages and / or breaches, as applicable of: our operational systems, including business, financial, accounting, product development, data processing or production processes, and those of our** ~~third- party manufacturers will processes, and those of our third- party~~ **vendors or suppliers; our facility security systems, and those of our third- party vendors or suppliers; our transmission control modules or other in- product technology, and those of our third- party vendors or suppliers; the integrated software in our units and the customer data that we process or that our third- party vendors or suppliers process on our behalf. Because techniques used to obtain unauthorized access to or to sabotage information systems change frequently and may not be known until launched against a target, we may be unable to anticipate or prevent these attacks, react in a timely manner, or implement adequate preventive measures, and may face delays in our detection or remediation of, or other responses to, security breaches and other privacy- and security- related incidents. Such incidents could, among other things, materially disrupt our operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain information of customers, employees, suppliers, or others; jeopardize the security of our facilities; or affect the performance of in- product technology and the integrated software in our units. Certain efforts may be state- sponsored or supported by significant financial and technological resources, making them even more difficult to detect, remediate, and otherwise respond to. We plan to include product services** **Although we are in the process of implementing certain systems and functionality processes that utilize are designed to protect our** ~~data connectivity to monitor performance and systems timely capture opportunities to enhance performance-, as well as for safety to the extent same are within our control, and cost- saving preventative maintenance to prevent data loss, and other security breaches and security incidents, these security measures cannot guarantee security.~~ **The availability IT and effectiveness of infrastructure used in our business may** ~~services depend on the continued operation of information technology and communications systems. Such systems will be vulnerable to damage~~ **cyberattacks or interruption from security breaches, and third parties may be able to develop efficient access data, including personal data** ~~automated, low- cost production capabilities and processes and reliable sourcing of component supply, which will enable us to meet the~~ **other sensitive applicable quality, price, engineering, design and production standards** **proprietary data,** as well as the production volumes**

that of our customers, required to successfully market collaborators and partners, our employees' personal data, our or robotic other sensitive and proprietary data, accessible through those systems. Even if we and Employee error, malfeasance, our or third-party manufacturers other errors in the storage, use, or transmission of any of these types of data could result in an actual or perceived privacy or security breach or other security incident. Moreover, there are successful in inherent risks associated with developing our production capability and processes and reliably source our components, improving we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns, expanding and updating including as a result of factors beyond our control current systems, such as problems the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies, manufacture, deploy, deliver and service our units, adequately protect our intellectual property or achieve and maintain compliance with suppliers and vendors, or force majeure events, or in time to meet our or realize available benefits under unit commercialization schedules or in satisfaction of the requirements of existing and potential customers. If we are unable to enter into agreements with third-party manufacturers on acceptable terms, applicable laws we will need to develop our own manufacturing and production capabilities, which would significantly increase our capital expenditures and possibly delay production of our ocean robotic systems. If this were to occur, we would need to raise or borrow additional money, which may not be successful, and possibly change the anticipated pricing of our products, which would adversely affect our margins and cash flows. Any failure to develop production processes and capabilities within our projected costs and timelines could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation regulations and prospects. Our products contain complex technology that requires multiple years of engineering and design. Therefore, the period of time from initial design of our products to obtaining binding purchase commitments from customers is long and we are subject to the risk that customers who initially expressed an and contracts interest in our products during the design phase will not enter into binding commitments. The design of our products is significantly influenced by feedback from potential customers and reflects the needs expressed by them. As a result, adapting our products to other industries or customers may require additional design, development, testing, work and expenses. We cannot be sure that these systems upon which we rely, including those of our third-party vendors and suppliers, will be able effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to adapt to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information or intellectual property could be compromised or misappropriated, and our reputation may be adversely affected. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions. Any actual or perceived security breach or security incident, or any systems outages or other disruption to systems used in our business, could interrupt our operations, result in loss or improper access to, or acquisition or disclosure of, data or a loss of intellectual property protection, harm our reputation and competitive position, reduce demand for our products to reflect, damage our relationships with customers, partners, collaborators, or others, or result in claims, regulatory investigations, and proceedings and significant legal, regulatory, and financial exposure, and any such feedback successfully incidents or any perception that or our at security measures are inadequate could lead to loss of confidence in us and harm to our reputation, any of which could adversely affect our business, financial condition, and results of operations. Any actual or perceived breach of privacy or security, or other security incident, impacting any entities with which we share or disclose data (including, for example, our third-party technology providers) could have similar effects. We expect to incur significant costs in connection with our efforts to detect and prevent privacy and security breaches and other privacy- and security- related incidents, and may face increased costs and be required to expend substantial resources in the event of an actual or perceived privacy or security breach or other security incident. We are subject to the U.S. and foreign anti-corruption laws and anti-money laundering laws in countries in which we conduct activities, and regulations. We could face any violations of such regimes may result in investigations, criminal liability and other serious consequences for violations of such laws and regulations, which would could harm adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, business partners, third-party intermediaries, representatives, and agents from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to government officials, political candidates, political parties, or commercial partners for the purpose of obtaining or retaining business or securing an improper business advantage. From time to time, we have direct and indirect interactions with foreign officials, including in furtherance of sales to governmental entities in non-U.S. countries. We sometimes leverage third parties to conduct our business abroad, and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of our employees or these third parties, even if we do not explicitly authorize or have actual knowledge of such activities. The FCPA and other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, there can be no assurance that all -If customers who initially expressed of our employees, business partners, third-party intermediaries, representatives, an and interest agents will not take actions in violation of our policies and / our or applicable laws proposed products, and regulations in turn influenced the design of our products, and we may be ultimately held responsible decide to not enter into binding commitments or for any such violations. Our liability exposure relating to adopt potential violations of these and

laws and regulations increases as our international presence expands and as we increase sales and operations in foreign jurisdictions. Any violations of the laws and regulations described above may result in whistleblower complaints, adverse media coverage, investigations, substantial civil and criminal fines and penalties, damages, settlements, prosecution, enforcement actions, imprisonment, the loss of export or import privileges, suspension or debarment from government contracts, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences, any of which could adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. In addition, responding to any investigation or other proceeding would likely involve a competitor's attention and resources and significant defense costs and other professional fees. We are subject to governmental export and import controls and other laws and regulations that could subject us to liability in the event of noncompliance. Our products are subject to export / import control, and economic sanctions laws and regulations, including the U.S. Export Administration Regulations ("EAR"), U.S. Customs and Border Protection regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. Exports of our robotic systems and technology **must be in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or business criminal penalties, financial condition, results including the possible loss of operations export or import privileges; fines, cash flows which may be imposed on us and responsible managers / employees; and, in extreme cases, the incarceration of responsible employees or managers. Moreover, international sales of certain of our products are subject to U. S. laws, reputation regulations and prospects policies like the International Traffic in Arms Regulations ("ITAR") and other export laws and regulations and may be subject to first obtaining licenses, clearances or authorizations from various regulatory entities. If we are not allowed to export our products or if the clearance process is burdensome and costly, our ability to generate revenue** would be adversely affected. In addition, changes to our ocean robotic systems, or changes in applicable export / import control or economic sanctions laws and regulations may delay in the introduction and sale of our robotic systems and solutions or, in some cases, prevent the export or import of our robotic systems to certain countries, governments, or persons altogether. Compliance with such laws and regulations may be costly and require time and attention from our management. Any change in export / import controls or economic sanctions, laws and regulations, or shift in the scope of enforcement of existing laws and regulations, or change in the countries, governments, persons, or technologies covered by such laws and regulations, could also result in decreased use of our robotic systems, as well as our decreased ability to export or market our robotic systems to potential customers. Any decreased use of our robotic systems, and any limitation on our ability to export or market our robotic systems would likely adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. Our business, financial condition, results of operations, cash flows, reputation and prospects depend significantly on our ability to build the Nauticus brand. We may not succeed in continuing to establish, maintain and strengthen the Nauticus brand, and our brand and reputation could be harmed by negative publicity regarding us or our products. Our business, financial condition, results of operations, cash flows, reputation and prospects are heavily dependent on our ability to develop, maintain and strengthen the Nauticus brand. If we do not continue to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will depend significantly on our ability to provide high quality products and engage with our customers as intended. In addition, our ability to develop, maintain and strengthen the Nauticus brand may depend on the acceptance of our products by employees of our customers. To promote our brand, we may be required to change our customer development and branding practices, which could result in substantially increased expenses, including the need to use traditional media including print media. If we do not develop and maintain a strong brand, our business, financial condition, results of operations, cash flows, reputation and prospects will be materially and adversely impacted. In addition, if negative incidents occur or are perceived to have occurred, whether or not such incidents are our fault, we could be subject to adverse publicity. In particular, given the popularity of social media, any negative publicity, whether true or not, could quickly proliferate and harm perceptions and confidence in the Nauticus brand. Furthermore, there is the risk of potential adverse publicity related to our manufacturing or other partners whether or not such publicity is related to their collaboration with us. Our ability to successfully position our brand could also be adversely affected by perceptions about the quality of our competitors' products. We rely on third- party suppliers for the provision and development of many of the key components and materials used in our products. We have not yet identified all of the suppliers, contractors and other third parties that we are likely to rely on to support future commercialization of our core products. While we plan to obtain components from multiple sources whenever possible, some of the components used in our products may have to be purchased by us from a single source. If our third- party suppliers are unable to supply key components and materials at the required volume, our sales, revenues and profitability will likely be adversely affected. Our third- party suppliers may also not be able to meet the specifications and performance characteristics required by us, which would impact our ability to achieve our product specifications and performance characteristics as well. Additionally, our third- party suppliers may be unable to obtain or maintain required certifications relating to their products that we currently or may in the future use, or unable to provide warranties that are necessary for our solutions. If we are unable to obtain components and materials used in our products from our suppliers, our business would be adversely affected. We have less negotiating leverage with suppliers than larger and more established companies and may not be able to obtain favorable pricing and other terms. For example, agreements with suppliers may include terms that are unfavorable to us, such as requirements that we order components and / or manufactured units in excess of our demand due to batch number requirements or price thresholds. While we believe that we may be able to establish alternate supply relationships and can obtain or engineer replacement components for our single source components, we may be unable to do so in the short term, or at all, at prices or quality levels that are favorable to us, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects. Moreover, we and our suppliers are currently experiencing increases in the cost of, and an interruption in, the supply or shortage of materials. It is

