

Risk Factors Comparison 2025-03-28 to 2024-03-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ ~~Unchanged Text~~ **Moved Text** **Section**

RISKS RELATED TO OUR BUSINESS AND OPERATIONS There is substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing. Our consolidated financial statements as of December 31, 2023, have been prepared under the assumption that we will continue as a going concern for the next twelve months. As of December 31, 2023, we had cash and cash equivalents of \$ 10. 4 million and an accumulated deficit of \$ 75. 9 million. There is substantial doubt that our cash and cash equivalents will be sufficient for the next twelve months. As a result of our financial condition and other factors described herein, there is substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern will depend on our ability to restore profitability and to obtain additional funding, as to which no assurances can be given. We continue to analyze various alternatives, including cost reduction initiatives, cash preservation actions, debt or equity financings, and other arrangements. Our future success depends on our ability to restore profitability, raise capital, or a combination of both. We cannot be certain that raising additional capital, whether through selling additional debt or equity securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current stockholders may experience dilution. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current development programs, cut operating costs, forgo future development and other opportunities, or even terminate our operations. The adverse effect to our business operations from armed conflicts (such as Ukraine / Russia and Hamas / Israel) or similar political, social, regulatory, or economic tension may challenge our operational flexibility and financial performance. The continuation of the war between Ukraine and Russia as well as the war / armed conflict related to Hamas / Israel and the situation in the Red Sea fuels uncertainty and risk to our business as we rely on the ability to manufacture, ship, service, and operate across multiple jurisdictions. The wars may result in sanctions and increased uncertainties, thus restricting our ability to service our clients and execute orders globally due to supply chain risk, import / export restrictions, and increased demand uncertainty. Additionally, if customers are not successful in generating sufficient revenue or are precluded from securing financing due to the ongoing wars, they may not be able to pay, or may delay payment of, owed amounts to the Company for the provision of products and services. Any inability of current or new potential customers to purchase or pay for our products may adversely affect our sales, earnings, and cash flow. Sales and earnings could also be affected by our ability to manage the risks and uncertainties associated with changes in local legal requirements or the enforceability of laws and contractual obligations, trade protection measures, changes in tax laws, regional political instability, war, terrorist activities, severe or prolonged adverse weather conditions, natural disasters, and health epidemics or pandemics.

Global trade restrictions and geopolitical tensions could adversely impact our business and supply chain Our business operates in a global market and is subject to risks arising from increasing trade restrictions, geopolitical tensions, and shifting regulatory frameworks. In recent years, governments have imposed new tariffs, sanctions, and export controls, particularly in relation to advanced technologies, critical raw materials, and industrial goods. Trade conflicts between major economies, such as the United States and China, as well as evolving sanctions on Russia, have created uncertainty in supply chains and increased the complexity of cross- border trade. More recently, the change in administration in the U. S. elevates the potential for trade conflict and tariffs on imports, which could potentially impact our business. New or expanded trade restrictions, including export controls on key materials or technologies used in our products, could disrupt our supply chain, limit our ability to source critical components, and increase costs. Additionally, changes in import / export regulations or retaliatory trade policies from foreign governments could affect our ability to serve certain markets or delay customer orders. Our ability to mitigate these risks depends on the stability of global trade relations, our ability to identify alternative suppliers, and potential shifts in regulatory frameworks that could impact our industry. There can be no assurance that future trade restrictions or geopolitical conflicts will not have a material adverse effect on our business, financial condition, and results of operations. Prolonged period of inflationary pressure including risk of energy shortages market volatility and supply disruptions could negatively impact our business elevated electricity and energy prices in Europe. The European energy crisis , which escalated in 2022 amid the Russia and Ukraine war with the rising cost of , has largely stabilized; however, our business remains exposed to fluctuations in energy prices and potential supply disruptions caused by geopolitical instability, regulatory changes, or natural disasters. While natural gas and electricity prices in Europe have moderated compared to prior peaks , fueling continued uncertainty regarding global energy markets, including potential disruptions from conflicts in the Middle East and instability affecting key shipping routes, could result in renewed price volatility and supply constraints uncertainties and risk of energy shortage across Europe due to the lack of gas from Russia. This resulted in decisive measures implemented by the European Union to help manage security of supply and establish new sources of gas. Our business is heavily exposed to both gas and electricity prices used to power our operating equipment and high- temperature kilns , as well as to heat the office and manufacturing facilities buildings across Denmark. Consequently, this rising Any significant increase in energy cost costs inflation has or supply shortages, whether due to geopolitical conflicts, new regulatory restrictions, or logistical challenges in securing energy inputs, could negatively impacted -- impact our profitability and reduced -- reduce our competitive position compared to competitors operating in regions with lower outside of Europe where the energy crisis costs. Additionally, evolving energy policies, such as has -- as been less pronounced carbon taxes, emissions trading schemes, and government- mandated energy transition initiatives, may increase operating costs and impact the cost structure of our production

