

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

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended January 31, 2026

Or

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

For the Transition Period From _____ to _____

Commission file number: 001-33417

OCEAN POWER TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

22-2535818
*(I.R.S. Employer
Identification No.)*

28 ENGELHARD DRIVE, SUITE B, MONROE TOWNSHIP, NJ 08831

(Address of Principal Executive Offices, Including Zip Code)

(609) 730-0400

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$0.001 par value	OPTT	NYSE American
Series A Preferred Stock Purchase Rights	N/A	NYSE American

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of March 13, 2026, the number of outstanding shares of common stock of the registrant was 228,023,439.

OCEAN POWER TECHNOLOGIES, INC.

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(in \$000's, except share data)

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,056	\$ 6,715
Accounts receivable, net	6,132	1,191
Contract assets	725	1,088
Inventory	5,237	4,222
Other current assets	1,957	400
Total current assets	21,107	13,616
Property and equipment, net	5,797	3,444
Intangibles, net	3,390	3,490
Right-of-use assets, net	2,153	1,552
Restricted cash, long-term	154	154
Goodwill	8,537	8,537
Total assets	<u>\$ 41,138</u>	<u>\$ 30,793</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,543	\$ 568
Earnout payable	150	300
Convertible notes payable (Note 13)	6,234	—
Derivative liability (Note 13)	2,180	—
Accrued expenses	3,047	1,271
Right-of-use liabilities, current portion	1,171	1,150
Contract liabilities	5,372	—
Total current liabilities	19,697	3,289
Deferred tax liability	203	203
Right-of-use liabilities, less current portion	1,150	649
Total liabilities	<u>21,050</u>	<u>4,141</u>
Commitments and contingencies (Note 14)	-	
Shareholders' Equity:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares, none issued or outstanding; 100,000 designated as Series A	—	—
Common stock, \$0.001 par value; authorized 300,000,000 shares, issued 218,789,721 shares and 172,050,563 shares, respectively; outstanding 216,107,328 shares and 171,263,086 shares, respectively	219	172
Treasury stock, at cost; 2,682,393 and 787,477 shares, respectively	(1,823)	(1,018)
Additional paid-in capital	380,360	356,588
Accumulated deficit	(358,668)	(329,090)
Accumulated other comprehensive loss	—	—
Total shareholders' equity	20,088	26,652
Total liabilities and shareholders' equity	<u>\$ 41,138</u>	<u>\$ 30,793</u>

See accompanying notes to unaudited consolidated financial statements.

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
(in \$000's, except per share data)
Unaudited

	<u>Three months ended January 31,</u>		<u>Nine months ended January 31,</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
Revenues	\$ 513	\$ 825	\$ 2,119	\$ 4,545
Cost of revenues	1,268	628	4,277	3,106
Gross margin	(755)	197	(2,158)	1,439
Operating expenses	8,363	6,072	24,160	15,702
Operating loss	(9,118)	(5,875)	(26,318)	(14,263)
Interest income/(expense), net	(726)	6	(1,600)	13
Other income/(expense)	96	(13)	(32)	4
Change in fair value of derivative	(1,617)	—	(1,617)	—
Loss on extinguishment of debt	—	(838)	—	(838)
Foreign exchange loss	(1)	—	(11)	(1)
Loss before income taxes	(11,366)	(6,720)	(29,578)	(15,085)
Income tax benefit	—	—	—	—
Net loss	(11,366)	(6,720)	(29,578)	(15,085)
Basic and diluted net loss per share	\$ (0.06)	\$ (0.04)	\$ (0.16)	\$ (0.13)
Weighted average shares used to compute basic and diluted net loss per common share	195,499,846	147,543,452	184,009,438	112,630,443

See accompanying notes to unaudited consolidated financial statements.

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(in \$000's, except share data)
Unaudited

Nine months Ended January 31, 2026

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at May 1, 2025	172,050,563	\$ 172	(787,477)	\$ (1,018)	\$ 356,588	\$ (329,090)	\$ —	26,652
Net loss	—	—	—	—	—	(29,578)	—	(29,578)
Share-based compensation	—	—	—	—	7,791	—	—	7,791
Common stock issued upon vesting of restricted stock units	7,670,221	8	—	—	(8)	—	—	—
Issuance of common stock – At The Market Offering, net of issuance costs	10,812,551	11	—	—	5,169	—	—	5,180
Issuance of common stock - Convertible Debt, net of issuance costs	28,256,386	28	—	—	10,820	—	—	10,848
Shares withheld for tax withholdings	—	—	(1,894,916)	(805)	—	—	—	(805)
Balances at January 31, 2026	<u>218,789,721</u>	<u>\$ 219</u>	<u>(2,682,393)</u>	<u>\$ (1,823)</u>	<u>\$ 380,360</u>	<u>\$ (358,668)</u>	<u>\$ —</u>	<u>\$ 20,088</u>

Nine months Ended January 31, 2025

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at May 1, 2024	61,352,731	\$ 61	(88,017)	\$ (369)	\$ 327,276	\$ (307,579)	\$ (45)	19,344
Net loss	—	—	—	—	—	(15,085)	—	(15,085)
Share-based compensation	—	—	—	—	1,331	—	—	1,331
Common stock issued related to bonus and earnout payments	2,864,808	3	—	—	627	—	—	630
Common stock issued upon vesting of restricted shares	2,964,209	2	—	—	—	—	—	2
Issuance of common stock – AGP At The Market Offering, net of issuance costs	66,720,451	67	—	—	16,812	—	—	16,879
Issuance of common stock – Capital Raise, net of issuance costs	21,446,079	22	—	—	2,429	—	—	2,451
Issuance of common stock - Convertible Debt, net of issuance costs	15,442,429	15	—	—	3,993	—	—	4,008
Shares withheld for tax withholdings	—	—	(699,460)	(649)	—	—	—	(649)
Balances at January 31, 2025	<u>170,790,707</u>	<u>\$ 170</u>	<u>(787,477)</u>	<u>\$ (1,018)</u>	<u>\$ 352,468</u>	<u>\$ (322,664)</u>	<u>\$ (45)</u>	<u>\$ 28,911</u>

Three Months Ended January 31, 2026

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at November 1, 2025	189,777,377	\$ 190	(787,477)	\$ (1,018)	\$ 370,429	\$ (347,302)	\$ —	22,299
Net loss	—	—	—	—	—	(11,366)	—	(11,366)
Share-based compensation	—	—	—	—	2,600	—	—	2,600
Common stock issued upon vesting of restricted stock units	7,626,221	8	—	—	(8)	—	—	—
Issuance of common stock – At The Market Offering, net of issuance costs	5,188,349	5	—	—	2,221	—	—	2,226
Issuance of common stock - Convertible Debt, net of issuance costs	16,197,774	16	—	—	5,118	—	—	5,134
Shares withheld for tax withholdings	—	—	(1,894,916)	(805)	—	—	—	(805)
Balances at January 31, 2026	<u>218,789,721</u>	<u>\$ 219</u>	<u>(2,682,393)</u>	<u>\$ (1,823)</u>	<u>\$ 380,360</u>	<u>\$ (358,668)</u>	<u>\$ —</u>	<u>\$ 20,088</u>

Three Months Ended January 31, 2025

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at November 1, 2024	124,683,555	\$ 125	(88,017)	\$ (369)	\$ 338,352	\$ (315,944)	\$ (45)	22,119
Net loss	—	—	—	—	—	(6,720)	—	(6,720)
Share-based compensation	—	—	—	—	780	—	—	780
Common stock issued related to bonus and earnout payments	—	—	—	—	—	—	—	—
Common stock issued upon vesting of restricted shares	2,954,209	2	—	—	—	—	—	2
Issuance of common stock – AGP At The Market Offering, net of issuance costs	27,710,514	28	—	—	9,343	—	—	9,371
Issuance of common stock – Capital Raise, net of issuance costs	15,442,429	15	—	—	3,993	—	—	4,008
Issuance of common stock – Capital Raise, net of issuance costs	—	—	(699,460)	(649)	—	—	—	(649)
Balances at January 31, 2025	<u>170,790,707</u>	<u>\$ 170</u>	<u>(787,477)</u>	<u>\$ (1,018)</u>	<u>\$ 352,468</u>	<u>\$ (322,664)</u>	<u>\$ (45)</u>	<u>\$ 28,911</u>

See accompanying notes to unaudited consolidated financial statements.

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in \$000's)
Unaudited

	Nine months ended January 31,	
	2026	2025
Cash flows from operating activities:		
Net loss	\$ (29,578)	\$ (15,085)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	632	610
Foreign exchange loss	-	(1)
Loss on disposal of property and equipment	-	111
Amortization of intangible assets	99	99
Amortization of right of use asset	675	633
Share-based compensation	7,791	1,331
Change in fair value of derivative	1,617	—
Loss on disposition of assets	—	838
Changes in operating assets and liabilities:		
Accounts receivable	(4,941)	(830)
Contract assets	363	(460)
Inventory	(2,246)	366
Other assets	(1,557)	996
Accounts payable	978	(2,731)
Earnout payable	(150)	(150)
Accrued expenses	1,776	453
Right-of-use liabilities	(755)	(506)
Contract liabilities	5,372	(302)
Net cash used in operating activities	<u>\$ (19,924)</u>	<u>\$ (14,628)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,754)	(350)
Net cash used in investing activities	<u>\$ (1,754)</u>	<u>\$ (350)</u>
Cash flows from financing activities:		
Cash paid for tax withholding related to shares withheld	\$ (806)	(649)
Proceeds from convertible notes	17,645	3,171
Proceeds from issuance of common stock - Capital Raise, net of issuance costs	—	2,451
Proceeds from issuance of common stock - At The Market offering, net of issuance costs	5,180	\$ 16,880
Net cash provided by financing activities	<u>\$ 22,019</u>	<u>\$ 21,853</u>
Net increase in cash, cash equivalents and restricted cash	<u>\$ 341</u>	<u>\$ 6,875</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>\$ 6,869</u>	<u>\$ 3,305</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 7,210</u>	<u>\$ 10,180</u>
Supplemental disclosure of noncash investing and financing activities:		
Common stock issued related to bonus and earnout payments	\$ —	\$ 630
Common stock issued related to conversion of convertible debt	10,248	15
Operating right of use asset obtained in exchange for operating lease liability	1,276	—

See accompanying notes to unaudited consolidated financial statements.