unclear how long these challenges will remain. Due to the complexity of our products, each unit is expected to contain several thousand components. Difficulty securing any components and materials could result in delays in the development of these core products, which delays could be compounded if components or units require redesign or reengineering. Any sustained or further supply interruptions or shortages could therefore prevent or delay the commercialization of our products and materially and negatively impact our business, financial condition, results of operations, cash flows, reputation and prospects. We and our suppliers use various materials in our respective businesses and products, including, for example, semiconductor chips, energy storage materials, commodity materials and specialty metal alloys, and the prices for these materials fluctuate. The available supply of some of these materials and components is currently and may continue to be unstable, depending on market conditions and global demand, and could adversely affect our business and operating results. Risks relating to our supply chain include: • “Buy American” or other similar requirements that may be imposed on government contractors; • an increase in the cost, or decrease in the available supply, of semiconductor chips, electrical components, commodity materials and specialty alloys; • disruption in the supply of lithium- ion batteries due to quality issues or recalls; • **the imposition of additional duties, tariffs and other charges or quotas on imports;** and • fluctuations in the value of any foreign currencies in which manufactured parts, commercial components and related raw material purchases are or may be denominated against the U. S. dollar. Our business is also dependent on the continued supply of lithium- ion battery cells. While we believe several sources of lithium- ion cells are available, we have to date sourced from only one supplier for our commercial production, and we may have limited flexibility in changing cell suppliers once contracted. Any disruption in the supply of battery cells from such suppliers could disrupt production of our products. Furthermore, fluctuations or shortages in raw materials or components and other economic conditions may cause us to experience significant increases in freight charges and material costs. Substantial increases in the prices of materials, including prices charged to us, such as those charged by battery cell suppliers, would increase our operating costs, and could reduce our margins if the increased costs cannot be recouped through increased rental cost or unit sales prices. Any attempts to increase product prices in response to increased material costs could result in cancellations of orders and reservations and therefore materially and adversely affect our brand, image, business, financial condition, results of operations, cash flows, reputation and prospects. Our robotic systems use **bespoke batteries that rely on lithium- ion chemistry battery cells**, which, if not appropriately handled, controlled, or stored, could catch fire or vent smoke and flame. The battery packs within our robotic systems use **bespoke** lithium- ion cells. If not properly handled or subjected to environmental stresses, lithium- ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium- ion cells. While these battery packs are designed to contain any single cell’s release of energy without spreading to neighboring cells, a field or testing failure of battery packs in our robotic systems could occur, which could result in bodily injury or death and could subject us to lawsuits, field actions (including product recalls), or redesign efforts, all of which would be time consuming and expensive and could harm our brand image. Also, negative public perceptions regarding the suitability of lithium- ion cells for littoral or deep sea applications, the social and environmental impacts of mineral mining or procurement associated with the constituents of lithium- ion cells, or any future incident involving lithium- ion cells, such as a vehicle or other fire, could materially and adversely affect our reputation and business, financial condition, results of operations, cash flows, reputation and prospects. In addition, we store lithium- ion batteries at our facilities. While we store only a limited number of such batteries at our facilities commensurate with our inventory and testing of robotic systems, any mishandling of battery cells, or any fire or other safety issue related to the cells, could disrupt our operations, and any prolonged or significant disruption would materially and adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. Such damage or injury could also lead to adverse publicity, regulatory action, or a safety recall. In addition, the transportation and effective storage of lithium- ion batteries is also tightly regulated by the U. S. Department of Transportation and other regulatory bodies, and any failure to comply with such regulation could result in fines, loss of permits and licenses or other regulatory consequences, which could limit our ability to manufacture and deliver our robotic systems and negatively affect our business, financial condition, results of operations, cash flows, reputation and prospects. **Laws, regulations, and other legislative..... or if they will impact us.** If we are unable to continue contracting with third- party manufacturing partners on terms acceptable to us, we would need to develop our own manufacturing facilities, which may not be feasible and, if feasible, would significantly increase our capital expenditures and operating expenditures, and would significantly delay or inhibit production of our robotic systems. If we need to develop our own manufacturing and production capabilities, which may not be feasible, it would significantly increase our capital and operating expenditures and would significantly delay production of our robotic systems. This may require us to attempt to raise or borrow additional money, which may not be successful. Also, it may require us to change the anticipated pricing of our offerings, which would adversely affect our margins and cash flows. Any of the foregoing could adversely affect our business, financial condition, results of operations, cash flows, reputation and prospects. Accordingly, investors should not place undue reliance on our statements about our production plans or their feasibility in the timeframe anticipated, or at all. We may not be able to implement our business strategy in the timeframe anticipated, or at all. We will require significant capital to develop and grow our business, including developing and producing our commercial robotic systems and other products, establishing or expanding design, research and development, production, sales and maintenance and service facilities and building our brand. We have incurred and expect to continue incurring significant expenses which will impact our profitability, including research and development expenses, procurement costs, sales, marketing and distribution expenses as we build our brand and market our robotic systems, and general and administrative expenses as we scale our operations, identify and commit resources to investigate new areas of demand and incur costs as a public company. In addition, we may incur significant costs servicing, maintaining and refurbishing our robotic ocean vehicles, and we expect that the cost to repair and service our robotic systems will increase over time as our vehicles age. Our ability to become profitable in the future will not only depend on our ability to complete the design and development of our robotic vehicles to meet projected performance metrics, identify and investigate new areas of demand and successfully market our robotic systems and ToolKITT