processes. The inflationary pressure **While management continues to evaluate energy efficiency measures and alternative supply arrangements, there can be no assurance that future energy market volatility or supply disruptions will not have a material adverse effect** on energy and gas prices may continue to negatively impact our business, as prevailing core inflationary indicators remain above policy targets. Increased macroeconomic uncertainty and its effects on our business operations and financial condition. The uncertain macroeconomic environment caused by the ongoing wars, European energy crisis, and general uncertainty related to the global economy may adversely affect our results and could have a negative impact on timing, delivery and demand for our products and services. Customers, suppliers, and partners may experience business disruptions due to unplanned market volatilities, supply chain restrictions, or lack of **operations** funding due to increased cost of capital. As a result, our customers may modify, delay or cancel plans to purchase our products and services to help mitigate the impact from the prevailing macroeconomic uncertainty. Our business has been right-sized to help protect our profitability and cash flow; however, we remain exposed to near-term market fundamentals as we rely on short lead-time products and orders that may be cancelled if customers are facing weakened end-market demand or increased uncertainty. **The Health crises, pandemics, and other public health emergencies could adversely affect our business, financial condition, and results of operations. Our business could be adversely affected by the emergence or resurgence of health crises, pandemics, or other public health emergencies. While the global impact of COVID-19 or similar has diminished, recent years have demonstrated the significant disruptions that pandemics or widespread health emergencies can cause to supply chains, labor markets, and overall economic activity. Authorities worldwide continue to implement measures to mitigate potential future outbreaks, including vaccination campaigns, travel restrictions, and quarantine protocols, however, new infectious diseases or resurgences of existing ones could lead to disruptions in our supply chain, temporary facility closures, labor shortages, and delays in customer orders. Additionally, prolonged health crises could negatively impact the financial position of our customers or suppliers, increasing the risk of delayed payments, order cancellations, or defaults on contractual obligations. Our ability to navigate future public health emergencies will depend on the severity and duration of such events, as well as the effectiveness of mitigation strategies implemented by governments, businesses, and healthcare systems. There can be no assurance that future health crises will not** have a material adverse effect on our business, results of operations and financial condition in the future. Our business could be adversely affected by a resurgence of COVID-19 or similar pandemics as evidenced by the global ramifications of the novel coronavirus first identified in Wuhan, Hubei Province, China (COVID-19). The COVID-19 pandemic resulted in authorities worldwide implementing numerous measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, border controls, limitations on business activity, social distancing requirements, quarantines, and shelter-in-place orders. These measures caused business slowdowns or shutdowns in affected areas, both regionally and worldwide. Since 2020, management has initiated several precautionary initiatives across our business in accordance with local regulations and guidelines to mitigate the spread of COVID-19 and to prepare for future pandemics. These precautions have impacted the way we carry out our business, including additional sanitation and cleaning procedures in our production and other facilities, temperature and symptom confirmations, and remote working when required. As evidenced during the COVID-19 pandemic, the effects of a prolonged pandemic could result in an extended negative impact on investment across industries. In addition, COVID-19 or similar pandemics could negatively impact the financial position of our customers or those of our collaboration partners, making it difficult to collect receivables or milestone payments. Moreover, our business and results of operations could be exposed to risks associated with uncollectible amounts or defaults on contractual payment obligations. If we are unable to generate sufficient cash from operations due to the impacts of future pandemics, we may need to raise additional funds. The duration and severity of any future pandemics remain uncertain as exemplified by the rapid increase in the COVID-19 pandemic in late 2021, thus there can be no assurance that it will not have an adverse effect on our liquidity and capital resources, including our ability to access capital markets in the future on terms that are favorable to us or at all. Historically, we have been dependent on a few major customers for a significant portion of the Company's revenue. Our revenue could decline if we are unable to maintain or develop relationships with additional customers and our results of operations could be adversely affected if any one of these customers is unable to meet their financial obligations to us. For the year ended December 31, **2023-2024**, our four largest customers accounted for approximately 7%, **7%**, 5%, 4%, and **4%** of our net sales (approximately **20-24%** in total). For the year ended December 31, **2022-2023**, our four largest customers accounted for approximately **13-7%**, **9-5%**, **6-4%**, and 4% of our net sales (approximately **31-20%** in total). If we are unable to diversify our customer base, our future results will be heavily dependent on these customers. Our dependence on a limited number of customers means that the loss of a major customer or any reduction in orders by a major customer would materially reduce our net sales and adversely affect our results of operations. We expect that sales to relatively few customers will continue to account for a significant percentage of our net sales for the foreseeable future; however, these customers or our other customers may not use our products at current levels in the future, if at all. We have no firm, long-term volume commitments from any of our major customers, and we generally enter into individual purchase orders with our customers, in certain cases under master agreements that govern the terms and conditions of the relationship. We have experienced delays or cancellations of orders and fluctuations in order levels from period to period and expect that we will continue to experience such delays, cancellations, and fluctuations in the future. Customer purchase orders may be delayed or cancelled, and order volume levels can be changed with limited or no penalties. We may not be able to replace cancelled, delayed, or reduced purchase orders with new orders. If any one of these customers reduces its demand for our products, it will likely have a material adverse effect on our financial results. Furthermore, a significant portion of our accounts receivable is concentrated with a few major customers who may not be able to meet their financial obligations to us. The failure of any such customer to pay amounts owed to us in a timely fashion or at all could have an adverse effect on our results of operations. The Company is also exposed to credit risk on its accounts receivable, and this risk is heightened during periods when economic conditions worsen. The Company's outstanding receivables are not covered by collateral or credit

insurance. The Company's exposure to credit and collection risk on its receivables may also be higher in certain international markets, and its ability to mitigate such risks may be limited. While the Company has procedures to monitor and limit exposure to credit risk on its receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses.