Ocean Power Technologies, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

(1) Background, Basis of Presentation and Liquidity

(a) Background

Ocean Power Technologies, Inc. (“OPT,” “we,” “our,” or “the Company”) is a Maritime Domain Awareness (MDA) company specializing in innovative intelligent maritime solutions. These solutions include a variety of “as a service” systems, including Data as a Service (DaaS), Robotics as a Service (RaaS), and Power as a Service (PaaS). These systems consist of a variety of platforms including the PowerBuoy®, our persistent sensor and power solution, the WAM-V® (Wave Adaptive Modular Vessel), our autonomous unmanned surface vehicle, and Merrows™, our user interface and command and control (C2) system that integrates multiple sensor feeds using software and hardware and enables artificial intelligence and machine learning (AI/ML) integration. We design, manufacture, deploy, and operate these systems for defense, security, subsea infrastructure, offshore oil and gas, offshore energy, marine research, and communication markets. We operate primarily through a combination of direct sales and leases, strategic partnerships, and long-term service agreements. Our business model emphasizes capital-light deployments, recurring revenue from service and maintenance contracts, and high-margin technology sales and leases.

We serve a global customer base, including the U.S. and allied defense agencies, offshore energy operators, and commercial interests. The common thread across these markets is the growing need for a persistent, autonomous, and sustainable offshore presence, a need we are uniquely positioned to fulfill.

The Company holds numerous patents and leverages decades of research including control systems, energy storage, and marine integration. Our headquarters and assembly operations are located in New Jersey, and we maintain an additional manufacturing and robotics development facility in Richmond, CA. In addition, the Company maintains an office at the Association for Uncrewed Vehicle Systems International (AUVSI) headquarters in Washington, D.C., which serves to strengthen our strategic position in the fast-growing uncrewed systems market.

OPT is committed to enabling a smarter, safer ocean economy through innovation in ocean intelligence and power. As we look forward, our strategic priorities include expanding our customer and geographic base, accelerating technology adoption, enhancing recurring revenue, and driving margin growth through platform scalability and supply chain efficiencies.

We were incorporated under the laws of the State of New Jersey in April 1984 and began commercial operations in 1994. On April 23, 2007, we reincorporated in Delaware.

(b) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and for interim financial information in accordance with the Securities and Exchange Commission (“SEC”), instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The interim operating results are not necessarily indicative of the results for a full year or for any other interim period. Further information on potential factors that could affect the Company’s financial results can be found in the Company’s Annual Report on Form 10-K for the year ended April 30, 2025, as filed with the SEC and elsewhere in subsequent Exchange Act filings, including this Form 10-Q.

(c) Going Concern

During the nine months ended January 31, 2026, the Company incurred a net loss of approximately \$29.6 million and used cash in operations of approximately \$19.9 million. The Company’s future results of operations involve significant risks and uncertainties. Factors that could affect the Company’s future operating results and could cause actual results to vary materially from expectations include, but are not limited to, performance of its products, its ability to market and commercialize its products and new products that it may develop, access to capital, technology development, scalability of technology and production, ability to attract and retain key personnel, concentration of customers and suppliers, pending or threatened litigation and deployment risks and integration of acquisitions.

These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company’s operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The accompanying consolidated financial statements have been prepared on a basis which assumes the Company is a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from any uncertainty related to the Company’s ability to continue as a going concern. Such adjustments could be material.

(2) Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, Marine Advanced Robotics Inc. (CA), referred to herein as MAR, Oregon Wave Energy Partners I LLC (DE), and ReedSport OPT WavePark, LLC (OR). Ocean Power Technologies Ltd. in the United Kingdom was dissolved on April 22, 2025. ReedSport OPT WavePark, LLC (OR) and Oregon Wave Energy Partners I, LLC (DE) were dissolved during the first quarter of fiscal 2024. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make several estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include, among other items, share-based compensation based on the likelihood of meeting performance obligations, over time revenue recognition, valuation consideration related to business combinations, including contingent

consideration based on actual and projected revenues, in addition to discount rates and present values, and other assumptions and estimates used to evaluate the recoverability of long-lived assets, goodwill and other intangible assets. Actual results could differ from those estimates.

(c) Cash, Cash Equivalents, Restricted Cash and Security Agreements

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. The Company invests excess cash in a money market account. The Company had cash and cash equivalents of approximately \$7.1 million and \$6.7 million as of January 31, 2026 and April 30, 2025, respectively.

Restricted Cash and Security Agreements

The Company has a letter of credit agreement with Santander Bank, N.A. (“Santander”). Cash of \$154,000 is on deposit at Santander and serves as security for a letter of credit issued by Santander for the lease of warehouse/office space in Monroe Township, New Jersey.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets that total to the same amounts shown in the Consolidated Statements of Cash Flows.

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(in thousands)	
Cash and cash equivalents	\$ 7,056	\$ 6,715
Restricted cash, long-term	154	154
Cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 7,210</u>	<u>\$ 6,869</u>

(d) Inventory

In accordance with Accounting Standards Codification 330 (ASC 330), inventory is stated at the lower of cost or net realizable value applicable to goods on hand. Items remain in inventory until they are shipped to the customer, at which time the costs are transferred on a first in first out (FIFO) basis to cost of revenues, or moved to leased assets as applicable, following the matching principle where costs and revenues are recognized in the same period. The Company has three classes of inventory; raw materials, work in process, and finished goods.

(e) Accounts Receivable, net

Accounts receivable, net are stated at the net amount expected to be collected. Amounts are usually due between 30 and 90 days after the invoice issuance. The Company is exposed to credit losses primarily on accounts receivable and contract assets related to sales to customers. If applicable, an allowance for credit losses is established to provide for the expected lifetime credit losses by evaluating factors such as customer creditworthiness, historical payment and loss experiences, current economic conditions (including geographic and political risk), and the age and status of outstanding receivables. During the nine months ended January 31, 2026, the Company increased its allowance for credit losses primarily in connection with a specific customer whose outstanding balance exhibited extended aging and increased collection uncertainty. As a result of this customer-specific evaluation, the allowance for credit losses was approximately \$560,000 at January 31, 2026, compared to \$100,000 at April 30, 2025. Expected credit losses are written off in the period in which the underlying financial assets are determined to be uncollectible.

The Company grants credit to its customers, generally, without collateral, under normal payment terms. Generally, invoicing occurs after the services are performed or control of the product has transferred to the customer. Accounts receivable, net represents an unconditional right to consideration arising from the Company’s performance under contracts with customers.

(f) Property and Equipment, net

Property and equipment, net is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives (three to ten years) of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term. Expenses for maintenance and repairs are charged to operations as incurred. Property and equipment, net is also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, then an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

<u>Description</u>	<u>Estimated depreciable life</u>
Equipment	5-7 years
Computer equipment & software	3 years
Office furniture & fixtures	3-7 years
Leasehold improvements	Shorter of the estimated useful life or lease term
Leased Power Buoy assets	10 years
Leased WAM-V assets	10 years

(g) Foreign Exchange Gains and Losses

Transactions denominated in a foreign currency may result in realized and unrealized foreign exchange gains or losses from exchange rate fluctuations, which, if applicable, are included in “Foreign exchange loss” in the accompanying Consolidated Statements of Operations.

(h) Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of trade accounts receivable and cash equivalents. The Company believes that its credit risk is limited because the Company's current contracts are with entities with a reliable payment history. The Company performs a credit evaluation of new customers prior to extending credit terms and monitors existing customers for changes in credit quality. The Company invests its excess cash in a money market fund and does not believe that it is exposed to any significant risks related to its cash accounts or money market funds.

For each of the nine months ended January 31, 2026 and 2025, the Company had five and four customers, respectively, whose revenues accounted for at least 10% of the Company's consolidated revenues. These revenues accounted for approximately 81% and 73% of the Company's total revenues for the respective periods. For the three months ended January 31, 2026 and 2025, the Company had two and three customers, respectively, whose revenues accounted for at least 10% of the Company's consolidated revenues. These revenues accounted for approximately 73% and 95% of the Company's total revenues for the respective periods.

As of January 31, 2026 and 2025, the Company had one and four customers, respectively, whose total receivable balance accounted for at least 10% of the Company's consolidated receivables. These receivables accounted for approximately 76% and 95% of the Company's total receivables for the respective periods.

As of January 31, 2026, one commercial customer represented about 5% of our accounts receivable balance. As part of that contract, we granted extended payment terms that are not typical for the Company, which increases our credit exposure. We continue to monitor this receivable closely, and while we have not recorded an allowance because we believe collectability is probable, we acknowledge that these terms carry additional risk if the customer's financial condition changes. In addition, we have fully reserved one other receivable balance from one customer that represented 6% of the total gross accounts receivable balance, recognizing a loss of \$373,000 for the fiscal year.

(i) Share-Based Compensation

Costs resulting from all share-based payment transactions are recognized in the consolidated financial statements at their fair values. The aggregate share-based compensation expense recorded in the Consolidated Statements of Operations for the nine months ended January 31, 2026 and 2025 was approximately \$7.8 million and \$1.3 million, respectively. The aggregate share-based compensation expense recorded in the Consolidated Statements of Operations for the three months ended January 31, 2026 and 2025 was approximately \$2.6 million and \$0.8 million, respectively. The Company's policy is to account for forfeitures of share-based compensation awards as they occur.

Additionally, upon vesting of Restricted Stock Units ("RSU") that were granted to an employee, the employee is given the option to either pay the taxes themselves, or have enough shares of their RSU award withheld by the Company to cover the taxes incurred by the employee. In the event the employee elects to surrender shares to cover the tax implication, the Company maintains those shares in the Company's treasury stock account. Shares held in the Company's treasury stock account are not available for future RSU grants.

(j) Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification 606 (ASC 606) for contracts with customers and Accounting Standards Codification 842 (ASC 842) for leasing arrangements. In relation to ASC 606, which states that a performance obligation is the unit of account for revenue recognition, the Company assesses the goods or services promised in a contract with a customer and identifies a performance obligation as either: a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. A contract may contain a single performance obligation or multiple performance obligations. For contracts with multiple performance obligations, the Company allocates the contracted transaction price to each performance obligation based upon the relative standalone selling price, which represents the price the Company would sell a promised good or service separately to a customer. The Company determines the standalone selling price based upon the facts and circumstances of each obligated good or service. When no observable standalone selling price is available, the standalone selling price is generally estimated based upon the Company's forecast of the total cost to satisfy the performance obligation plus an appropriate profit margin.