software subscription model, but also to sell, whether outright or through subscriptions, our ocean systems at prices needed to achieve our expected margins and control our costs, including the risks and costs associated with operating, maintaining and financing our robotic systems. If we are unable to efficiently design, develop, manufacture, market, deploy, distribute and service our robotic systems in a cost-effective manner, our business, financial condition, results of operations, cash flows, reputation and prospects would be materially and adversely affected. ~~We, and any third-party manufacturing partners, and suppliers of ours, may rely on complex machinery for production, which involves a significant degree of risk and uncertainty in terms of operational performance and costs. We, and any third-party manufacturing partners, and suppliers of ours, may rely on complex machinery for the production and assembly of our robotic systems, which will involve a significant degree of uncertainty and risk in terms of operational performance and costs. Our facilities, and those of any third-party manufacturing partners and suppliers, consist or are expected to consist of large-scale machinery combining many components. These components may suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of these components may significantly affect intended operational efficiency. Operational performance and costs can be difficult to predict and are often influenced by factors outside of our or third-party manufacturing partners' and suppliers' control, such as, without limitation, scarcity of natural resources, environmental hazards and remediation, costs associated with decommissioning of machines, labor disputes and strikes, difficulty or delays in obtaining governmental permits, damages or defects in electronic systems, industrial accidents, fire, seismic activity and natural disasters. Should operational risks materialize, they may result in the personal injury to or death of workers, the loss of production equipment, damage to production facilities, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities, all which could have a material adverse effect on our business, financial condition, results of operations, cash flows, reputation and prospects.~~ We currently target many customers that are large corporations with substantial negotiating power, exacting product standards and potentially competitive internal solutions. If we are unable to sell our products **and services** to these customers, our business, financial condition, results of operations, cash flows, reputation and prospects will be materially and adversely affected. We expect that many of our potential customers will be large, multinational corporations with substantial negotiating power relative to us and, in some instances, may have internal solutions that are competitive to our products. These large, multinational corporations also have significant developmental resources, which may allow them to acquire or develop independently, or in partnership with others, competitive technologies. Meeting the technical requirements and securing binding commitments from any of these companies will require a substantial investment of our time and resources. We cannot assure you that our products will secure binding commitments from these or other companies or that we will generate meaningful revenue from the sales of our products to these key potential customers. If our products are not selected by these large corporations or if these corporations develop or acquire competitive technology, there will be an adverse effect on our business. Our product offerings compete in a broad competitive landscape that includes incumbent actors, and emerging players in the blue technology markets, particularly companies focused on deploying ocean services with large vessels, tethered hydraulic and hybrid-electric ROVs, survey and hovering AUVs, electric platforms, remote monitoring, and other autonomy and perception technologies applied to adjacent ocean markets including autonomous shipping and subsea mining. A breakdown of the competitive landscape by Nauticus product area is as follows:

- Our untethered electric ocean robots and software platform compete with other tethered hydraulic and electric ROVs and AUVs for performing inspection, maintenance, repair, and physical interventions of ocean assets for sectors including offshore wind, oil & gas, aquaculture, port management, and defense and intel markets.
- Our underlining autonomy software platform includes modern robotics and automation technologies for autonomous navigation, manipulation, data orchestration and compression, behavior and mission execution and could face additional competition from the automotive and aerospace sectors working to solve similar challenges in different markets. At the most basic level, these software platforms are similar in nature and our software could also be applied in additional markets outside of the blue technologies and ocean services space.
- Our business model faces a multifaceted competitive landscape that not only includes long established and largely undifferentiated ocean services companies but also other emerging companies which are bringing new approaches to the markets targeted by us and may evolve to a competitive stature in these markets. We also face competition from bluetech software companies, and as we expand into different markets, we could face more boarder competition from autonomy software automotive companies if / as they diversify into the ocean markets.
- Our robotic platforms also compete with other unmanned vehicles manufactured or otherwise offered by companies and traditional automation and robotics companies.

• Other companies are working to develop untethered ROVs and AUVs which could directly compete with our products and services. These companies have products that are commercially available and in development. We expect some products currently in development to become commercially available in the next few years and present a competitive threat to our products. Our competitor base may change or expand as we continue to develop and commercialize our robotic systems in the future. The above mentioned or other competitors may develop new technologies or products that provide superior results to customers or that are less expensive than our products. Such developments could weaken the competitiveness of our technologies and products. Our competitors may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing, manufacturing and other resources than we do, or may be more successful in attracting potential customers, employees and strategic partners. We compete against numerous large and well-funded competitors that are capable of rapidly investing capital in our target markets. In addition, potential customers could have long-standing or contractual relationships with competitors. Potential customers may be reluctant to adopt our products, particularly if they compete with or have the potential to compete with, or diminish the need / utilization of products or technologies supported through these existing relationships. If we are not able to compete effectively, our business, financial condition, results of operations, cash flows, reputation and prospects will be negatively impacted. In addition, because we operate in a new market, the actions of our competitors could adversely affect our business. Adverse events such as product

defects or legal claims with respect to competing or similar products could cause reputational harm to the ocean robotics market on the whole and, accordingly, to our business. Our target markets **include international markets which require skills, knowledge and competencies in foreign exchange, taxation, legal, export controls, anti- bribery and other fields. We have added personnel with the necessary skills to oversee these risks and the ability is concentrated in few individuals. Our target markets** are largely international and require skills, knowledge and competencies in foreign exchange, taxation, legal, export controls, anti- bribery and other fields. We have only recently added personnel with the necessary skills to oversee these risks and the ability is concentrated in few individuals. We expect our period- to- period financial results to vary based on our operating costs and product demand, which we anticipate will fluctuate as the pace at which we continue to design, develop and manufacture new robotic systems, increase production capacity and establish or expand design, research and development, production, sales and service facilities. Additionally, our revenues from period to period may fluctuate as we identify and investigate areas of demand, adjust volumes and add new product derivatives based on market demand and margin opportunities, develop and introduce new robotic systems or introduce existing robotic systems to new markets for the first time **. Further, we have a very limited number of systems in operation and disruption of the operation of one or more of these systems could materially impact results** . As a result of these factors, we believe that quarter- to- quarter comparisons of our financial results, especially in the short term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our financial results may not meet expectations of equity research analysts, ratings agencies or investors, who may be focused only on quarterly financial results. If any of this occurs, the trading price of our securities could fall substantially, either suddenly or over time. If we fail to implement or maintain appropriate and effective internal control over financial reporting and disclosure controls and procedures, we may suffer harm to our reputation and investor confidence levels. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain appropriate internal controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements, and harm our operating results. In addition, we are required, pursuant to Section 404 of the Sarbanes- Oxley Act (“ Section 404 ”), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in our Annual Reports on Form 10- K. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. This assessment includes disclosure of any material weaknesses identified by our management in its assessment of and report on our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, evaluation, re- evaluation and / or testing, and possible remediation. Evaluating, re- evaluating and / or testing and maintaining internal controls may divert our management’ s attention from other matters that are important to our business. Our evaluation and, once we are no longer an emerging growth company, testing, or the subsequent testing (if required) by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’ s financial statements will not be prevented or detected on a timely basis. Any material weaknesses could result in a material misstatement of our annual or quarterly consolidated financial statements or disclosures that may not be prevented or detected. The existence of any material weakness would require management to devote significant time and incur significant expense to remediate any such material weakness, and management may not be able to remediate any such material weakness in a timely manner. Ineffective disclosure controls and procedures and internal control over financial reporting could harm our reputation and cause investors to lose confidence in our reported financial and other information, which could cause the market price of our securities to decline and possibly subject us to sanctions or investigations by regulatory authorities. Failure to implement or maintain effective internal control over financial reporting and disclosure controls and procedures required of public companies could also restrict our future access to the capital markets. **We expect that the requirements of the..... the near future or at all.** Our ability to use net operating loss carryforwards to offset future income is subject to limitation and risk that could further limit our ability to utilize our net operating losses. As of December 31, **2023-2024**, we had federal net operating losses (“ NOLs ”) of approximately \$ **121.74.4** million, of which about \$ 646, 000 begin to expire in 2035 and the remainder have no expiration. Under current law, federal NOLs generated in taxable years ending after December 31, 2017, may be carried forward indefinitely, but the deductibility of such federal NOLs may be limited to 80 % of our taxable income annually for tax years beginning after December 31, 2020. NOLs generated prior to December 31, 2017, however, have a 20- year carryforward period, but are not subject to the 80 % limitation. In addition, the NOLs are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Under Sections 382 and 383 of the Code, these federal NOLs and other tax attributes may become subject to an annual limitation in the event of certain cumulative changes in our ownership. An “ ownership change ” pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5 % of a company’ s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. Our ability to utilize NOLs and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes ; ~~including changes in connection with the Business Combination or other transactions~~. Similar rules may apply under state tax laws ~~– We have not yet determined the amount of the cumulative change in our ownership resulting from the Business Combination or other transactions, or any resulting limitations on our ability to utilize our NOLs and other tax attributes~~. If we earn taxable income, such limitations could result in increased future income tax liability to us and our future cash flows could be adversely affected. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the