~~If The impact on our business operations and financial condition if~~ we fail to restore financial stability through improved profitability and access to adequate liquidity, **our business options and financial condition would be impacted**. Our business has undergone significant changes in the past few years to help restore financial flexibility to the Company through an enhanced capital structure, improved profitability, reduced investments, and changes to the organization. Our ability to achieve financial beak- even is heavily dependent on external macroeconomic and competitive industry dynamics that are outside of our control; therefore, our business may not achieve its financial objectives in a period with increased competition or weakening market fundamentals. Furthermore, future growth and **operations** ~~possibly future strategic acquisitions~~ may require public or private equity offerings or debt financings. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available, we may be required to delay or reduce the scope of our plans to grow our revenues, to pass on one or more **opportunities** ~~strategic acquisitions~~, or to scale back our business plans. ~~In addition, we could be forced to reduce or forgo attractive business opportunities.~~ To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. In addition, debt financing, if available, may involve restrictive covenants. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. Our access to the financial markets and the pricing and terms we receive in the financial markets could be adversely impacted by various factors, including changes in financial markets and interest rates. The potential interruption or failure to obtain raw materials and components at affordable prices caused by continued global and regional supply chain constraints could negatively affect our ability to supply products to our customers and negatively affect our profit and delay revenue. We use silicon carbide, steel, plastic, platinum, and palladium in the manufacturing process. As other industries develop products utilizing silicon carbide, we may not be able to obtain adequate supplies of silicon carbide required for the manufacture of our existing and future products that would prevent us from supplying products to our customers and materially affect our business. Furthermore, any increased demand for, the raising of tariff rates on, or an increase of non- tariff trade barriers that apply to silicon carbide, steel, plastic, platinum, or palladium could increase the price we must pay to obtain it and could adversely affect our profitability, which would have an adverse effect on our financial results. Additionally, fluctuation in demand for ceramics or global bottlenecks in shipping may result in supply chain constraints and longer lead times on key components which may result in delayed order shipments or risk of cancellation from clients demanding short lead times. If we are unable to manage our expected growth, our business may be materially and adversely affected. We expect to expand our operations by increasing our production capacity and penetrating new markets. The growth of our business could place significant strain on our management, operational, and financial resources. To manage our future growth, we could be required to improve existing or implement new operational or financial systems, procedures, and controls as well as to expand, train, and manage a growing employee base. Our failure to accomplish any of these tasks could materially and adversely affect our business. We also may not recognize the anticipated benefits of completed dispositions or other divestitures we may pursue in the future. Our success will depend, to a large degree, on the expertise and experience of the members of our management team, the loss of whom could have a material adverse effect on our business. Our success is, to a large degree, dependent upon the expertise and experience of the management team and its ability to attract and retain qualified personnel who are technically proficient. The loss of the services of one or more of such personnel could have a material adverse effect on our business. Our business may also be adversely affected if we are unable to continue to attract and retain such personnel. Adverse conditions, regulatory challenges, or lack of funding for emission control programs, may delay or negatively affect our future growth and market potential within the transportation and marine industries. Global health crises such as the COVID- 19 pandemic or significant macroeconomic uncertainty exacerbated by current or future geopolitical conflicts and high inflationary pressure can significantly impact our Company, customers, and suppliers. For example, the global shipping industry has been negatively impacted by the coronavirus outbreak and may be further adversely affected by an extended shutdown of various businesses or delayed implementation of regulatory frameworks and environmental policies. This, in turn, could adversely affect the demand for our marine scrubbers as shipowners delay or even cancel their orders for new closed- loop scrubber systems. Future growth of our business depends in part on the availability of funding for emissions control programs, which can be affected by economic as well as political reasons that are beyond our control. If such funding is not available, or delayed, it can negatively affect our future growth prospects. In addition to funding, we also expect that our future business growth will be driven, in part, by the enforcement of existing emissions- related environmental regulations and tightening of emissions standards worldwide, where regulations and standards are frequently contested in litigation. For example, our ability to expand our business in the marine industry is dependent on the effective implementation of IMO 2020, which requires the burning of low- sulfur oil for marine vessels or the inclusion of marine scrubber technology. If existing regulations and emissions standards do not continue to become stricter, are loosened, or are not enforced by governmental authorities due to commercial and business pressures, economic conditions, or otherwise, it could have a material adverse effect on our business, operating results, financial condition, and long- term prospects. We face changes in governmental standards by which our products are evaluated, and if we cannot meet any such changes, some of our products could become obsolete, which could have a material adverse effect on our business. We believe that, due to the intensifying focus on the environment and clean air and water standards throughout the world, new requirements to adhere to more stringent regulations are possible in the future as governmental agencies seek to promote clean air and water along with new product certifications. In the event that our products fail to meet these evolving standards, some or all of our products may become obsolete, which could have an adverse effect on our business, operating results, financial condition, and long- term prospects. Our international operations are exposed to potential adverse tax consequence. Our international operations create a risk of ~~potential~~ **potentially** adverse tax