The nature of the Company's contracts may give rise to several types of variable consideration, including unpriced change orders, liquidated damages and penalties. Variable consideration can also arise from modifications to the scope of services. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on the assessment of legal enforceability, performance, and any other information (historical, current, and forecasted) that is reasonably available to us. There was no variable consideration as of January 31, 2026 or 2025. The Company presents shipping and handling costs, that occur after control of the promised goods or services transfer to the customer, as fulfillment costs in costs of goods sold and regular shipping and handling activities charged to operating expenses.

The Company recognizes revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either (1) at a point in time or (2) over time. A good or service is transferred when or as the customer obtains control (e.g., upon shipment, upon delivery, as services are rendered, or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement. The evaluation of whether control of each performance obligation is transferred at a point in time or over time is made at contract inception. Input measures such as costs incurred are utilized to assess progress against specific contractual performance obligations for the Company's services. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services to be provided. For the Company, the input method using costs or labor hours incurred best represents the measure of progress against the performance obligations incorporated within the contractual agreements. If estimated total costs on any contract project a loss, the Company charges the entire estimated loss to operations in the period the loss becomes known. For the quarter ended January 31, 2026 the Company recorded one-time losses associated with two contracts in strategically important markets. The expenses associated with these projects are now substantially complete, although they will continue to generate revenue over the next several months. Importantly, our core programs and commercial pipeline continue to demonstrate improving margin quality and operating leverage. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, change orders, claims, anticipated losses, and others are recorded in the accounting period in which the events indicating a loss are known and the loss can be reasonably estimated. These loss projections are re-assessed for each subsequent reporting period until the project is complete. Such revisions could occur at any time and the effects may be material. During the nine-month period ended January 31, 2026, the Company recognized approximately \$1.7 million in revenue related to performance obligations satisfied at a point in time and approximately \$0.4 million in revenue related to performance obligations satisfied over time. During the nine-month period ended January 31, 2025, the Company recognized approximately \$4.0 million in revenue related to performance obligations satisfied at a point in time and approximately \$0.5 million in revenue related to performance obligations satisfied over time. During the three-month period ended January 31, 2026, the Company recognized approximately \$0.4 million in revenue related to performance obligations satisfied at a point in time and approximately \$0.1 million in revenue related to performance obligations satisfied over time. During the three-month period ended January 31, 2025, the Company recognized approximately \$0.4 million in revenue related to performance obligations satisfied at a point in time and approximately \$0.4 million in revenue related to performance obligations satisfied over time.

The Company's contracts are either cost-plus contracts, fixed-price contracts, time and material agreements, lease agreements or service agreements. Under cost plus contracts, customers are billed for actual expenses incurred plus an agreed-upon fee.

The Company has two types of fixed-price contracts, firm fixed-price and cost-sharing. Under firm fixed-price contracts, the Company receives an agreed-upon amount for providing products and services specified in the contract, and a profit or loss is recognized depending on whether actual costs are more or less than the agreed-upon amount. Under cost-sharing contracts, the fixed amount agreed upon with the customer is only intended to fund a portion of the costs on a specific project. Under cost-sharing contracts, an amount corresponding to the revenue is recorded in cost of revenue, resulting in gross profit on these contracts of zero. The Company reports its disaggregation of revenue by contract type since this method best represents the Company's business. For each of the three-month periods ended January 31, 2026 and 2025, the majority of the Company's contracts were classified as firm fixed-price and the remainder were cost-sharing.

The Company's contract assets and liabilities primarily relate to the timing differences between cash received from a customer in connection with contractual rights to invoicing and the timing of revenue recognition following completion of performance obligations. The Company's accounts receivable balance is made up entirely of customer contract-related balances.

The Company's revenue also includes revenue from certain contracts which do not fall within the scope of ASC 606, but under the scope of ASC 842, "Leases." At inception of a contract for those classified under ASC 842, the Company classifies leases as either operating or financing in accordance with the authoritative accounting guidance contained within ASC 842. If the direct financing or sales-type classification criteria are met, then the lease is accounted for as a financing lease. All others are treated as operating leases. The Company recognizes revenue from operating lease arrangements generally on a straight-line basis over the lease term, or as agreed upon in-use days are utilized, which is presented in Revenues in the Consolidated Statement of Operations. The Company also enters into lease arrangements for its PowerBuoys® and Wave Adaptive Modular Vessels ("WAM-V®") with certain customers. Revenue related to multiple-element arrangements is allocated to lease and non-lease elements based on their relative standalone selling prices or expected cost plus a margin approach. Lease elements generally include a PowerBuoy®, WAM-V®, and components, while non-lease elements, which the Company expects to become more prevalent, generally include engineering, monitoring and support services. In the lease arrangement, the customer may be provided with an option to extend the lease term or purchase the leased buoy or WAM-V® at some point during and/or at the end of the lease term.

Existing customers are subject to ongoing credit evaluations based on payment history and other factors. If it is determined that collectability of any portion of the contract value is not probable, an analysis of variable consideration will be performed using either the most likely amount or expected value method to determine the amount of revenue that must be constrained until the scenario causing the variability has been resolved.

The Company has elected to record taxes collected from customers on a net basis and does not include tax amounts in revenue or costs of revenue.

The table below represents the total revenue recognized under ASC 606 and ASC 842 for the three and nine months ended January 31, 2026 and 2025.

	Three months ended January 31, 2026			Three months ended January 31, 2025		
	ASC 606	ASC 842	Total	ASC 606	ASC 842	Total
	(in thousands)			(in thousands)		
Product Line:						
WAM-V	\$ 58	\$ 64	\$ 122	\$ 580	\$ 74	\$ 654
Buoy	25	37	62	171	—	171
Services	329	—	329	—	—	—
Total	\$ 412	\$ 101	\$ 513	\$ 751	\$ 74	\$ 825
Region:						
North and South America	\$ 45	\$ 37	\$ 82	\$ 326	\$ —	\$ 326
EMEA	72	64	136	425	74	499
Asia and Australia	295	—	295	—	—	—
Total	\$ 412	\$ 101	\$ 513	\$ 751	\$ 74	\$ 825
Product Line:						
WAM-V	\$ 1,182	\$ 203	\$ 1,385	\$ 3,996	\$ 206	\$ 4,202
Buoy	123	84	207	343	—	343
Services	527	—	527	—	—	—
Total	\$ 1,832	\$ 287	\$ 2,119	\$ 4,339	\$ 206	\$ 4,545
Region:						
North and South America	\$ 270	\$ 84	\$ 354	\$ 3,046	\$ —	\$ 3,046
Europe	1,089	203	1,292	1,291	206	1,497
Asia and Australia	473	—	473	2	—	2
Total	\$ 1,832	\$ 287	\$ 2,119	\$ 4,339	\$ 206	\$ 4,545

(k) Net Loss per Common Share

Basic and diluted net loss per common share for all periods presented is computed by dividing net loss by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Due to the Company's net losses, potentially dilutive securities, consisting of options to purchase shares of common stock, and unvested RSUs issued to employees and non-employee directors, were excluded from the diluted loss per share calculation due to their anti-dilutive effect.

In computing diluted net loss per common share on the Consolidated Statement of Operations, options to purchase shares of common stock and unvested RSUs issued to employees and non-employee directors, totaling 25,920,609 and 20,835,027 for the nine months ended January 31, 2026 and 2025, respectively, were excluded from each of the computations as the effect would have been anti-dilutive due to the net loss for the periods. Share purchase rights, which include a contingency, are not included in the calculation until the contingency is resolved.

(l) Intangibles, net

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Intangible assets, including patents, are amortized over the estimated useful life of the asset on a basis that approximates the pattern of economic benefit. The patents, trade name and customer relationship intangibles are being amortized over 20, 12 and 10 years respectively, which is consistent with the estimated pattern of economic benefit of the assets. The trademark is not subject to amortization.

Intangible assets are reviewed for impairment if indicators of potential impairment exist. There were no indications of potential impairment of intangible assets for either the nine months ended January 31, 2026 or 2025.

(m) Goodwill

Goodwill is assessed for impairment using a qualitative or quantitative approach. The Company performs an annual impairment test of goodwill and further periodic tests to the extent indicators of impairment develop between annual impairment tests. Management performed its annual qualitative assessment in fiscal year 2025 and determined that it is more likely than not that no goodwill impairment existed as of April 30, 2025. There were no indications of potential impairment of goodwill identified for the nine months ended January 31, 2026. When the Company uses a qualitative analysis, it considers factors that include historical financial performance, macroeconomic and industry conditions, and the legal and regulatory environment. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is also performed. The quantitative assessment requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual revenue growth rates and the selection of assumptions underlying a discount rate (weighted average cost of capital) based on market data available at the time to determine the fair value of the Company. If the fair value is less than the carrying amounts, an impairment charge for the difference is recorded.

(n) Income Taxes

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon examination. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses, to the extent incurred. Refer to Note 15 for additional disclosure.

In order to monetize their attributes, the Company has historically sold the Net Operating Losses (NOL's) generated in New Jersey. The Company has elected to recognize the gain on the sale as a component of tax expense at the time of the sale. Prior to the time of sale, the Company has elected to not factor the expected sales when assessing the realizability of the related deferred tax assets.

(o) Accumulated Other Comprehensive Loss

The functional currency for the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The unrealized gains or losses resulting from such translation are included in Accumulated Other Comprehensive Loss within Shareholders' Equity. For each of the nine months ended January 31, 2026 and 2025, there were no amounts recorded to other comprehensive loss due to limited foreign operations.

(p) Warranty

The Company does not include a right of return on its products other than rights related to standard warranty provisions that permit repair or replacement of defective goods. Warranty expense incurred to date has not been material.

(q) Product Development

Costs related to product development activities by the Company are expensed as incurred. The Company had approximately \$1.1 million and \$1.4 million in product development expense for the nine months ended January 31, 2026 and 2025, respectively. The Company had approximately \$0.6 million and \$0.7 million in product development expense for the three months ended January 31, 2026 and 2025, respectively.