uncertainty of the ultimate realization of the future benefits of those assets. ~~We expect to continue to incur R & D costs and devote resources to identifying and commercializing new products, which could significantly reduce our profitability and may never result in revenue to us. Our future growth depends on penetrating new markets, adapting existing products to new applications and customer requirements, and introducing new products that achieve market acceptance. We plan to incur substantial, and potentially increasing, R & D costs as part of our efforts to design, develop, manufacture, and commercialize new products and enhance existing products. Our R & D expenses were \$ 1. 4 million and \$ 2. 4 million for the years ended December 31, 2023 and 2022, respectively, and are likely to grow in the future. Because we account for R & D as an operating expense, these expenditures will adversely affect our results of operations in the future. Further, our R & D program may not produce successful results, and our new products may not achieve market acceptance, create additional revenue or become profitable.~~ Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business. We may become subject to claims, litigation, disputes and other legal proceedings from time to time. We evaluate these claims, litigation, disputes and other legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our assessments and estimates. ~~Under the terms of the engagement letter between CLAQ and Cowen and Company, LLC (“Cowen”), notwithstanding Cowen’s resignation and the termination of such agreement in August 2022, we are obligated to indemnify and hold harmless Cowen and its officers, directors, employees and agents from and against any losses and claims arising in any manner out of or in connection with the services that Cowen provided to us thereunder. Accordingly, if any claims, litigation, disputes or other legal proceedings are brought by third parties against Cowen in relation to the services it provided to us, we will be liable to pay for or reimburse Cowen for the losses and costs it incurs unless the losses and costs are finally judicially determined to have resulted from the gross negligence or willful misconduct of Cowen or its officers, directors, employees and agents.~~ The defense of any such lawsuits, even if they are unmerited and whether or not we ultimately prevail, may divert management’s attention, and we may incur significant expenses in defending these lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could negatively impact our financial position, cash flows or results of operations. ~~We are subject to evolving laws....., cash flows, reputation and prospects.~~ Our management team has and will continue to have broad discretion in making strategic decisions to execute our growth plans, and there can be no assurance that our management’s decisions will result in successful achievement of our business objectives or will not have unintended consequences that negatively impact our growth prospects. Our management has and will continue to have broad discretion in making strategic decisions to execute our growth plans and may devote time and company resources to new or expanded solution offerings, potential acquisitions, prospective customers or other initiatives that do not necessarily improve our operating results or contribute to our growth. Management’s failure to make strategic decisions that are ultimately accretive to our growth may result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of the Common Stock to decline. As part of growing our business, we have made and may undertake acquisitions, from time to time. If we fail to successfully select, execute, or integrate our acquisitions, our business, results of operations and financial condition could be materially adversely affected, and our stock price could decline. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations and could cause **the our stock price of the Common Stock** to decline. From time to time, we may undertake acquisitions to add new products and technologies, acquire talent, gain new sales channels, or enter into new markets or sales territories. In addition to possible stockholder approval, we may need to obtain approvals and licenses from relevant government authorities and will be required to comply with any applicable laws and regulations in connection with consummating proposed acquisitions, and a failure to obtain such approvals and licenses could result in delays and increased costs and may disrupt our business strategy. Furthermore, acquisitions and the subsequent integration of new assets, businesses, key personnel, customers, vendors, and suppliers require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of an acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. Any acquisitions, partnerships, or joint ventures that we enter into could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. From time to time, we may evaluate potential strategic acquisitions of businesses and other transactions, including partnerships or joint ventures with third parties. We may not be successful in identifying acquisition, partnership, and joint venture candidates. In addition, we may not be able to continue the operational success of acquired businesses or successfully integrate and / or finance any businesses that we acquire or with which we form a partnership or joint venture. We may have potential write- offs of acquired assets and / or impairments of any goodwill recorded as a result of acquisitions. Furthermore, the integration of any acquisition may divert management’s time and resources from our core business and disrupt our operations or may result in business conflicts. Any such acquisition, partnership or joint venture may not be successful, may reduce our cash reserves, may negatively affect our earnings and financial performance and, to the extent financed with debt proceeds, may increase our indebtedness. Further, depending on market conditions, investor perceptions of the Company and other factors, we might not be able to obtain financing on acceptable terms, or at all, to implement any such transaction. We cannot ensure that any such acquisition, partnership, or joint venture will not have a material adverse effect on our business, financial condition, and results of operations. The success of our business depends in part on effectively engineering and implementing technologies related to subsea and surface vessels, (including ROVs), subsea robotic manipulators, and AI- based, full- stack vehicle control and manipulation software. These technologies are packaged for commercial and defense customers in products that provide

innovative solutions to challenges in a large majority of maritime markets including subsea energy, offshore wind, and defense applications. If for any reason we are unable to continue to design, develop and manufacture our products as planned or provide the services and products that our customers expect from us, this could have a material adverse effect on our business, financial condition, and results of operations. If our current or future product and service offerings do not meet expected performance or quality standards, including with respect to customer satisfaction, this could cause operational delays. In addition, any delay in manufacturing new products as planned could increase costs and cause our products and services to be less attractive to potential new customers. Further, certain governmental bodies may have priority with respect to the use of our products and services for national defense reasons, which may impact our cadence of producing and selling products and offering services to other customers. Any production, operational or manufacturing delays or other unplanned changes to our ability to design, develop and manufacture our products or offer our services could have a material adverse effect on our business, financial condition, and results of operations. If we fail to respond to commercial industry cycles in terms of our cost structure, manufacturing capacity, and / or personnel needs, our business could be seriously harmed. The timing, length, and severity of the up- and- down cycles in the offshore energy, commercial subsea, ocean surface, and defense industries are difficult to predict. The cyclical nature of the industries in which we operate affects our ability to accurately predict future revenue, and in some cases, future expenses. During down cycles in such industries, the financial results of our customers may be negatively impacted, which could result not only in a decrease in demand for our products and services but also a weakening of our customers' financial condition that could impair our ability to recognize revenue or to collect on outstanding receivables. When cyclical fluctuations result in lower- than- expected revenue levels, operating results may be adversely affected, and cost reduction measures may be necessary in order for us to remain competitive and financially sound. We must be in a position to adjust our cost and expense structure to reflect prevailing market conditions and to continue to motivate and retain our key employees, and if we fail to do so, then our business could be seriously harmed. In addition, during periods of rapid growth, we must be able to increase engineering and manufacturing capacity and personnel to meet customer demand. We can provide no assurance we will be able to satisfactorily respond in a timely manner to industry cycles. Each of the foregoing factors could adversely impact our operating results and financial condition. Our systems, products, and related equipment may have shorter useful lives than we anticipate. Our growth strategy depends in part on developing systems and products. These systems, products and related equipment will have a limited useful life. While we intend to design our systems and products to have a certain lifespan corresponding to a number of cycles, there can be no assurance as to the actual operational life of a system, product or related equipment, or that the operational life of individual components thereof, will be consistent with its design life. A number of factors will impact the useful lives of our products and systems, including, among other things, the quality of their design and construction, the durability of their component parts and availability of any replacement components, and the occurrence of any anomaly or series of anomalies or other risks associated with their planned use. In addition, any improvements in technology may make our existing systems, products, designs, or any component of our systems and products obsolete prior to the end of their intended useful lives. If our systems, products and / or related equipment have shorter useful lives than we currently anticipate, this may lead to delays in increasing the rate of our follow- on work and in obtaining new business, which would have a material adverse effect on our business, financial condition, and results of operations. In addition, we are continually learning, and as our engineering and manufacturing expertise and efficiency increases, we aim to leverage this learning to be able to manufacture our products and related equipment using less of our currently installed equipment, which could render our existing inventory obsolete. Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, require state- of- the- art manufacturing expertise, or are dependent upon factors not wholly within our control. Failure to meet these obligations and requirements could adversely affect our business, financial condition, results of operations. We design, develop, and manufacture technologically advanced and innovative products and services, which are applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and intellectual property rights, labor, an inability to achieve learning curve assumptions, or the manufacturing of materials or components could prevent us from meeting our contractual requirements. Either we or the customer may generally terminate a contract as a result of a material uncured breach by the other. If we breach a contract or fail to perform in accordance with contractual service levels, delivery schedules, performance specifications, or other contractual requirements set forth in a given contract, the other party thereto may terminate such contract by reason of our default, and we may be required to refund money previously paid to us by the customer or to pay penalties or other damages. Even if we have not breached our contractual obligations, we may face various situations from time to time that require or otherwise result in the amendment or termination of a contract. Any such amendment or termination could result in significant current period charges and / or reductions in current or future revenue, and / or delays in collection of outstanding receivables and costs incurred under the contract. Other factors that may affect revenue and profitability include inaccurate cost estimates, design issues, unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management' s focus in responding to unforeseen problems, and loss of follow- on work. We rely on a limited number of suppliers for certain raw materials and supplied components, which has caused and may continue to cause supply chain disruptions. We may not be able to obtain sufficient raw materials or supplied components to meet our manufacturing, design, and operating needs on favorable terms or at all, which could impair our ability to fulfill our orders in a timely manner or increase our costs of design and production. Our ability to produce, develop and offer our current and future systems, and products, technologies and services and other components needed in our operations is dependent upon sufficient availability of raw materials and supplied components, which we secure from a limited number of suppliers. As disclosed herein, this has caused and may continue to cause supply chain disruptions. Global supply chains have recently experienced disruption as a result of industry capacity constraints, material availability and global logistics delays arising from transportation capacity of ocean shipping containers. Our reliance on suppliers to secure raw materials and supplied components has exposed us and may