consequences. Taxes on income in future internationally based operations are dependent upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm's length basis. Due to inconsistencies among taxing authorities in application of the arm's length standard, transfer pricing challenges by tax authorities could, if successful, materially increase our consolidated income tax expense. We may be subject to tax audits, and an audit could result in the assessment of additional income tax against us. This could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made and could result in increases to our overall tax expense in subsequent periods. **Our Adverse impact on our business could face adverse impacts** due to increased interest rates, tightening debt capital markets, and market volatility. Our business and capital structure are dependent upon our ability to raise financing and optimize our cash management activities through timely access to credit and loan markets at attractive terms. The prevailing uncertainty and increased interest rates represent a significant risk to our business as we are relying upon our ability to refinance our capital structure and maintain access to relevant financing. Furthermore, elevated interest rates may cause increased uncertainty and cash flow constraints, including the inability of the ~~company~~ **Company** to meet existing debt service commitments. Increased market and interest rate uncertainty may also elevate execution risk and ultimately restrict our ability to refinance our debt obligations. Foreign currency fluctuations could adversely impact financial performance. Our reporting currency is the United States Dollar (\$). Because of our activities in Denmark, the European Continent, Middle East, U. S., and other countries, we are exposed to fluctuations in foreign currency rates. Most income and expense- related transactions are denominated in currencies other than the reporting currency, and a certain portion of the excess cash balances may be held in other currencies or in bank accounts outside of the United States, causing risks of currency fluctuations when translating balances to the reporting currency at the end of the reporting period. We may manage the risk to such exposure through active cash flow management, and in some cases, by entering into foreign currency futures and option contracts; however, we can make no assurance that such actions will be sufficient to offset a material adverse effect on our operations in the future. As of December 31, **2023-2024**, we have not entered into any derivative contracts to hedge our currency exposure. Our inability to protect our intellectual property rights could negatively affect our business and results of operations. Our ability to compete effectively depends in part upon developing, maintaining, and / or protecting intellectual property rights relevant to our re-crystallized silicon carbide product forms, applications, and manufacturing processes. We rely principally on a combination of patent protection, trade secrets, confidentiality and non- disclosure agreements, and trusted business relationships to establish, maintain, and protect the intellectual property rights relevant to our business. These measures, however, may not be adequate in every given case to permit us to gain or retain any competitive advantage, particularly in those countries where the laws do not protect our proprietary rights as fully as those in the United States. In particular, because silicon carbide is a well- known material (developed over 100 years ago), and there has been extensive research, development, and publication related to this material and its wide range of applications, obtaining intellectual property rights to key elements of silicon carbide technology can be challenging. Accordingly, at least some of the technology employed in our manufacture of re- crystallized silicon carbide products is not protected by patents. Where we consider it appropriate, we seek patent protection in the United States and other countries for technologies used in, or relating to, our re- crystallized silicon carbide product forms, applications, and manufacturing processes. The issuance of a patent is not conclusive as to its scope, validity, and enforceability. Thus, any patent or patent application which may issue into a patent held by us could be challenged, invalidated, or held unenforceable in litigation or proceedings before the U. S. Patent and Trademark Office and / or other patent tribunals, or they may be circumvented by others. No consistent policy regarding the breadth of patent claims has emerged to date in the United States, and the landscape could become more uncertain in view of future rule changes by the United States Patent and Trademark Office, the introduction of patent reform legislation, and decisions in patent law cases by United States federal courts. The patent landscape outside of the United States is even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty. In addition, we may fail to apply for patents on important technologies or product candidates in a timely fashion, if at all, and our existing and future patents may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products or technologies, especially given the long history of silicon carbide development. Our patent strategy involves complex legal and factual questions. Our ability to maintain and solidify our proprietary technology may depend in part upon our success in obtaining patent rights and enforcing those rights once granted or licensed. We do not know whether any of our pending patent applications will result in the issuance of any patents. Our issued patents and those that may be issued in the future may be challenged, invalidated, rendered unenforceable, or circumvented, which could limit our ability to prevent competitors from marketing similar or related products or shorten the term of patent protection that we may have for our products, processes, and enabling technologies. In addition, the rights granted under any issued patents may not provide us with competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies, duplicate technology developed by us, or otherwise possess intellectual property rights that could limit our ability to manufacture our products and operate our business. We also rely on trade secret protection for our confidential and proprietary information. Trade secrets, however, can be difficult to protect. We may not be able to maintain our technology or know- how as trade secrets, and competitors may develop or acquire equally valuable or more valuable technology or know- how related to the manufacture of comparable silicon carbide products. We also seek to protect our confidential and proprietary information, in part, by requiring all employees, consultants, and business partners to execute confidentiality and / or nondisclosure agreements upon the commencement of any employment, consulting arrangement, or engagement with us. These agreements generally require that all confidential and proprietary information developed by the employee, consultant, or business partner, or made known to the employee, consultant, or business partner by us, during the relationship with us, be kept confidential and not disclosed to third parties. These agreements may be breached and may not provide adequate remedies in the event of breach. To the extent that our employees, consultants, or business partners use intellectual property owned by others in their work for and / or with us, disputes could arise as to the rights in