(r) Derivative Financial Instruments

The Company evaluates all its financial instruments to determine if such instruments contain features that qualify as embedded derivatives. Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract. Bifurcated embedded derivatives are recognized at fair value, with changes in fair value recognized in the statement of operations each period.

(s) Recently Issued Accounting Standards

In recent periods, the FASB issued certain Accounting Standards Updates (ASUs) that may be relevant to the Company’s operations and financial reporting. We are currently evaluating the potential impact of these ASUs and adopting them when applicable based on their effective dates.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which improves the transparency of income tax disclosures by requiring companies to (1) disclose consistent categories and greater disaggregation of information in the effective rate reconciliation and (2) provide information on income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, although early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the impact of adopting this ASU 2023-09 on our consolidated financial statements and disclosures for the annual period ending April 30, 2026.

In November 2024, the FASB issued ASU No. 2024-3, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses This ASU improves the disclosures about a public business entity’s expenses and addresses requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The new guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. We are currently evaluating what the potential impact of adopting this ASU 2024-03 could have on our consolidated financial statements and disclosures

In July 2025, the FASB issued Accounting Standards Update 2025-05, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets (“ASU 2025-05”). ASU 2025-05 provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, Revenue from Contracts with Customers. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for fiscal years beginning after March 17, 2026, and interim reporting periods in those years. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. We are currently evaluating the potential impact of adopting ASU 2025-05 on our consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which clarifies and modernizes certain aspects of the accounting for, and disclosure of, internal-use software costs. The ASU removes all references to software development project stages so that the guidance is neutral to different software development methods and clarifies the threshold entities apply to begin capitalizing costs. The ASU is effective for annual periods beginning after December 15, 2027, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270) which is intended to streamline the guidance in ASC 270, Interim Reporting, and clarify when it applies. Under the amendments, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s consolidated financial statements.

(3) Accounts Receivable, Contract Assets and Contract Liabilities

The following provides further details on the balance sheet accounts of accounts receivable, contract assets and contract liabilities from contracts with customers:

	January 31, 2026		April 30, 2025		April 30, 2024
			(in thousands)		
Accounts receivable	\$ 6,132	\$	1,191	\$	796
Contract assets	\$ 725	\$	1,088	\$	18
Contract liabilities	\$ 5,372	\$	—	\$	302

Contract Assets

Contract assets include unbilled amounts typically resulting from arrangements whereby the right to payment is conditional on completing additional tasks or services for a performance obligation. The decrease in contract assets from year end is primarily a result of being able to contractually bill on active projects for which revenue was recognized in the prior period but was not yet billed as of the beginning of the period. No impairments to contract assets were incurred during the nine months ended January 31, 2026 and 2025.

Significant changes in the contract assets balances during the period were as follows:

	Nine months ended January 31, 2026	Nine months ended January 31, 2025
	(in thousands)	
Transferred to receivables from contract assets recognized	\$ (1,260)	\$ (600)
Revenue recognized and not billed	897	1,060
Net change in contract assets	<u>\$ (363)</u>	<u>\$ 460</u>

Contract Liabilities

Contract liabilities consist of amounts invoiced to customers in excess of revenue recognized. The increase in contract liabilities from year end is primarily due to collecting payments for jobs we cannot contractually recognize revenue on the current year.

Significant changes in the contract liabilities balances during the period are as follows:

	Nine months ended January 31, 2026	Nine months ended January 31, 2025
	(in thousands)	
Revenue recognized	\$ (262)	\$ (1,830)
Payments billed or collected for which revenue has not been recognized	5,634	1,528
Net change in contract liabilities	<u>\$ 5,372</u>	<u>\$ (302)</u>

(4) Inventory

The Company holds inventory related to the production of its WAM-V® and PowerBuoy® products.

	January 31, 2026	April 30, 2025
	(in thousands)	
Raw Materials	\$ 2,681	\$ 3,586
Work in Process	2,556	636
Finished Products	—	—
Inventory	<u>\$ 5,237</u>	<u>\$ 4,222</u>

The Company's raw materials balance represents the majority of the inventory as the Company orders parts in quantity to fill orders. Work in process and finished products typically represent smaller portions of inventory as the Company does not historically hold finished products with the exception of assets transitioning to the lease fleet. The Company typically ships finished products as they are completed.

(5) Other Current Assets

Other current assets consisted of the following at January 31, 2026 and April 30, 2025:

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(in thousands)	
Prepaid insurance	\$ 252	\$ 80
Prepaid software & licenses	139	68
Prepaid sales & marketing	117	90
Prepaid project costs	478	36
Prepaid inventory	849	—
Prepaid expenses- other	122	126
	<u>\$ 1,957</u>	<u>\$ 400</u>

The Company recognizes prepaid project costs for when the Company has incurred costs for customer contracts but for which the Company has not yet achieved and delivered related milestones or complete performance obligations under that contract. Prepaid project costs is classified within other current asset based on when management estimates the revenue will be recognized. As of January 31, 2026, the Company has net prepaid project costs of \$478,000. The amount recorded will be recognized as cost of goods sold if and when the Company achieves and delivers the milestones under the terms of the agreement.

(6) Property and Equipment, net

The components of property and equipment, net as of January 31, 2026 and April 30, 2025 consisted of the following:

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(in thousands)	
Equipment	\$ 2,208	\$ 1,569
Computer equipment & software	637	620
Office furniture & equipment	425	425
Leasehold improvements	683	683
Leased WAM-V's	2,378	1,735
Leased Buoys	2,634	949
	<u>8,965</u>	<u>5,981</u>
Less: accumulated depreciation	(3,168)	(2,537)
	<u>\$ 5,797</u>	<u>\$ 3,444</u>

Leased WAM-V's and buoys represent fixed assets that are associated with underlying operating leases with customers or for customer demonstration as discussed in the revenue recognition section related to ASC 842.

Depreciation expense was approximately \$632,000 and \$610,000 for the nine-month periods ended January 31, 2026 and 2025, respectively. Depreciation expense was approximately \$234,000 and \$155,000 for the three-month periods ended January 31, 2026 and 2025, respectively.

(7) Intangible Assets

The components of intangible assets, net as of January 31, 2026 and April 30, 2025 consisted of the following:

	<u>January 31, 2026</u>	<u>April 30, 2025</u>
	(in thousands)	
Patents	\$ 2,729	\$ 2,729
Trademarks	2,769	2,769
	<u>5,498</u>	<u>5,498</u>
Accumulated amortization	(2,108)	(2,008)
	<u>\$ 3,390</u>	<u>\$ 3,490</u>

Amortization expense was approximately \$99,000 and \$99,000 for the nine-month periods ended January 31, 2026 and 2025, respectively. Amortization expense was approximately \$33,000 and \$33,000 for the three-month periods ended January 31, 2026 and 2025, respectively.

(8) Goodwill

Goodwill in the amount of \$8.5 million was recognized in November 2021 related to the acquisition of MAR. There have been no additions to, or any impairment of, goodwill during the three- or nine-month periods ended January 31, 2026 and 2025.

(9) Leases

Lessor Information

As of January 31, 2026 and April 30, 2025, the Company had four and three WAM-V's leased to customers which have been classified as operating leases per accounting guidance contained within ASC Topic 842, "Leases", respectively. The remaining term on these operating leases is less than 2 years.

Lessee Information

Right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. When the implicit rate of the lease is not provided or cannot be determined, the Company uses the incremental borrowing rate based on the information available at the effective date to determine the present value of future payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The renewal options have not been included in the lease term as they are not reasonably certain of exercise. The Company's operating leases consist of leases for office facilities and warehouse space. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term and consists of interest on the lease liability and the amortization of the right of use asset.

The Company has a lease for its facility located in Monroe Township, New Jersey that is used as warehouse/production space and the Company's principal offices and corporate headquarters. In August 2025, the Company extended the lease for its main headquarters in Monroe, NJ to January 31, 2027 and it was executed and recorded as an additional right of use asset and liability. The lease is classified as an operating lease and is included in right-of-use assets, right-of-use liabilities – current, and right-of-use liabilities- long-term on the Company's Consolidated Balance Sheets.

The Company also has a lease for office space located in Richmond, California. This lease commenced in April of 2023 and will continue for 62 months. The lease is classified as an operating lease and is included in right-of-use assets, right-of-use liabilities- current and right-of-use liabilities- long-term on the Company's Consolidated Balance Sheets.

The Company also has a lease for warehouse space located in Richmond, California. The lease commenced in June of 2025 and will continue for 24 months. The lease is classified as an operating lease and is included in right-of-use assets, right-of-use liabilities- current and right-of-use liabilities- long-term on the Company's Consolidated Balance Sheets.

Variable lease expenses, if any, are recorded as incurred. The operating lease cash flow payments for the nine months ended January 31, 2026 and 2025 were \$957,000 and \$679,000, respectively. The operating lease cash flow payments for the three months ended January 31, 2026 and 2025 were \$326,000 and \$314,000, respectively.