continue to expose us to volatility in the prices and availability of these materials. We may not be able to obtain sufficient supplies of raw materials or supplied components on favorable terms or at all, which could result in increased costs and / or delays in the manufacturing of our systems and products, development of our technologies and offering of our services. In addition, we may in the future experience delays in manufacturing or disruptions to our operations as we go through the requalification process with any replacement third-party supplier, as well as by reason of the requirements and limitations imposed by ITAR, EAR, or other restrictions on transfers of sensitive technologies. Moreover, the imposition of tariffs on raw materials or supplied components could have a material adverse effect on our operations. Prolonged disruptions in the supply of any of our key raw materials or components, difficulty qualifying new sources of supply, challenges associated with any necessary use of replacement materials or new sources of supply or any volatility in prices could have a material adverse effect on our ability to operate in a cost-efficient, timely manner and could cause us to experience cancellations or delays of scheduled missions, customer cancellations or reductions in our prices and margins, any of which could harm our business, financial condition and results of operations. To date, we have experienced supply chain impacts, particularly in electronic components, that have delayed ongoing projects. In response, we have made efforts to expand our supplier base to locate and source project materials to mitigate procurement delays.

We use estimates when accounting for certain contracts and changes in these estimates may have a significant impact on our financial results. Our quarterly and annual sales are affected by a variety of factors that may lead to significant variability in our operating results. We evaluate the contract value and cost estimates for performance obligations at least quarterly, and more frequently when circumstances change significantly. Changes in estimates and assumptions related to the status of certain long-term contracts could have a material adverse effect on our operating results, financial condition, and / or cash flows.

Risks Related to Government Contracts We pursue U.S. government contracts, which often are only partially funded, subject to immediate termination, and heavily regulated and audited. The termination or failure to fund, or negative audit findings for, one or more of these contracts could have an adverse impact on our business, financial condition, results of operations and cash flows. Over its lifetime, a U.S. government program may be implemented by the award of many different individual contracts and subcontracts. The funding of U.S. government programs is subject to U.S. Congressional appropriations. In recent years, U.S. government appropriations have been affected by larger U.S. government budgetary issues and related legislation. Although multi-year contracts may be authorized and appropriated in connection with major procurement, the U.S. Congress generally appropriates funds on a government fiscal year basis. Procurement funds are typically made available for obligation over the course of one to three years. Consequently, programs often initially receive only partial funding, and additional funds are obligated only as the U.S. Congress authorizes further appropriations. We cannot predict the extent to which total funding and / or funding for individual programs will be included, increased, or reduced as part of the annual appropriations process ultimately approved by the U.S. Congress and the President of the United States or in separate supplemental appropriations or continuing resolutions, as applicable. The termination of funding for a U.S. government program would result in a loss of anticipated future revenue attributable to that program, which could have an adverse impact on our operations. In addition, the termination of a program or the failure to commit additional funds to a program that already has been started could result in lost revenue and increase our overall costs of doing business. Generally, U.S. government contracts are subject to oversight audits by U.S. government representatives. Such audits could result in adjustments to our contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and any such costs already reimbursed must be refunded. We have recorded contract revenue based on costs we expect to realize upon final audit. However, we cannot predict the outcome of any future audits and adjustments, and we may be required to materially reduce our recorded revenue or profits upon completion and final negotiation of audits. Negative audit findings could also result in termination of a contract, forfeiture of profits, suspension of payments, fines or suspension or debarment from U.S. government contracting or subcontracting for a period of time or indefinitely. In addition, U.S. government contracts generally contain provisions permitting termination, in whole or in part, without prior notice at the U.S. government's convenience upon payment only for work done and commitments made at the time of termination. For some contracts, we are a subcontractor and not the prime contractor, and in those arrangements, the U.S. government could terminate the prime contractor for convenience without regard for our performance as a subcontractor. We can give no assurance that one or more of our U.S. government contracts will not be terminated under those circumstances. Also, we can give no assurance that we would be able to procure new contracts to offset the revenue or backlog lost as a result of any termination of our U.S. government contracts. Because a significant portion of our revenue is dependent on our performance and payment under our U.S. government contracts, the loss of one or more large contracts could have a material adverse impact on our business, financial condition, results of operations and cash flows. Our U.S. government business also is subject to specific procurement regulations and a variety of socioeconomic and other requirements. These requirements, although customary in U.S. government contracts, increase our performance and compliance costs. These costs might increase in the future, thereby reducing our margins, which could have an adverse effect on our business, financial condition, results of operations and cash flows. In addition, the U.S. government has and may continue to implement initiatives focused on efficiencies, affordability and cost growth and other changes to its procurement practices. These initiatives and changes to procurement practices may change the way U.S. government contracts are solicited, negotiated, and managed, which may affect whether and how we pursue opportunities to provide our products and services to the U.S. government, including the terms and conditions under which we do so, which may have an adverse impact on our business, financial condition, results of operations and cash flows. For example, contracts awarded under the Department of Defense's Other Transaction Authority for research and prototypes generally require cost-sharing and may not follow, or may follow only in part, standard U.S. government contracting practices and terms, such as the Federal Acquisition Regulation (" FAR ") and Cost Accounting Standards. Failure to comply with applicable regulations and requirements could lead to fines, penalties, repayments, or compensatory or treble damages, or suspension or debarment from U.S. government contracting or subcontracting for a period of time or indefinitely. Among the causes for debarment are violations of various laws and regulations, including those related to procurement integrity, export