related or resulting technologies, know-how, or inventions. Moreover, while we also require customers and vendors to execute agreements containing confidentiality and / or nondisclosure provisions, we may not have obtained such agreements from all of our customers and vendors. In addition, our trade secrets may otherwise become known or be independently discovered by competitors, customers, or vendors. Such customers or vendors may also be subject to laws and regulations that require them to disclose information that we would otherwise seek to keep confidential. Moreover, others may independently develop and obtain patents covering technologies that are similar or superior to the product forms, applications, or manufacturing processes that we employ. If that happens, we may need to obtain licenses for these technologies and may not be able to obtain licenses on reasonable terms, if at all, which could limit our ability to manufacture our future products and operate our business. In addition, third parties could utilize our intellectual property rights in territories where we do not have intellectual property protection. Such third parties may then try to import products made using our intellectual property rights into the United States or other countries, which could have a material adverse effect on our business. Our contracts with third parties could negatively affect our intellectual property rights. To further strengthen our product development efforts, we continue to work closely with customers and other third parties to research and develop advancements in silicon carbide product forms, applications, manufacturing processes, and related products and technologies. In some instances, the research and development activities that we conduct with customers and other third parties may produce intellectual property to which we may not have ownership or exclusive rights and will be unable to protect or monetize. Furthermore, there could be disputes between us and a private third party as to the ownership rights to any inventions that we develop in collaboration with such third party. Any such dispute may cause us to incur substantial costs and could place a significant strain on our financial resources, divert the attention of management from our core business, or harm our reputation. We could become subject to intellectual property litigation that could be costly, limit or cancel our intellectual property rights, divert time and efforts away from business operations, require us to pay damages, and / or otherwise have an adverse material impact on our business. The success of our business is highly dependent on protecting our intellectual property rights. Unauthorized parties may attempt to copy or otherwise obtain and use our products and / or enabling technologies. Policing the unauthorized use of our intellectual property rights is difficult and expensive, as is enforcing these rights against unauthorized use by others. Identifying unauthorized use of our intellectual property rights is difficult because we may be unable to monitor the processes and / or materials being employed by other parties. The steps we have taken may not prevent unauthorized use of our intellectual property rights, particularly in foreign countries where enforcement of intellectual property rights may be more difficult than in the United States. Our continued commercial success will also depend in part upon not infringing the patents or violating the intellectual property rights of third parties. We are aware of patents and patent applications generally relating to aspects of our technologies filed by, and issued to, third parties. Nevertheless, we cannot determine with certainty whether such patents or patent applications of other parties may materially affect our ability to conduct our business. There may be existing patents of which we are unaware that we may inadvertently infringe, resulting in claims against us or our customers. In the event that the manufacture, use, and / or sale of our products or processes is challenged, or if our product forms or processes conflict with the patent rights of others, third parties could bring legal actions against us or our customers in the United States, Europe, or other countries, claiming damages and seeking to enjoin the manufacturing and / or marketing of our products. Additionally, it is not possible to predict with certainty what patent claims may issue from any relevant third-party pending patent applications. Third parties may be able to obtain patents with claims relating to our product forms, applications, and / or manufacturing processes, which they could attempt to assert against us or our customers. In any case, litigation may be necessary to enforce, protect, or defend our intellectual property rights or to determine the validity and scope of the intellectual property rights of others. Any litigation could be unsuccessful, cause us to incur substantial costs, divert resources and the efforts of our personnel away from daily operations, harm our reputation, and / or result in the impairment of our intellectual property rights. In some cases, litigation may be threatened or brought by a patent-holding company or other adverse patent owner who has no relevant product revenues and against which our patents may provide little or no deterrence. If we are found to infringe any patents, we could be required to (1) pay substantial monetary damages, including lost profits, reasonable royalties, and / or treble damages if an infringement is found to be willful and / or (2) totally discontinue or substantially modify any products or processes that are found to be in violation of another party's intellectual property rights. If our competitors are able to use our technology without payment to us, our ability to compete effectively could be harmed. We face competition and technological advances by competitors, which could adversely affect the sales of our products. The growth of our Company depends in part on maintaining and growing the sales of our current products in existing and new markets, but also in developing new products and technologies. There is significant competition among companies that provide solutions for pollutant emissions from diesel engines and liquids purification. Several companies market products that compete directly with our products. Other companies offer products that potential customers may consider to be acceptable or superior alternatives to our products and services, including products that are verified by the Environmental Protection Agency or other environmental authorities. We face direct competition from companies with greater financial, technological, manufacturing, and personnel resources. Newly developed products could be more effective and cost-efficient than our current or future products. Any liability for environmental harm or damages resulting from technical faults or failures of our products could be substantial and could materially adversely affect our business and results of operations. Customers rely upon our products to meet emissions control standards imposed upon them by regulatory bodies. Failure of our products to meet such standards could expose us to claims from customers. Our products are also integrated into goods used by consumers, and therefore a malfunction or the inadequate design of our products could result in product liability claims. Any liability for environmental harm or damages resulting from technical faults or failures could be substantial and could materially and adversely affect our business and results of operations. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of our products, which would materially impact our financial condition and operating results. We could become liable for damages resulting from our manufacturing activities,