The components of lease expense which are included in our operating expenses in the Consolidated Statement of Operations for the three and nine months ended January 31, 2026 and 2025 were as follows:

	Three months ended January 31,		Nine months ended January 31,	
	2026	2025	2026	2025
	(in thousands)		(in thousands)	
Operating lease cost	\$ 312	\$ 260	\$ 877	\$ 782
Short-term lease cost	—	8	—	24
Total lease cost	\$ 312	\$ 268	\$ 877	\$ 806

Information related to the Company's right-of use assets and lease liabilities as of January 31, 2026 was as follows:

	January 31, 2026
	(in thousands)
Operating lease:	
Operating right-of-use assets, net	\$ 2,153
Right-of-use liabilities- current	\$ 1,171
Right-of-use liabilities- long term	1,150
Total lease liabilities	\$ 2,321
Weighted average remaining lease term- operating leases	1.96 years
Weighted average discount rate- operating leases	8.5%

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Total remaining lease payments under the Company's operating leases are as follows:

	January 31, 2026
	(in thousands)
Remainder of fiscal year 2026	\$ 327
2027	1,317
2028	821
2029	28
2030	—
thereafter	—
Total future minimum lease payments	\$ 2,493
Less imputed interest	(172)
Total	\$ 2,321

(10) Accrued Expenses

Accrued expenses consisted of the following at January 31, 2026 and April 30, 2025:

	January 31, 2026	April 30, 2025
	(in thousands)	
Employee incentive payments	\$ 1,331	\$ 759
Accrued salary and benefits	1,147	417
Professional fees	15	—
Accrued project costs	436	—
Accrued interest expense	57	—
Other	61	95
	\$ 3,047	\$ 1,271

(11) Share-Based Compensation

In 2015, upon approval by the Company's shareholders, the Company's 2015 Omnibus Incentive Plan (the "2015 Plan") became effective. A total of 1,332,036 shares were authorized for issuance under the 2015 Omnibus Incentive Plan, including shares available for awards under the 2006 Stock Incentive Plan remaining at the time that plan terminated, or that were subject to awards under the 2006 Stock Incentive Plan that thereafter terminated by reason of expiration, forfeiture, cancellation or otherwise. If any award under the 2006 Stock Incentive Plan or 2015 Plan expires, is cancelled, terminates unexercised or is forfeited, those shares become again available for grant under the 2015 Plan. Most recently in January 2025, the shareholders approved an amendment and restatement of the 2015 Plan to, among other things, provide an aggregate increase to the 2015 Plan of 20,000,000 shares resulting in total shares authorized for issuance of 27,282,036 as of January 31, 2026, based on 7,282,036 available before the amendment. The 2015 Plan will now terminate in January 2035, but is subject to earlier termination as provided in the 2015 Plan.

On January 18, 2018, the Company's Board of Directors adopted the Company's Employment Inducement Incentive Award Plan (the "2018 Inducement Plan") pursuant to which the Company reserved 25,000 shares of common stock for issuance under the Inducement Plan in accordance with Rule 711(a) of the NYSE American Company Guide. On February 9, 2022, the 2018 Inducement Plan was amended to increase the authorized shares by 250,000 to 275,000. On June 3, 2025, the 2018 Inducement Plan was further amended to increase the authorized shares by 715,000 to 990,000. On January 27, 2026, the 2018 Inducement Plan was further amended to increase the authorized shares by 1,000,000 to 1,990,000.

Stock Options

The Company estimates the fair value of each stock option award granted with service-based vesting requirements, using the Black-Scholes option pricing model, assuming no dividends, and using weighted average valuation assumptions. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant commensurate with the expected life of the award. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the "simplified" method as permitted by the SEC's Staff Accounting Bulletin No. 110, *Share-Based Payment*. Expected volatility is based on the Company's historical volatility over the expected life of the stock option granted. The Company did not grant any stock options during the nine months ended January 31, 2026 and 2025, respectively.

A summary of stock options under the stock incentive plans is detailed in the following table.

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding as of April 30, 2025	483,342	\$ 2.59	6.3
Granted	—	\$ —	
Exercised	—	\$ —	
Cancelled/forfeited	(81,467)	\$ 6.87	
Outstanding as of January 31, 2026	401,875	\$ 1.82	5.8
Exercisable as of January 31, 2026	401,875	\$ 1.82	5.8

As of January 31, 2026, the total intrinsic value of outstanding and exercisable options was approximately zero. As of January 31, 2026, no options were unvested. The outstanding options had an intrinsic value of zero and a weighted average remaining contractual term of 5.8 years. There was approximately \$22,000 and \$38,000 of total recognized compensation cost related to stock options during the nine months ended January 31, 2026 and 2025, respectively.

There was approximately \$6,000 and \$12,000 of total recognized compensation cost related to stock options during the three months ended January 31, 2026 and 2025, respectively. As of January 31, 2026, there was no unrecognized compensation cost related to unvested stock options granted under the plans.

Performance Stock Units

A summary of performance stock units (“PSUs”) under our Stock Incentive Plans is detailed in the following table.

	Number of Shares	Weighted Average Price per Share
Outstanding at April 30, 2025	—	\$ —
Granted	150,000	\$ 0.56
Vested and issued	—	\$ —
Cancelled/forfeited	—	\$ —
Unvested at January 31, 2026	150,000	\$ 0.56

There was approximately \$41,000 and zero of total recognized compensation cost related to PSUs for the nine months ended January 31, 2026 and 2025, respectively. There was approximately \$16,000 and zero of total recognized compensation cost related to PSUs for the three months ended January 31, 2026 and 2025, respectively. As of January 31, 2026, there was approximately \$44,000 of unrecognized compensation cost remaining related to unvested PSUs. This cost is expected to be recognized over a weighted-average period of 1.4 years.

Restricted Stock Units

Compensation expense for RSUs is generally recorded based on the market value on the date of grant and recognized ratably over the associated service and performance period. During the three months ended January 31, 2026 and 2025, the Company granted approximately 12,573,401 and 21,903,000 shares, respectively, that were subject to both service-based and market-based vesting requirements.

Additionally, as part of the Section 220 shareholder demand, the Company cancelled 631,829 RSU awards issue under the Omnibus Plan and reissued under the amended Omnibus Plan with exact same vesting terms. The cancellations and reissuance occurred simultaneously and there was no affect on the unaudited consolidated financial statements as a result of these cancellations and reissuances.

A summary of unvested RSU’s under the Stock Incentive Plans is as follows:

	Number of Shares	Weighted Average Price per Share
Unvested at April 30, 2025	22,461,633	\$ 0.79
Granted	12,573,401	\$ 0.74
Vested and issued	(7,670,221)	\$ 0.99
Cancelled/forfeited	(1,996,079)	\$ 0.74
Unvested at January 31, 2026	25,368,734	\$ 0.58

There was approximately \$7,728,000 and \$1,293,000 of total recognized compensation cost related to RSUs for the nine months ended January 31, 2026 and 2025, respectively. There was approximately \$2,578,000 and \$768,000 of total recognized compensation cost related to RSUs for the three months ended January 31, 2026 and 2025, respectively. As of January 31, 2026, there was approximately \$6,647,000 of unrecognized compensation cost remaining related to unvested RSUs. This cost is expected to be recognized over a weighted-average period of 1.8 years.

(12) Fair Value Measurements

ASC Topic 820, “*Fair Value Measurements*” states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable input and minimizes the use of unobservable inputs. The following is a description of the three hierarchy levels.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs that are unobservable for the asset or liability.

Disclosure of Fair Values

The Company's financial instruments that are not re-measured at fair value include cash, cash equivalents, restricted cash, accounts receivable, other assets, contract assets and liabilities, deposits, accounts payable, and accrued expenses. The carrying value is equal to their fair value due to the short-term nature of these accounts.

The following tables sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (amounts in thousands):

Schedule of Fair Value Assets on Recurring Basis

	Fair Value
Derivative liability – May issuance	\$ 699
Change due to conversion of notes	(129)
Derivative liability - July 31, 2025	570
Derivative liability – October issuance	489
Change due to conversion of notes	(179)
Derivative liability - October 31, 2025	881
Change due to conversion of notes	(318)
Change due to revaluation of derivatives	1,617
Derivative liability - January 31, 2026	\$ 2,180

	Level	January 31, 2026	April 30, 2025
Derivative liability	3	\$ 2,180	\$ —

The derivative liability related to our convertible notes (refer to Note 13 for further discussion) was determined using inputs including the Company's common stock price, the volume-weighted average price of the Company's common stock upon conversion, and the probability of conversion methodology based on historical experience and the likelihood of attaining certain common stock share price levels. There were no financial instruments that were measured at fair value on a recurring basis as of January 31, 2025. During the periods presented, the Company has not changed the manner in which it values assets and liabilities that are measured at fair value. Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfers occurred. There were no transfers between any hierarchy levels during either of the three and nine months ended January 31, 2026 and 2025, respectively.

(13) Equity

At-the-Market Offering Agreement

On March 21, 2024, the Company entered into an At-the-Market Offering Agreement with an aggregate offering price of up to \$7.0 million (the "2023 ATM Facility"). On August 30, 2024 the aggregate offering price under the 2023 ATM Facility was increased to approximately \$16.0 million. It was then reduced to approximately \$2.9 million in September 2024 and increased again to approximately \$60.0 million in December 2024. The Company received proceeds of approximately \$18.0 million under this facility prior to termination of the facility effective August 8, 2025.

On August 8, 2025, the Company entered into an At Market Issuance Sales Agreement with Ladenburg Thalmann & Co. Inc., under which the Company may, from time to time, offer and sell shares of its common stock having an aggregate gross sales price of up to \$40.0 million. The shares will be offered pursuant to the Company's shelf registration statement on Form S-3, including the related prospectus supplement filed with the SEC on August 8, 2025.

Sales, if any, will be made in transactions deemed to be "at the market offerings" as defined in Rule 415(a)(4) under the Securities Act, directly on or through the NYSE American or in negotiated transactions as otherwise permitted under the Sales Agreement. The Company is not obligated to sell any shares under the Ladenburg sales agreement and may suspend or terminate the offering at any time.

A total of 10,117,602 shares were sold under the Ladenburg sales agreement during the nine months ended January 31, 2026 totaling proceeds of \$4.9 million. Subsequent to January 31, 2026, through filing, there were an additional 5,646,239 shares were sold under the Ladenburg sales agreement, totaling proceeds of \$2.4 million.

Convertible Debt Issuance

In May 2025 we issued \$10.0 million in aggregate principal amount of convertible notes with a 24-month maturity to new institutional investors with net proceeds of \$9.7 million. The notes are convertible into shares of our common stock under specific terms outlined in the Securities Purchase Agreement and Indenture. This financing was aimed at providing us with additional liquidity, supporting the commercialization of our systems, and advancing our autonomous maritime solutions. The convertible debt structure offers the potential for conversion into equity, which may result in dilution to existing shareholders upon conversion. On October 7, 2025, we issued and sold to the investors \$6.5 million of additional notes. We can draw an additional \$8.5 million of notes under the purchase agreement. Principal and interest conversion during the three and nine months ended January 31, 2026 was approximately \$4.6 million and \$9.7 million, respectively.

The convertible debt has a conversion feature that was determined to be an embedded derivative that requires bifurcation and separate accounting from the host instrument. At inception, the fair value of the derivative liability was approximately \$699,000 for the May issuance and \$489,000 for the October issuance.