control (including ITAR), U.S. government security, employment practices, protection of the environment, accuracy of records, proper recording of costs and foreign corruption. The termination of a U.S. government contract or relationship as a result of any of these violations would have an adverse impact on our operations and could have an adverse effect on our standing and eligibility for future U.S. government contracts. The terms of certain of our ~~current and~~ likely future contracts are highly sensitive and we are limited in our ability to disclose such terms. Our success, in large part, depends on our ability to maintain protection over the terms of certain of our current and likely future contracts and agreements, each of which is or will be highly negotiated and contain sensitive information that, if publicly disclosed, would benefit our and our partners' competitors and harm our and our partners' commercial interests. We are limited in our ability to disclose the terms of these agreements, including terms that may affect our expected cash flows or the value of any collateral, and have taken precautions to protect the disclosure of the sensitive information in such agreements. If the terms of these agreements were to be disclosed, our ability to compete could be hindered and our relationships with our partners could be damaged, both of which could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, our relationships with our partners could also be damaged, and they may take legal action against us, if they believe that we have disclosed any terms of these agreements without their prior consent. For the reasons discussed above, the nature of ~~current and~~ future contracts with the U.S. government will limit our ability to disclose sensitive terms such as contract scope, schedules, and budgets, and, in some cases, the specific end user. We are committed to complying with our disclosure obligations under federal securities laws. Any future material contracts that are of national security concern will be disclosed in redacted form (redacting only the information that is both not material and is of the type that we treat as private or confidential), and unredacted versions made available to the SEC's staff for confidential, non-disclosable review, in accordance with SEC regulations. We ~~engage~~ **have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties. We expect to derive a substantial portion of our revenue from contracts with U.S. Department of Defense agencies and may enter into additional contracts with the U.S. or foreign governments in the future. This subjects us to statutes and regulations applicable to companies doing business with the government, including the FAR. These government contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, and which are unfavorable to subcontractors--- contractors. For instance, most U.S. government agencies include provisions that allow the government to unilaterally terminate or modify contracts for convenience, and in that event, the counterparty to the contract may generally recover only its incurred or committed costs and settlement expenses and profit on many of our work completed prior to the termination. If the government terminates a contracts- contract -We for default, the defaulting party may be liable for any extra costs incurred by the government in procuring undelivered items from another source. Some of our federal government contracts may be subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. In addition, government contracts normally contain additional requirements that may increase our costs of doing business, reduce our profits, and expose us to liability for failure to comply with these terms and conditions. These requirements include, for example: • specialized disclosure and accounting requirements unique to government contracts; • financial and compliance audits that may result in potential liability for price adjustments, recoupment of government funds after such funds have disputes been spent, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with our subcontractors the U.S. government; • public disclosures of certain contract and company information; and • mandatory socioeconomic compliance requirements, including labor requirements, non-discrimination and affirmative action programs and environmental compliance requirements. Government contracts are also generally subject to greater scrutiny by the government, which can initiate reviews, audits, and investigations regarding our compliance with government the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontract--- contract requirements. In addition, if we fail to comply with government contracting laws, regulations and contract requirements, or our subcontractor contracts may be subject to termination, and we may be subject to financial and / our - or other liability failure to extend existing task orders or issue new task orders under a subcontract, our hiring of the personnel of a subcontractor or our vice versa or contracts, the Federal Civil False Claims Act (including treble damages and the other subcontractor penalties), or criminal law. In particular, the False Claims Act 's "whistleblower" provisions also allow private individuals failure to comply with applicable law. In addition, including present and former employees, to sue on behalf of there--- the are certain parts U.S. government. Any penalties, components-damages, and services fines, suspension, for- or damages could adversely affect many of our products, systems, technologies, and services that we source from other manufacturers or our ability vendors. Some of our suppliers, from time to operate our business time, have experienced and our may continue to experience financial and operational difficulties, which may impact their ability to supply the materials, components, subsystems, and services that we require. Tariffs recently imposed on certain materials and other trade issues may create or exacerbate existing materials shortages and may result in further supplier business closures. Our supply chain could also be disrupted by external events, such as natural disasters or other significant disruptions (including extreme weather conditions, medical epidemics, acts of terrorism, cyber- attacks and labor disputes), governmental actions and legislative or regulatory changes, including product certification or stewardship requirements, sourcing restrictions, product authenticity and climate change or greenhouse gas emission standards, or availability constraints from increased demand from customers. These or any further political or governmental developments or health concerns could result in social, economic, and labor instability. Any inability to develop alternative sources of supply on a cost-effective and timely basis could materially impair our ability to manufacture and deliver products, systems, and services to our customers. We can give no assurances that we will be free from disputes with our subcontractors; material supply constraints or problems; or component, subsystems, or services problems in the future. Also, our subcontractors and other suppliers may not be able to acquire or maintain the quality of the materials, components, subsystems, and services they supply, which may result in greater product returns, service problems and**

warranty claims and could harm our business, financial condition, results of operations and cash flows. In addition, in connection with our government contracts, we are required to procure certain materials, components and parts from supply sources approved by the U.S. government and we rely on our subcontractors and suppliers to comply with applicable laws, regulations and other requirements regarding procurement of counterfeit, unauthorized or otherwise non-compliant parts or materials, including parts or materials they supply to us, and in some circumstances, we rely on their certifications as to their compliance. From time to time, there are components for which there may be only one supplier, which may be unable to meet our needs. Each of these subcontractors.

The U. S. government's budget deficit and the national debt, as well as any inability of the U. S. government to complete its budget process for any government fiscal year and consequently having to shut down or operate on funding levels equivalent to its prior fiscal year pursuant to a "continuing resolution," could have an adverse impact on our business, financial condition, results of operations and cash flows. Considerable uncertainty exists regarding how future budget and program decisions will unfold, including the defense spending priorities of the U. S. government, what challenges budget reductions will present for the defense industry and whether annual appropriations bills for all agencies will be enacted for each upcoming U. S. government fiscal year and thereafter due to many factors, including but not limited to, changes in the political environment, including before or after a change to the leadership within the government administration, and any resulting uncertainty or changes in policy or priorities and resultant funding. The U. S. government's budget deficit and the national debt could have an adverse impact on our business, financial condition, results of operations and cash flows in a number of ways, including the following:

- The U. S. government could reduce or delay its spending on, reprioritize its spending away from, or decline to provide funding for the government programs in which we participate;
- U. S. government spending could be impacted by alternate arrangements to sequestration, which increases the uncertainty as to, and the difficulty in predicting, U. S. government spending priorities and levels; and
- We may experience declines in revenue, profitability, and cash flows as a result of reduced or delayed orders or payments or other factors caused by economic difficulties of our customers and prospective customers, including U. S. federal, state, and local governments. Furthermore, we believe continued budget pressures could have serious negative consequences for the security of the United States, the defense industrial base and the customers, employees, suppliers, investors and communities that rely on companies in the defense industrial base. Budget and program decisions made in this environment would have long-term implications for us and the entire defense industry.

We pursue U. S. government..... our business and our financial results. Our reputation and ability to do business may be impacted by the improper conduct of our employees, agents, or business partners. We have implemented compliance controls, training, policies and procedures designed to prevent and detect reckless or criminal acts from being committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which we operate, including laws governing payments to government officials, such as the FCPA, the protection of export controlled or classified information, such as ITAR, false claims, procurement integrity, cost accounting and billing, competition, information security and data privacy and the terms of our contracts. This risk of improper conduct may increase as we continue to grow and expand our operations. We cannot ensure, however, that our controls, training, policies and procedures will prevent or detect all such reckless or criminal acts, and we have been adversely impacted by such acts in the past, which have been immaterial in nature. If not prevented, such reckless or criminal acts could subject us to civil or criminal investigations, monetary and non-monetary penalties and suspension and debarment by the U. S. government and could have a material adverse effect on our ability to conduct business, our results of operations and our reputation. In addition, misconduct involving data security lapses resulting in the compromise of personal information or the improper use of our customer's sensitive or classified information could result in remediation costs, regulatory sanctions against us and serious harm to our reputation and could adversely impact our ability to continue to contract with the U. S. government. We may issue a significant number of shares or equity-linked securities in the future in connection with investments or acquisitions. Our certificate of incorporation authorizes us to issue shares of our Common Stock and options, rights, warrants and appreciation rights relating to our Common Stock for the consideration and on the terms and conditions established by our Board in its sole discretion. We may issue securities in the future in connection with investments or acquisitions or otherwise. The amount of shares of common Common Stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of common Common Stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders and such dilution could be significant. Moreover, such dilution could have a material adverse effect on the market price for the shares of our Common Stock. The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of shares of our Common Stock, either by diluting the voting power of our Common Stock if the preferred stock votes together with the Common Stock as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote, even if the action were approved by the holders of our shares of our Common Stock. The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our Common Stock by making an investment in the Common Stock less attractive. For example, investors in the Common Stock may not wish to purchase Common Stock at a price above the conversion price of our convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase Common Stock at the lower conversion price, causing economic dilution to the holders of Common Stock.