which could have a material adverse effect on our business or cause us to cease operations. The nature of our manufacturing operations exposes us to potential claims and liability for environmental damage, personal injury, loss of life, and damage to, or destruction of, property. Our manufacturing operations are subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past, and it is reasonable to expect additional and more stringent changes in the future. Our manufacturing operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures to bring our operations within compliance with such evolving regulations. If we fail to comply with applicable environmental laws and regulations, manufacturing guidelines, and workplace safety requirements, governmental authorities may seek to impose fines and penalties on us or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under such circumstances, we could be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims for which we may not have sufficient or any insurance coverage for claims. Our actual or perceived failure to adequately protect personal data could adversely affect our business, financial condition, and results of operations. A wide variety of provincial, state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These privacy and data protection-related laws and regulations are evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Further, our legal and regulatory obligations in foreign jurisdictions are subject to unexpected changes, including the potential for regulatory or other governmental entities to enact new or additional laws or regulations, to issue rulings that invalidate prior laws or regulations, or to increase penalties significantly. Compliance with these laws and regulations can be costly and can delay or impede the development and offering of new products and services. For example, the General Data Protection Regulation, which became effective in May 2018, imposes more stringent data protection requirements and provides for significantly greater penalties for noncompliance than the European Union laws that previously applied. Additionally, California ~~recently~~ enacted legislation, the California Consumer Privacy Act, which became effective on January 1, 2020. We may also be subject to additional obligations relating to personal data by contract that industry standards apply to our practices. Our actual or perceived failure to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal data, or to protect personal data from unauthorized access, use, or other processing, could result in enforcement actions and regulatory investigations against us, claims for damages by customers and other affected individuals, fines, damage to our reputation, and loss of goodwill, any of which could have a material adverse effect on our operations, financial performance, and business. Further, evolving and changing definitions of personal data and personal information, including the classification of IP addresses, machine identification information, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting business relationships and partnerships that may involve the sharing or uses of data and may require significant costs, resources, and efforts to comply. Some of our officers and directors are located outside of the United States; therefore, it may be difficult for an investor to enforce within the United States any judgments obtained against us or such officers and directors. The majority of our officers and some of our directors are nationals and / or residents of countries other than the United States, and all or a substantial portion of such persons' assets may be located outside of the United States. As a result, it may be difficult for an investor to affect service of process or enforce within the United States any judgments obtained against us or such officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of other jurisdictions would recognize or enforce judgments of United States courts obtained against us or our directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof or be competent to hear original actions brought in other jurisdictions against us or such officers and directors predicated upon the securities laws of the United States or any state thereof. We have signed partnership, distribution, and joint venture agreements and may engage in additional collaborations, joint ventures, or strategic alliances in the future, and we may not realize the benefits of such arrangements. From time to time, we may enter into partnership, exclusivity, distribution, or joint venture agreements. Establishment of these agreements involves significant risks and uncertainties, including (i) our inability to cooperate with our local partner, (ii) our local partner having economic, business, or legal interests or goals that are inconsistent with ours, and (iii) the potential that our local partner may be unable to meet its economic or other obligations, which may require us to fulfill those obligations alone. In any joint venture in which we engage, we will rely on our local partner for the implementation of much of any such joint venture operation, and the success of any such operation is thus not entirely within our control. Any failure or perceived failure of a joint venture may have a material impact on our operations and financial condition. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting. Section 404 of the Sarbanes- Oxley Act of 2002 requires our management to assess the effectiveness of our internal control over financial reporting and to disclose in our filing if such controls were unable to provide assurance that a material error would be prevented or detected in a timely manner. We have an ongoing program to review the design of our internal controls framework in keeping with changes in business needs, implement necessary changes to our controls design, and test the system and process controls necessary to comply with these requirements. If our internal controls over financial reporting is determined to be ineffective, resulting in material weaknesses and / or significant deficiencies, investor perceptions regarding the reliability of our financial statements may be adversely affected, which could cause a decline in the market price of our stock and otherwise negatively affect our liquidity and financial condition. In Item 9A, we disclose that, with respect to the standards of Sarbanes- Oxley Section 404 and the internal controls standard to which we are subjected, we reported material weaknesses in our internal controls over financial reporting. For additional information on this item, please see Item 9A, Controls and Procedures. Although we believe our historical efforts have strengthened our internal control over financial reporting (and we concluded that our financial statements were reliable,