The sale of additional equity under new facilities could result in dilution to our shareholders. If additional funds are raised through the issuance of debt securities or preferred stock, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. The Company cannot be certain that additional equity and/or debt financing will be available to the Company as needed on acceptable terms, or at all. If we are unable to obtain required financing when needed, we may be required to reduce the scope of our operations, including our planned incremental product development and marketing efforts, which could materially and adversely affect our financial condition and operating results. If we are unable to secure additional financing, we may be forced to cease our operations. Subsequent to January 31, 2026, through filing, there were additional conversions of 6,269,872 shares, reducing the principal balance convertible debt by approximately \$1.5 million.

(14) Commitments and Contingencies

Litigation with Paragon Technologies, Inc.

On October 10, 2023, Paragon Technologies, Inc. filed a complaint in the Court of Chancery of the State of Delaware against the Company, and the members of its Board of Directors, claiming certain breaches of their fiduciary duties. In an August 12, 2024 Press Release and its Form 10-Q report for the second quarter of 2024, Paragon announced that it was no longer pursuing litigation against the Company. Pursuant to a Court order dated January 9, 2025, Paragon was required “to file a status report within 30 days. Otherwise, the case will be dismissed under Rule 41(e).” Paragon did not file a status report, and in March 2026, the Court confirmed that it had dismissed the case due to failure to prosecute under Rule 41(e).

General Legal Matters

From time to time, the Company is involved in legal and administrative proceedings and claims of various types. The Company records a liability in its consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary to make the consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its consolidated financial statements.

(15) Income Taxes

Uncertain Tax Positions

The Company accounts for income taxes in accordance with ASC 740, Income Taxes. The guidance requires the Company to recognize in its consolidated financial statements the impact of a tax position if that position is more likely than not to be sustained upon examination, based on the technical merits of the position. The Company has no current or deferred tax due to current and projected losses for the year.

At January 31, 2026, the Company had no uncertain tax positions. The Company does not expect any material increases or decreases in its income tax expense or benefit in the next twelve months, related to examinations or uncertain tax positions. Net operating losses and credit carryforwards since inception remain open to examination by taxing authorities and will continue to remain open for a period of time after utilization.

Tax Preservation Plan

In June 2023, in order to protect the Company's valuable tax assets related to its net operating losses from being limited or lost under Section 382 of the Internal Revenue Code, the Company adopted a Tax Benefits Preservation Plan (the "Plan"). Pursuant to the Plan, the Board declared a dividend of one preferred share purchase right (each, a "Right") for each outstanding share of common stock of the Company. The dividend was distributed to stockholders of record as of the close of business on July 11, 2023. The Plan substantially diminishes the risk that the Company's ability to utilize its net operating loss carryovers to reduce potential future federal income tax obligations may become substantially limited. The Plan is intended to act as a deterrent to any person or group acquiring beneficial ownership of 4.99% or more of the outstanding common stock without approval by potentially subjecting any such person or group to significant dilution. The Plan was approved by shareholders by a non-binding advisory vote at the Company's Annual Meeting held on February 28, 2024.

The Company determined the grant date fair value of the Rights using an option-pricing model. The amount was immaterial to the consolidated financial statements and deemed to be de minimis, and accordingly was not recorded to the financial statements.

Impact of the One Big Beautiful Act -

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted into law, introducing various changes to U.S. federal income tax provisions, including modifications to bonus depreciation, interest expense limitations, research and development expense treatment, and international tax rules. Under ASC 740, the effects of changes in tax law are required to be recognized in the period that includes the enactment date.

The Company has evaluated the provisions of the OBBBA and determined that the enactment of the legislation did not have a material impact on its income tax provision, deferred tax assets or liabilities, or estimated annual effective tax rate for the quarter ended January 31, 2026. The Company will continue to monitor the potential future impacts of the OBBBA, including provisions that become effective in subsequent periods, and will reflect any material changes in its financial statements as appropriate.

(16) Operating Segments and Geographic Information

The Company operates as one operating segment. The Company's chief operating decision maker (the "CODM") is its Chief Executive Officer, who reviews financial information on a consolidated basis and utilizes net loss for purposes of making operating decisions, assessing financial performance of the consolidated Company, and making resource allocation decisions. The CODM also reviews total assets. While assets may move throughout the world to support our revenue projects, for reporting purposes they are included in North America total assets. Revenue and expenses are generally attributed to the operating unit that bills the customers.

The following table presents selected financial information with respect to the Company's single operating segment and its significant segment expenses for the three and nine months ended January 31, 2026 and 2025, respectively:

	Three month ended January 31,	
	2026	2025
	(in thousands)	
Revenue	\$ 513	\$ 825
Less:		
Cost of sales	1,268	628
Product development costs	641	711
Employee-related costs	2,385	1,928
Professional, consulting and contractor fees	1,172	1,159
General and administrative costs	849	789
Facilities costs	449	415
Share-based compensation	2,600	782
Depreciation and amortization expense	267	188
Other expense (income)	(95)	13
Interest (income)/expense, net	726	(6)
Credit loss expense	—	100
Change in fair value of derivatives	1,617	—
Loss on extinguishment of debt	—	838
Net loss	<u>\$ (11,366)</u>	<u>\$ (6,720)</u>

	Nine month ended January 31,	
	2026	2025
	(in thousands)	
Revenue	\$ 2,119	\$ 4,545
Less:		

Cost of sales	4,277	3,106
Product development costs	1,063	1,431
Employee-related costs	7,066	5,557
Professional, consulting and contractor fees	3,627	3,443
General and administrative costs	2,175	1,941
Facilities costs	1,246	1,188
Share-based compensation	7,791	1,331
Depreciation and amortization expense	731	711
Other expense (income)	43	(3)
Interest (income)/expense, net	1,600	(13)
Credit loss expense	461	100
Change in fair value of derivatives	1,617	—
Loss on extinguishment of debt	—	838
Net loss	<u>\$ (29,578)</u>	<u>\$ (15,085)</u>

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

Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements convey our current expectations or forecasts of future events. Forward-looking statements include statements regarding our future financial position, business strategy, pending, threatened, and current litigation, liquidity, budgets, projected revenue and costs, plans and objectives of management for future operations. The words "may," "continue," "estimate," "intend," "plan," "will," "believe," "project," "expect," "anticipate," and similar expressions may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

The forward-looking statements contained in or incorporated by reference are largely based on our expectations, which reflect estimates and assumptions made by management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve several risks and uncertainties that are beyond our control, including:

- our ability to improve, market and commercialize our products, and achieve and sustain profitability;
- our continued improvement of our proprietary technologies, and expected continued use of cash from operating activities unless or until we achieve positive cash flow from the commercialization of our products and services;
- changes in current legislation, regulations and economic conditions regarding Federal governmental tariffs;
- our ability to obtain additional funding, as and if needed, which will be subject to several factors, including market conditions, our financial condition and our operating performance;
- our ability to comply with the covenants and other obligations under our convertible notes;
- our ability to do business with properly qualified customers that have good credit ratings and pay their obligation on a timely basis;
- our failure to apply technology, data analytics and artificial intelligence effectively in driving value for our customers through technology-based solutions, or failure to gain internal efficiencies and effective internal controls through the application of technology and related tools;
- the ability to continue as a going concern;
- our history of operating losses, which we expect to continue for at least the short-term and possibly longer;
- our ability to manage challenges and expenses associated with communications and disputes with activist shareholders, including litigation;
- our ability to manage and mitigate risks associated with our internal cyber security protocols and protection of the data we collect and distribute;
- our ability to protect our intellectual property portfolio;
- the impact of potential inflation related to the U.S. dollar on our business, operations, customers, suppliers, manufacturers, and personnel;
- our ability to meet product enhancement, manufacturing and customer delivery deadlines and the potential impact due to disruptions to our supply chain or our ability to identify vendors that can assist with the prefabrication elements of our products, as a result of, among other things, staff shortages, order delays, and increased pricing from vendors and manufacturers;
- our forecasts and estimates regarding future expenses, revenue, gross margin, cash flow and capital requirements;
- our ability to identify and penetrate markets for our products, services, and solutions;
- our ability to effectively respond to competition in our targeted markets;
- our ability to establish relationships with our existing and future strategic partners which may not be successful;
- our ability to maintain the listing of our common stock on the NYSE American;
- the reliability and continuous improvement of our technology, products and solutions;
- our ability to increase or more efficiently utilize the synergies available from our product lines;
- our ability to expand markets across geographic boundaries;
- our ability to be successful with Federal government work which is complex due to various statutes and regulations applicable to doing business with the Federal government;
- our ability to be successful doing business internationally which requires strict compliance with applicable statutes and regulations;
- the current geopolitical world uncertainty, including tariffs, the conflict between the United States, Israel and Iran, Russia's invasion of Ukraine, the Israel/Palestine conflict and previous attacks on merchant ships in the Red Sea;
- the potential impact that new foreign country tariffs may have on our ability (i) to source and procure necessary raw materials for the manufacture and provision of our products and services; and (ii) to deliver our products to such foreign countries;
- our ability to hire and retain key personnel, including senior management, to achieve our business objectives; and
- our ability to establish and maintain consistent commercial profit margins.

Any or all of our forward-looking statements in this report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They may be affected by inaccurate assumptions we might make or unknown risks and uncertainties, including the risks, uncertainties and assumptions described in Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended April 30, 2025, and in our subsequent reports under the Exchange Act. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur as contemplated and actual results could differ materially from those anticipated or implied by the forward-looking statements.

Many of these factors are beyond our ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect us. You should not unduly rely on these forward-looking statements, which speak only as of the date of this filing. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise.

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. Some of the information contained in this management’s discussion and analysis is set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business, pending and threatened litigation and our liquidity, includes forward-looking statements that involve risks and uncertainties. You should review the “Risk Factors” section of our Annual Report on Form 10-K for the year ended April 30, 2025 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. References to a fiscal year in this Form 10-Q refer to the year ended April 30 of that year (e.g., fiscal 2025 refers to the year ended April 30, 2025). References to “we,” “us,” “our,” and “OPT” refer to Ocean Power Technologies, Inc. and its subsidiaries, as applicable.