Because we became a public reporting company by means other than a traditional underwritten initial public offering, our stockholders may face additional risks and uncertainties. Because we became a public reporting company by means of consummating the a de- SPAC Business business Combination combination rather than by means of a traditional underwritten initial public offering, there was no independent third-party underwriter involved in the going public process of the combined company, and, accordingly, our stockholders did not have the benefit of an independent review and investigation of the type normally performed by an unaffiliated, independent underwriter in an initial public securities offering. Due diligence reviews

typically include an independent investigation of the background of the **company Company**, any advisors of the **company Company** and their respective affiliates, review of the offering documents and independent analysis of the plan of business and any underlying financial assumptions. ~~Because there was no independent third-party underwriter involved in the Business Combination, you must rely on the information included in this Annual Report on Form 10-K. Although CLAQ performed a due diligence review and investigation of Legacy Nauticus in connection with the Business Combination, the lack of an independent due diligence review and investigation may involve an increased risk of an investment in us because CLAQ's due diligence review and investigation may not have uncovered facts that would be important to a potential investor.~~ In addition, because we did not become a public reporting company by means of a traditional underwritten initial public offering, security or industry analysts may not provide, or ~~maybe~~ **may be** less likely to provide, coverage of the Company. Investment banks may also be less likely to agree to underwrite primary or secondary public offerings on behalf of us than they otherwise might have been had we become a public reporting company by means of a traditional underwritten initial public offering, including in the event they are less familiar with the Company as a result of more limited coverage by analysts and the media. The failure to receive research coverage or support in the market for our Common Stock could have an adverse effect on our ability to develop a liquid market for our Common Stock. See “ — Risks Related to Our Securities — If securities or industry analysts do not publish research or reports about us, or publish negative reports, our stock price and trading volume could decline. ” **As of Our top stockholders hold significant positions in our equity securities and convertible securities that may be converted into Common Stock. If the they date sell a significant portion of their positions this Annual Report on Form 10-K**, the market price of our Common Stock **may have downward pressure and** is below \$ 10.00 per share, which was the **resulting lower stock** price **may negatively affect** per share of Common Stock sold in the IPO and the per share price of the shares of Common Stock sold to certain investors in the Equity Financing. See “ — Currently, outstanding Public Warrants, Private Warrants, SPA Warrants and New SPA Warrants are exercisable for shares of Common Stock. Additionally, the Debentures are currently convertible. Any future exercise of such warrants or **our financial conditions** conversion of the Debentures would increase the number of shares of Common Stock eligible for future resale in the public market and result **results** in dilution to our stockholders.” This potential negative impact may be heightened by the fact that certain of **operations** our stockholders, including the Selling Security holders, purchased, have been issued, or may acquire shares of our Common Stock at prices below the current trading price of our Common Stock. In particular, the Founder Shares were purchased at an effective price of \$ 0.006 per share. The market price of our Common Stock is volatile, and you may lose some or all of your investment. The market price of our Common Stock has been and is likely to continue to be volatile and may be subject to wide fluctuations in response to a variety of factors, including the following: • results of operations that vary from the expectations of securities analysts and investors; • results of operations that vary from those of our competitors; • changes in expectations regarding the Company's future financial performance, including financial estimates and investment recommendations by securities analysts and investors; • the inability to maintain the listing of shares of Common Stock on Nasdaq ; • ~~the inability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition, our ability to grow and manage growth profitably, and retain our key employees;~~ • declines in the market prices of stocks generally; • strategic actions (or inaction) by us or our competitors, including lack of action; • announcements by us or our competitors of significant contracts, product development, acquisitions, joint ventures, other strategic relationships or capital commitments; • the gain or loss of key personnel; • changes in general economic or market conditions or trends in Nauticus' industry or target markets, including as a result of a general economic slowdown or a recession, increased interest rates and changes in monetary policy or inflationary pressures; • changes in business or regulatory conditions, include new laws or regulations or new interpretations of existing laws or regulations applicable to us; • litigation involving Nauticus, its industry, or both, or investigations by regulators into our or our competitors' operations; • risks relating to the uncertainty of our projected financial information; and • risks related to the organic and inorganic growth of our business and the timing of expected business milestones. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Wide-ranging market and industry factors, as well as general economic, political, regulatory and market conditions, may negatively affect the market price of our Common Stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our ~~common~~ **Common stock Stock** is low. The Company's ~~common~~ **Common stock Stock** is currently listed on the Nasdaq. On ~~January 22~~ **August 14**, 2024, the Company received written notice ~~a determination letter~~ **a determination letter** from Nasdaq notifying ~~the Company that it had not regained compliance with~~ **that the average closing bid price of the Company's shares of common stock was below the minimum closing bid price of \$ 35 million market value of listed securities requirement 1 per share during the last 30 consecutive trading days, as required for continued listing on the** ~~The~~ **Nasdaq Capital** ~~under Nasdaq's listing rules.~~ On February 15, 2024, the Company received written notice from Nasdaq notifying it that the market **Market** value of the listed securities of the Company had not met the minimum \$ 35 million requirement for the previous 30 business days, as required ~~set for forth in~~ **set for forth in** continued listing on the Nasdaq under Nasdaq Listing Rule 5550 (b) (2) (~~The notices have no immediate impact on the~~ **“ MVLS Requirement ”**) or any of the alternative requirements in Listing Rule 5550 (b), and **that the additional delinquency may serve as a separate basis for the listing delisting** of the Company's **securities from** common stock and warrants, which will continue to be listed and trade on Nasdaq . ~~The subject to the Company timely requested a hearing before the Nasdaq hearings panel. On September 18, 2024, the hearings panel granted the Company an exception until December 31, 2024 to demonstrate compliance with the Nasdaq listing rules. On January 6, 2025, the hearings panel further extended the deadline to demonstrate compliance with the listing rules to February 10, 2025. On February 18, 2025, the Company received a letter from Nasdaq confirming that the Company has demonstrated compliance with the Nasdaq Capital Market~~ 's continued compliance with the other listing requirements of Nasdaq Rules as