notwithstanding the material weakness we reported), we cannot be certain that our revised internal control practices will ensure that we will have or maintain adequate internal control over financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. We may have risks associated with security of our information technology systems. We make significant efforts to maintain the security and integrity of our information technology systems and data. Despite significant efforts to create security barriers to such systems, it is virtually impossible for us to entirely mitigate this risk. There is a risk of industrial espionage, cyber-attacks, misuse or theft of information or assets, or damage to assets by people who may gain unauthorized access to our facilities, systems, or information. Such cybersecurity breaches, misuse, or other disruptions could lead to the disclosure of confidential information; improper usage and distribution of our intellectual property; theft, manipulation, and destruction of private and proprietary data; and production downtimes. Although we actively employ measures to prevent unauthorized access to our information systems, preventing unauthorized use is inherently difficult. These events could adversely affect our financial results, and any legal action in connection with any such cybersecurity breach could be costly and time-consuming, may divert management's attention and adversely affect the market's perception of us and our products. In addition, we must frequently expand our internal information system to meet increasing demand in storage, computing, and communication, which may result in increased costs. Our internal information system is expensive to expand and must be highly secure due to the sensitive nature of our customers' information that we transmit. Building and managing the support necessary for our growth places significant demands on our management and resources. These demands may divert such resources from the continued growth of our business and implementation of our business strategy.

RISKS RELATED TO OUR COMMON STOCK Future equity financings or convertible debt issuances would dilute your ownership and could adversely affect your common stock ownership rights in comparison with those of other security holders. Our Board of Directors has the power to issue additional shares of common or preferred stock without stockholder approval. In general, stockholders do not have preemptive rights to any common stock issued by us in the future; therefore, stockholders may experience additional dilution of their equity investment if we issue additional shares of common stock in the future, including shares issuable under equity incentive plans, or if we issue securities that are convertible into shares of our common stock. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage of ownership of our existing stockholders will be reduced, and such newly issued securities may have rights, preferences, or privileges senior to those of existing stockholders. If we issue additional common stock or securities convertible into common stock, such issuance will reduce the proportionate ownership and voting power of each other stockholder. In addition, such stock issuances might result in a reduction of the market value of our common stock, which could make our stock unattractive to existing stockholders. We will not receive a significant amount, or potentially any, additional funds upon the exercise of our pre-funded warrants; however, any exercise would increase the number of shares eligible for future resale in the public market and result in substantial dilution to our stockholders. As of December 31, ~~2023~~ **2024**, we have issued pre-funded warrants to purchase a total of ~~3,593,299~~ **3,930,299**, ~~008,879~~ shares of our common stock, **consisting of which 3,930,008 pre-funded warrants issued prior to 2024 and an additional 1,369,871 pre-funded warrants issued in 2024. Of these,** none have been exercised. Each **of the pre-2024** pre-funded ~~warrant~~ **warrants** is exercisable for \$ 0.008 per share of common stock underlying such pre-funded warrant, ~~which while the pre-funded warrants issued in 2024 are exercisable for \$ 0.001 per share of common stock underlying such pre-funded warrant. These warrants~~ **may be exercised through** paid by way of a cashless exercise ~~—mechanism,~~ meaning that the holder may not pay a cash purchase price upon exercise, but instead would receive upon such exercise the net number of shares of common stock determined according to the formula set forth in the pre-funded warrant. Accordingly, we will not receive a significant amount, or potentially any, additional funds upon the exercise of the pre-funded warrants. To the extent such pre-funded warrants are exercised, additional shares of common stock will be issued for nominal or no additional consideration, which will result in substantial dilution to the then-existing holders of our common stock and will increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of ~~the our~~ common stock, causing our stock price to decline. Provisions in our articles of incorporation and bylaws could discourage a change in control or an acquisition of us by a third party, even if the acquisition would be favorable to you, thereby adversely affecting existing stockholders. Our articles of incorporation and bylaws contain provisions that may have the effect of making it more difficult or delaying attempts by others to obtain control of our Company, even when these attempts may be in the best interests of stockholders. For example, our articles of incorporation authorize our Board of Directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of common stock. These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then-current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests. There is limited trading volume of our common stock, which could make it difficult for you to liquidate an investment in our common stock in a timely manner. Since April 16, 2019, our common stock has been traded on Nasdaq Capital Market under the ticker LIQT. Because there is limited volume in our common stock, investors may not be able to liquidate their investments when they desire to do so. In addition, if we fail to meet the criteria set forth in SEC and Nasdaq Capital Market rules and regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. **If securities analysts do not publish research..... the price of our common stock.** The market price of our common stock has been and may continue to be volatile. The market price of our common stock has been volatile and fluctuates widely in response to various factors that are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long-term