Overview

Ocean Power Technologies, Inc. (“OPT,” “we,” “our,” or “the Company”) is a Maritime Domain Awareness (MDA) company specializing in innovative intelligent maritime solutions. These solutions include a variety of “as a service” systems, including Data as a Service (DaaS), Robotics as a Service (RaaS), and Power as a Service (PaaS). These systems consist of a variety of platforms including the PowerBuoy®, our persistent sensor and power solution, the WAM-V® (Wave Adaptive Modular Vessel), our autonomous unmanned surface vehicle, and Merrows™, our user interface and command and control (C2) system that integrates multiple sensor feeds using software and hardware and enables artificial intelligence and machine learning (AI/ML) integration. We design, manufacture, deploy, and operate these systems for defense, security, subsea infrastructure, offshore oil and gas, offshore energy, marine research, and communication markets. We operate primarily through a combination of direct sales and leases, strategic partnerships, and long-term service agreements. Our business model emphasizes capital-light deployments, recurring revenue from service and maintenance contracts, and high-margin technology sales and leases.

There have been no material changes to the Company’s business description from that disclosed in our Annual Report on Form 10-K for the year ended April 30, 2025, filed with the SEC on July 24, 2025, and our Quarterly Report on Form 10-Q for the quarter ended July 31, 2025, filed with the SEC on September 15, 2025, except as noted below.

During the quarter and as described in more detail below, we issued an additional \$6.5 million of convertible notes to institutional investors, and increased our backlog from comparable prior year period.

Liquidity

During the nine months ended January 31, 2026, the Company incurred a net loss of approximately \$29.6 million and used cash in operations of approximately \$19.9 million. The Company’s future results of operations involve significant risks and uncertainties. Factors that could affect the Company’s future operating results and could cause actual results to vary materially from expectations include, but are not limited to, performance of its products, its ability to market and commercialize its products and new products that it may develop, access to capital, technology development, scalability of technology and production, ability to attract and retain key personnel, concentration of customers and suppliers, pending or threatened litigation and deployment risks and integration of acquisitions.

These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company’s operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The accompanying consolidated financial statements have been prepared on a basis which assumes the Company is a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from any uncertainty related to the Company’s ability to continue as a going concern. Such adjustments could be material.

At-the-Market Offering Program

On August 8, 2025, we entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with Ladenburg Thalmann & Co. Inc. under which we may offer and sell, from time to time, shares of our common stock having an aggregate gross sales price of up to \$40.0 million. We intend to use any net proceeds for general corporate purposes, including sales and marketing, product development, working capital, capital expenditures, repayment or refinancing of indebtedness, repurchases or redemptions of securities, and potential acquisitions.

This facility replaced our prior ATM program, which was terminated effective August 8, 2025.

Convertible Notes

In May 2025, we issued \$10.0 million aggregate principal amount of convertible notes with a 24-month maturity, receiving net proceeds of \$9.7 million. The notes are convertible into shares of our common stock under specified terms, and conversion could result in dilution to existing shareholders. On October 7, 2025, the Company issued and sold to the investors \$6.5 million of additional notes. There are \$8.5 million of additional notes available under the purchase agreement with the investors.

Backlog

As of January 31, 2026, backlog was \$19.9 million, compared to \$7.5 million at January 31, 2025. Backlog represents unfulfilled purchase orders and agreements with commercial and governmental customers. The Company expects to convert all current backlog within the next 12 to 36 months. The amount and timing of backlog conversion to revenue is subject to change.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended April 30, 2025.

Recently Issued Accounting Standards

In recent periods, the FASB issued certain Accounting Standards Updates (“ASUs”) that may be relevant to the Company’s operations and financial reporting. We are currently evaluating the potential impact of these ASUs and adopting them when applicable based on their effective dates.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which improves the transparency of income tax disclosures by requiring companies to (1) disclose consistent categories and greater disaggregation of information in the effective rate reconciliation and (2) provide information on income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, although early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the impact of adopting this ASU 2023-09 on our consolidated financial statements and disclosures for the annual period ending April 30, 2026.

In November 2024, the FASB issued ASU No. 2024-3, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” This ASU improves the disclosures about a public business entity’s expenses and addresses requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The new guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. We are currently evaluating what the potential impact of adopting this ASU 2024-03 could have on our consolidated financial statements and disclosures

In July 2025, the FASB issued Accounting Standards Update 2025-05, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets (“ASU 2025-05”). ASU 2025-05 provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, Revenue from Contracts with Customers. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for fiscal years beginning after March 17, 2026, and interim reporting periods in those years. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. We are currently evaluating the potential impact of adopting ASU 2025-05 on our consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which clarifies and modernizes certain aspects of the accounting for, and disclosure of, internal-use software costs. The ASU removes all references to software development project stages so that the guidance is neutral to different software development methods and clarifies the threshold entities apply to begin capitalizing costs. The ASU is effective for annual periods beginning after December 15, 2027, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270) which is intended to streamline the guidance in ASC 270, Interim Reporting, and clarify when it applies. Under the amendments, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s consolidated financial statements.

Financial Operations Overview

The following describes certain line items in our Statements of Operations and some of the factors that affect our operating results.

We currently focus our sales efforts in key global markets in North America, South America, Europe and Asia. The following table shows the percentage of our revenues by geographical location of our customers for the three and three months ended January 31, 2026 and 2025.

Customer Location*	Three months ended January 31,		Nine months ended January 31,	
	2026	2025	2026	2025
North America & South America	16%	39%	17%	67%
EMEA	26%	61%	61%	33%
Asia & Australia	58%	—%	22%	—%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

* For U.S. Government contracts, the revenue is classified as North American however, location of operations may differ.

Cost of revenue

Our cost of revenue consists primarily of subcontracts, incurred materials, labor and manufacturing overhead expenses, such as engineering expenses, equipment depreciation, maintenance, and facility related expenses, and includes the cost of equipment to customize the PowerBuoy®, WAM-V® and our other products supplied by third-party suppliers. Cost of revenue also includes PowerBuoy® and other product system delivery and deployment expenses and may include losses recorded at the time a loss is forecasted to be incurred on a contract.

*Operating Expenses**Engineering and product development costs*

Our engineering and product enhancement costs consist of salaries and other personnel-related costs and the costs of products, materials and outside services used in our product enhancement and unfunded research activities. Our product enhancement costs relate primarily to our efforts to increase the power output and reliability of our PowerBuoy® system and other products, to enhance and optimize data monitoring and controls systems, and the development of new products, product applications and complementary technologies. We expense all of these costs as incurred.

Selling, general and administrative costs

Our selling, general and administrative costs consist primarily of professional fees, salaries, share-based compensation and other personnel-related costs for employees and consultants engaged in sales and marketing of our products, and costs for executive, accounting and administrative personnel, professional fees and other general corporate expenses.

Interest income, net

Interest income, net consists of interest received on cash, cash equivalents, and short-term investments and interest paid on certain obligations to third parties as well as amortization expense related to the premiums on the purchase of short-term investments.

Foreign exchange gain (loss)

We transact business in various countries and have exposure to fluctuations in foreign currency exchange rates. Since we conduct our business in U.S. dollars and our functional currency is the U.S. dollar, our main foreign exchange exposure, if any, results from changes in the exchange rate between the U.S. dollar and transactions settled in foreign currencies.

The Company completed the process of winding down its Australian subsidiary during fiscal 2024 and its UK subsidiary during fiscal 2025. The unrealized gains or losses resulting from foreign currency balances translation are included in Accumulated Other Comprehensive Loss within Shareholders' Equity. Foreign currency transaction gains and losses are recognized within our Consolidated Statements of Operations.

We currently do not hedge our exchange rate exposure. However, we assess the anticipated foreign currency working capital requirements and capital asset acquisitions of our foreign operations and assess the need and cost to utilize financial instruments to hedge currency exposures on an ongoing basis and may hedge against exchange rate exposure in the future.

Results of Operations

This section should be read in conjunction with the discussion below under "Liquidity and Capital Resources."

Three months ended January 31, 2026 compared to the three months ended January 31, 2025

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the three months ended January 31, 2026 and 2025.

	Three months ended January 31,	
	2026	2025
Revenues	\$ 513	\$ 825
Cost of revenues	1,268	628
Gross margin	(755)	197
Operating expenses	8,363	6,072
Operating loss	(9,118)	(5,875)
Interest (expense) income, net	(726)	6
Other expense, net	96	(13)
Change in fair value of derivatives	(1,617)	—
Loss on extinguishment of debt	—	(838)
Foreign exchange loss	(1)	—
Loss before income taxes	(11,366)	(6,720)
Income tax benefit	—	—
Net loss	<u>\$ (11,366)</u>	<u>(6,720)</u>

Revenues

Revenues for the three months ended January 31, 2026 and 2025 were approximately \$0.5 million and \$0.8 million, respectively. The year-over-year decline in revenue was largely driven by timing impacts associated with the U.S. federal government shutdown. These disruptions shifted a number of OPT deliverables and development activities into subsequent quarters, which reduced our revenue.

Cost of revenues

Cost of revenues for the three months ended January 31, 2026 and 2025 increased to \$1.3 million from \$0.6 million, respectively. The year-over-year increase is related primarily to full recognition of losses associated with contracts in strategically important markets. The expenses associated with these projects are now substantially complete, although they will continue to generate revenue over the next several months. Importantly, our core programs and commercial pipeline continue to demonstrate improving margin quality and operating leverage.

Operating expenses

Operating expenses for the three months ended January 31, 2026 and 2025 were \$8.4 million and \$6.1 million, respectively. The increase of approximately \$2.3 million was primarily the result of the significant increases in share-based compensation of \$1.8 million and increases in employee related expenses of \$0.5 million compared to prior year.

[Table of Contents](#)*Interest (expense)/income*

Interest (expense)/income for the three months ended January 31, 2026 and 2025 was \$(726,000) and \$6,000, respectively, with the change primarily related to interest expenses associated with the May and October 2025 convertible notes.

Other expense, net

Other expense, net for the three months ended January 31, 2026 and 2025 was \$96,000 and (13,000), respectively. This change is due to insurance proceeds in the current year, whereas the prior year expense was related to realized foreign exchange loss.