confirmed by the staff on February 10, 2025. The Company remains subject to a discretionary panel monitor through February 18, 2026. In the future, if the Company is not able to meet the continued listing requirements of the Nasdaq, which require, among other things, that the minimum bid price of the Company's ~~common~~ **Common stock** ~~Stock~~ must be \$ 1.00 or more for ten consecutive business days in the 180 day cure period from the date of a deficiency notice and either minimum stockholders' equity of at least \$ 2.5 million, market value of listed securities of at least \$ 35 million, or net income from continuing operations of \$ 500,000 in the most recent fiscal year or in two of the last three fiscal years, the Company's ~~common~~ **Common stock** ~~Stock~~ may be delisted. A delisting of the Company's ~~common~~ **Common stock** ~~Stock~~ could negatively impact the Company by, among other things, reduce the liquidity and market price of its ~~common~~ **Common stock** ~~Stock~~; reduce the number of investors willing to hold or acquire the Company's ~~common~~ **Common stock** ~~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 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. ~~As of the date of filing our consolidated financial statements, the Company's common stock price is less than \$ 1.00 and the market value of listed securities is below \$ 35 million.~~ Volatility in our share price could subject us to securities class action litigation. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities, or following periods of market volatility generally. If we were involved in securities litigation, it could result in substantial costs and divert management's attention and resources, which, regardless of the outcome of any such litigation, could harm our business. The trading market for our Common Stock depends, in part, on the research and reports that securities or industry analysts publish about us. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our Common Stock or change their opinion, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to significantly decline. Because we do not anticipate paying any cash dividends in the foreseeable future, capital appreciation, if any, would be your sole source of gain. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. As a result, capital appreciation, if any, of shares of Common Stock owned by you would be your sole source of gain on an investment in such shares for the foreseeable future. We are an emerging growth company, and smaller reporting company and as such are subject to various risks unique only to emerging growth companies, including, but not limited to, risks associated with taking advantage of certain exemptions from disclosure requirements available to emerging growth companies or smaller reporting companies, which could, among other things, make our securities less attractive to investors and may make it more difficult to compare our performance with certain public companies. We are an "emerging growth company," as defined in the JOBS Act. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (a) following the fifth anniversary of the IPO, which occurred on July 19, 2021, (b) in which we have total annual gross revenue of at least \$ 1.235 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common equity that is held by non-affiliates exceeds \$ 700 million as of the last business day of our most recently completed second fiscal quarter, and (ii) the date on which we have issued more than \$ 1.0 billion in non-convertible debt securities during the prior three year period. As an emerging growth company, we are not required, among other things, to comply with the auditor attestation requirements of Section 404, we have reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and we are exempt from the requirements of holding a nonbinding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments not previously approved. Further, pursuant to Section 102(b)(1) of the JOBS Act, emerging growth companies may be exempted from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. Under Section 107 of the JOBS Act, an emerging growth company can elect to opt out of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act and comply with the requirements that apply to non-emerging growth companies, but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, will not be required to adopt the new or revised standard until the time private companies are required to adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used. We are also a "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act, and have elected to take advantage of certain of the scaled disclosures available to smaller reporting companies. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We will remain a smaller reporting company, and thus may take advantage of certain of the scaled disclosures available to smaller reporting companies, until the last day of the fiscal year in which (i) the market value of our common equity held by non-affiliates equals or exceeds \$ 250 million as of the last business day of our most recently completed second fiscal quarter or (ii) (a) the market value of our common equity held by non-affiliates equals or exceeds \$ 700 million as of the last business day of our most recently completed second fiscal quarter and (b) our annual revenues as of our most recent fiscal year completed before the last business day of such second fiscal quarter equaled or exceeded \$ 100 million. To the extent we take advantage of such reduced disclosure obligations, it may make comparison of our financial statements with other public companies difficult or impossible. We cannot predict if investors will find our Common Stock less attractive because we may rely on these exemptions. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for the Common Stock and

our market price may be more volatile. We have the ability to redeem outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at \$ 0. 01 per warrant, provided that the last reported sales price (or the closing bid price of our Common Stock in the event the shares of our Common Stock are not traded on any specific trading day) of the Common Stock equals or exceeds \$ 16. 50 per share (as adjusted for stock splits, stock dividends, reorganizations and the like) on each of 20 trading days within the 30 trading- day period ending on the third business day prior to the date on which we send proper notice of such redemption, provided that on the date we give notice of redemption and during the entire period thereafter until the time we redeem the warrants, we have an effective registration statement under the Securities Act covering Common Stock issuable upon exercise of the warrants and a current prospectus relating to them is available. If and when the Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding Public Warrants could force a warrant holder: (i) to exercise its warrants and pay the exercise price therefor at a time when it may be disadvantageous for it to do so, (ii) to sell its warrants at the then- current market price when it might otherwise wish to hold its Public Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Public Warrants are called for redemption, will be substantially less than the market value of its Public Warrants. **At any time the Company has the right to redeem in cash all, but not less than all, the shares of Series A Preferred Stock then outstanding at a 25 % redemption premium to the greater of (i) the Conversion Amount being redeemed, and (ii) the product of (1) the Conversion Rate with respect to the Conversion Amount being redeemed, multiplied by (2) the equity value of the Common Stock underlying the Series A Preferred Stock. The equity value of the Common Stock underlying the Series A Preferred Stock is calculated using the greatest closing sale price of the Common Stock on any trading day during the period commencing on the trading day immediately preceding the date the Company notifies the holders of the Company’s election to redeem and ending on the trading day immediately prior to the date the Company makes the entire payment required. The November 2024 Debentures may be redeemed at the option of the Company, subject to the provisions set out in the SPA.** Our warrants may never be in the money, and they may expire worthless. The exercise price of the Public Warrants and Private Warrants is \$ 11. 50 per share, subject to adjustment. Pursuant to the Letter Agreements, the exercise price of the SPA Warrants was lowered to a weighted average of \$ 3. 28 per share, with multiple tranches priced between \$ 2. 04 and \$ 4. 64 per share, subject to adjustment. In addition, the exercise price of the New SPA Warrants is \$ 20. 00 per- share, subject to adjustment. There can be no assurance that our outstanding warrants, in particular the Public Warrants, Private Warrants, and New SPA Warrants, will ever be in the money prior to their expiration and, as such, such warrants may expire worthless. The Warrant Agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our Public Warrants and Private Warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us. Our warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Notwithstanding the foregoing, these provisions of the Warrant Agreement will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants shall be deemed to have notice of and to have consented to the forum provisions in our Warrant Agreement. If any action, the subject matter of which is within the scope of the forum provisions of the Warrant Agreement is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (for purposes of this subsection, a “ foreign action ”) in the name of any holder of our Public Warrants or Private Warrants such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (for purposes of this subsection, an “ enforcement action ”), and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder’s counsel, as applicable, in the foreign action as agent for such warrant holder. This choice- of- forum provision may limit the ability of warrant holders to bring a claim in a judicial forum that they find favorable for disputes with the Company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of the Warrant Agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board. These limitations do not apply to the SPA Warrants or New SPA Warrants. **Currently outstanding Public Warrants, Private Warrants, SPA Warrants and New SPA Warrants are exercisable for shares of Common Stock. Additionally, the Debentures and our Series A Preferred Stock are currently convertible into shares of Common Stock. Any future exercise of such warrants or conversion of the Debentures and the Series A Preferred Stock would increase the number of shares of Common Stock eligible for future resale in the public market and result in dilution to our stockholders.** Outstanding Public Warrants and Private Warrants to purchase an aggregate ~~15,438, 889,799,991~~ shares of Common Stock (~~8,269, 449,624,991~~ Public Warrant Shares and ~~7,169, 440,175,000~~ Private Warrant Shares) are currently exercisable. **Each For every 36 Public Warrant Warrants and Private Warrant Warrants entitles the holder thereof is entitled** to purchase one share of Common Stock at a price of \$ 11. 50 per share, subject to adjustment. **The November 2024 Debentures are convertible, at the election of each the holder thereof, for an aggregate ~~95-2, 670-097, 851-561~~ shares of Common Stock, assuming a conversion price of \$ ~~0-1. 23~~ 4582 and approval of the recent transactions by our shareholders.** In addition, the debt under the term loans

closed in September 2023 and January 2024 are convertible into ~~2,674,74~~, ~~691,297~~ shares at a conversion price of \$ ~~216.6.00~~ and ~~18,694,075.664,024~~ shares at a conversion price of \$ ~~0.16~~, ~~4582.50~~ respectively. **The Series A Preferred Stock is convertible, at the election of the holders, into 34,179,512 shares of Common Stock, assuming a conversion price of \$ 1.23.** The Public Warrants, Private Warrants, and SPA Warrants may be exercised for, and the Debentures and debentures under the term loans may be converted into, only a whole number of shares of Common Stock. To the extent any (i) outstanding Public Warrants, Private Warrants, SPA Warrants or New SPA Warrants are exercised; (ii) Debentures are converted; (iii) outstanding Nauticus Options are exercised; or (iv) Earnout Shares are released, additional shares of Common Stock will be issued, which will result in dilution to the then-existing holders of our Common Stock and increase the number of shares of Common Stock eligible for resale in the public market. Sales of substantial numbers of shares of Common Stock in the public market could adversely affect the market price of our Common Stock.