business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially: • the underlying price of the commodities that affect our key markets of industrial water filtration, marine, and oil & gas; • announcements of capital budget changes by major customers; • the introduction of new products by our competitors; • announcements of technology advances by us or our competitors; • current events affecting the political and economic environment in the United States, Europe, or Asia; • conditions or industry trends, including demand for our products, services, and technological advances; • changes to financial estimates by us or by any securities analysts who might cover our stock; • additions or departures of our key personnel; • government regulation of our industry; • seasonal, economic, or financial conditions; • our quarterly operating and financial results; • litigation or public concern about the safety of our products; or • the effect of macroeconomic uncertainty, **COVID-19-global supply chain disruptions**, or **other pandemics-public health crises**. The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by changes in governmental regulations regarding diesel particle emissions and marine wastewater because demand for our products and services is closely related to those regulations. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and / or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low –If securities analysts do not publish research or reports about our business or if they downgrade us or our sector, the price of our common stock could decline. The trading market for our common stock will depend in part on research and reports that industry or financial analysts publish about us or our business. Furthermore, if one or more of the analysts who cover us downgrades us, the industry in which we operate, or the stock of any of our competitors, the price of our common stock may decline. If one or more of these analysts ceases coverage altogether, we could lose visibility, which could also lead to a decline in the price of our common stock. Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline. If any significant number of our outstanding shares are sold, such sales could have a depressive effect on the market price of our stock. We are unable to predict the effect, if any, that the sale of shares, or the availability of shares for future sale, will have on the market price of the shares prevailing from time to time. Sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we deem appropriate. The Company is considered a “ smaller reporting company ” and is exempt from certain disclosure requirements, which could make our common stock less attractive to potential investors. As a “ smaller reporting company ” (as defined in Rule 12b- 2 of the Securities Exchange Act of 1934 (the “ Exchange Act ”)), we are not required and may not include a Compensation Discussion and Analysis section in our proxy statements, provide only three years of business information, provide fewer years of selected financial data, and have other “ scaled ” disclosure requirements that are less comprehensive than issuers that are not “ smaller reporting companies, ” which could make our stock less attractive to potential investors and could make it more difficult for stockholders to sell their shares. We have no current plan to pay dividends on our common stock, and investors may lose the entire amount of their investment. We have no current plans to pay dividends on our common stock; therefore, investors will not receive any funds absent a sale of their shares. We cannot assure investors of a positive return on their investment when they sell their shares, nor can we assure investors will not lose the entire amount of their investment. PUBLIC COMPANY RISK FACTORS We will continue to incur significant costs from operating as a public company, and our management may be required to devote substantial time to compliance initiatives that ultimately could have a material adverse effect on our financial condition and results of operations. As a public company, we expect to continue to incur significant legal, accounting, and other expenses. In addition, the Sarbanes- Oxley Act, **along with as well as** rules subsequently implemented by the SEC, have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls as well as mandating certain corporate governance practices. Our management and other personnel will continue to devote a substantial amount of time and financial resources to these compliance initiatives. If we fail to staff our accounting and finance function adequately or maintain internal control systems sufficient to meet the demands that are placed upon us as a public company, we may be unable to report our financial results accurately or in a timely manner and our business and stock price may suffer. The costs of being a public company, as well as the diversion of management’ s time and attention, may have a material adverse effect on our future business, financial condition, and results of operations. Changes in U. S. Generally Accepted Accounting Principles (“ GAAP ”) could adversely affect our financial results and may require significant changes to our internal accounting systems and processes. We prepare our consolidated financial statements in conformity with GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (“ FASB ”), the SEC, and various bodies formed to interpret and create appropriate accounting principles and guidance. The FASB periodically issues new accounting standards on a variety of topics. For information regarding new accounting standards, please refer to Note 1, “ Description of Business and Significant Accounting Policies – Recent Accounting Pronouncements, ” of the Notes to Consolidated Financial Statements in Part II, Item 8, “ Financial Statements and Supplementary Data, ” of this Annual Report on Form 10- K. These and other such standards generally result in different accounting principles, which may significantly impact our reported results or could result in variability of our financial results. In preparing our financial statements, we make certain assumptions, judgments and estimates that affect amounts reported in our consolidated financial statements, which, if not accurate, may significantly impact our financial results. We make assumptions, judgments, and estimates for a number of items, including the fair value of financial instruments, goodwill, long- lived assets, and other intangible assets; the realizability of deferred tax assets; the recognition of revenue; the fair value of stock awards; and others. We also make assumptions,

judgments, and estimates in determining the accruals for employee- related liabilities, including commissions and variable compensation, and in determining the allowance or provisions for uncertain tax positions, doubtful accounts, excess or obsolete inventory, and legal contingencies. These assumptions, judgments, and estimates are drawn from historical experience and various other factors that we believe are reasonable under the circumstances as of the date of the consolidated financial statements. Actual results could differ materially from our estimates, and such differences could significantly impact our financial results. Item 1B. Unresolved Staff Comments