Change in fair value of derivatives

The change in the fair value of derivatives for the three months ended January 31, 2026 and 2025 was \$1.6 million and zero respectively. The increase is a result of the fair value of the current years derivative in association with the convertible debt issued in May and October of 2025.

Loss on extinguishment of debt

The loss on extinguishment of debt of \$0.8 million for the period ended January 31, 2025 relates to convertible notes issued in December 2024 that were converted to common stock in December 2024. There was no similar loss in the comparable current year period.

Nine months ended January 31, 2026 compared to the nine months ended January 31, 2025

The following table contains selected statement of operations information, which serves as the basis of the discussion of our results of operations for the nine months ended January 31, 2026 and 2025.

	Nine months ended January 31,	
	2026	2025
Revenues	\$ 2,119	\$ 4,545
Cost of revenues	4,277	3,106
Gross margin	(2,158)	1,439
Operating expenses	24,160	15,702
Operating loss	(26,318)	(14,263)
Interest (expense) income, net	(1,600)	13
Other (expense) income, net	(32)	4
Change in fair value of derivatives	(1,617)	—
Loss on extinguishment of debt	—	(838)
Foreign exchange gain	(11)	(1)
Loss before income taxes	(29,578)	(15,085)
Income tax benefit	—	—
Net loss	\$ (29,578)	(15,085)

Revenues

Revenues for the nine months ended January 31, 2026 and 2025 were approximately \$2.1 million and \$4.5 million, respectively. The year-over-year decrease is primarily related to the timing of deliveries on current year projects versus the prior year contracts of WAM-Vs.

Cost of revenues

Cost of revenues for the nine months ended January 31, 2026 and 2025 increased to \$4.3 million from \$3.1 million, respectively. The year-over-year increase is related primarily to full recognition of one-time losses associated with contracts in strategically important markets. The expenses associated with these projects are now substantially complete, although they will continue to generate revenue over the next several months. Importantly, our core programs and commercial pipeline continue to demonstrate improving margin quality and operating leverage.

Operating expenses

Operating expenses for the nine months ended January 31, 2026 and 2025 were \$24.2 million and \$15.7 million, respectively. The increase of approximately \$8.5 million was primarily the result of the significant increases in share-based compensation of \$6.5 million, increases in employee-related expenses of \$1.5 million, an increase in product development costs of \$0.5 million, and increases in general and administrative fees of \$0.5 million, offset partially by decreases in professional fees of \$0.5 million.

Interest (expense)/income

Interest (expense)/income for the nine months ended January 31, 2026 and 2025 was (\$1.6) million and \$13,000, respectively, with the change primarily related to interest expenses associated with the May and October 2025 convertible notes.

Other (expense) income, net

Other (expense) income, net for the nine months ended January 31, 2026 and 2025 was \$(32,000) and 4,000, respectively, with the change primarily related to a litigation settlement of \$195,000, offset by insurance proceeds of \$163,000 in the current year.

Change in fair value of derivatives

The change in the fair value of derivatives for the nine months ended January 31, 2026 and 2025 was \$1.6 million and zero respectively. The increase is a result of the fair value of the current years derivative in association with the convertible debt issued in May and October of 2025.

Loss on extinguishment of debt

The loss on extinguishment of debt of \$0.8 million as of January 31, 2025 relates to convertible notes issued in December 2024 that were converted to common stock in December 2024.

Liquidity and Capital Resources

Our cash requirements relate primarily to working capital needed to operate and grow our business including funding operating expenses. We have experienced and continue to experience negative cash flows from operations and net losses. The Company incurred net losses of \$29.6 million and \$15.1 million for the nine months ended January 31, 2026 and 2025, respectively. Refer to “Liquidity Outlook” below for additional information.

Net cash used in operating activities

During the nine months ended January 31, 2026, net cash used in operating activities was \$19.9 million, an increase of \$5.3 million compared to net cash used in operating activities during the nine months ended January 31, 2025 of \$14.6 million. This primarily reflects an increase in net loss of \$13.8 million, account receivable, and inventory on hand, partially offset an increase in accounts payable, contract liabilities, and equity compensation in the current year versus the prior year.

Net cash used in investing activities

Net cash used in investing activities during the nine months ended January 31, 2026 was \$1.8 million, compared to \$0.4 million during the nine months ended January 31, 2025, a change of \$1.4 million. The net cash used in investing activities during the nine months ended January 31, 2026 was due to the purchase of property, plant and equipment.

Net cash provided by financing activities

Net cash provided by financing activities during the nine months ended January 31, 2026 and January 31, 2025 was \$22.0 million and \$21.9 million, respectively. The current year activity was driven by the proceeds raised related to the issuance of the May and October 2025 convertible notes of \$17.6 million and ATM proceeds of \$5.2 million, and the prior year activity was related primarily to ATM proceeds of \$16.8 million, \$3.2 million in proceeds related to convertible debt issued in December 2024, and proceeds from other capital raises of \$2.5 million discussed above under “Liquidity”.

Effect of exchange rates on cash and cash equivalents

There was no material effect of exchange rates on cash and cash equivalents during either the three or nine months ended January 31, 2026 and January 31, 2025.

Liquidity Outlook

Since our inception, the cash flows from customer revenues have not been sufficient to fund our operations and provide the capital resources for our business. As of January 31, 2026, our year-to-date revenues were \$2.1 million, our year-to-date net losses were \$29.6 million, and our year-to-date net cash used in operating activities was \$19.9 million.

We expect to continue to devote substantial resources to expand our sales, marketing and manufacturing programs associated with the continued commercialization of our products. Our future capital requirements will depend on several factors, including but not limited to:

- our ability to improve, market and commercialize our products, and achieve and sustain profitability;
- our continued improvement of our proprietary technologies, and expected continued use of cash from operating activities unless or until we achieve positive cash flow from the commercialization of our products and services;
- changes in current legislation, regulations and economic conditions regarding Federal governmental tariffs, and the potential that this affects the demand for, or restrict the use of, our products and services;
- our ability to obtain additional funding, as and if needed, which will be subject to several factors, including market conditions, our financial condition and our operating performance;
- our ability to comply with the covenants and other obligations under our convertible notes;
- our ability to do business with properly qualified customers that have good credit ratings and pay their obligation on a timely basis;
- our failure to apply technology, data analytics and artificial intelligence effectively in driving value for our customers through technology-based solutions, or failure to gain internal efficiencies and effective internal controls through the application of technology and related tools;
- the ability to continue as a going concern;
- our history of operating losses, which we expect to continue for at least the short-term and possibly longer;
- our ability to manage challenges and expenses associated with communications and disputes with activist shareholders, including litigation;
- our ability to manage and mitigate risks associated with our internal cyber security protocols and protection of the data we collect and distribute;
- our ability to protect our intellectual property portfolio;
- the impact of potential inflation related to the U.S. dollar on our business, operations, customers, suppliers, manufacturers, and personnel;
- our ability to meet product enhancement, manufacturing and customer delivery deadlines and the potential impact due to disruptions to our supply chain or our ability to identify vendors that can assist with the prefabrication elements of our products, as a result of, among other things, staff shortages, order delays, and increased pricing from vendors and manufacturers;
- our forecasts and estimates regarding future expenses, revenue, gross margin, cash flow and capital requirements;
- our ability to identify and penetrate markets for our products, services, and solutions;
- our ability to effectively respond to competition in our targeted markets;
- our ability to establish relationships with our existing and future strategic partners which may not be successful;
- our ability to maintain the listing of our common stock on the NYSE American;
- the reliability and continuous improvement of our technology, products and solutions;
- our ability to increase or more efficiently utilize the synergies available from our product lines;
- our ability to expand markets across geographic boundaries;
- our ability to be successful with Federal government work which is complex due to various statutes and regulations applicable to doing business with the Federal government;
- our ability to be successful doing business internationally which requires strict compliance with applicable statutes and regulations;
- the current geopolitical world uncertainty, including tariffs, the conflict between the United States, Israel and Iran, Russia's invasion of Ukraine, the Israel/Palestine conflict and previous attacks on merchant ships in the Red Sea;
- the potential impact that new foreign country tariffs may have on our ability (i) to source and procure necessary raw materials for the manufacture and provision of our products and services; and (ii) to deliver our products to such foreign countries;
- our ability to hire and retain key personnel, including senior management, to achieve our business objectives; and
- our ability to establish and maintain consistent commercial profit margins.

Our business is capital intensive, and through January 31, 2026, we have been funding our business principally through sales of our securities. As of January 31, 2026, our cash and cash equivalents and long-term restricted cash balance was \$7.2 million and we expect to fund our business with this amount and, to a lesser extent, with our cash flow generated from operations. Management believes the Company's current cash and cash equivalents, and short term investments, may not be sufficient to fund its planned expenditures through March 2027.

These conditions and events raise substantial doubt about the Company's ability to continue as a going concern for at least a period of one year from the issuance of these consolidated financial statements. The ability to continue as a going concern is dependent upon the Company's operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet financing activities.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls based upon the framework presented in “Internal Control-Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on that evaluation, our CEO and CFO concluded that these disclosure controls and procedures were effective as of January 31, 2026.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the nine months ended January 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. **LEGAL PROCEEDINGS**

As part of our normal business activities, we are party to a number of legal proceedings and other matters in various stages of development. Management periodically assesses our liabilities and contingencies in connection with these matters based upon the latest information available. We disclose material pending legal proceedings pursuant to SEC rules and other pending matters as we may determine to be appropriate.

For information on matters in dispute, see Note 14 to the Consolidated Financial Statements under Part I, Item 1 of this report.

Item 1A. **RISK FACTORS**

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended April 30, 2025 and set forth below in this Quarterly Report on Form 10-Q. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. Except as noted below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K filed with the SEC on July 24, 2025.

Our ability to adopt and use artificial intelligence could have a material impact on our business.

The development, adoption and use of artificial intelligence (“AI”) technologies are rapidly transforming our industry, enabling faster data analysis and automation through machine learning and predictive modeling. Many of our competitors are investing heavily in AI-driven capabilities to enhance customer acquisition, personalization, pricing optimization, supply chain efficiency, product development, and marketing effectiveness. If we are unable to adopt and deploy AI effectively as quickly as our competitors, it may cause us to be relatively less productive or innovative, adversely impacting our competitiveness, our ability to effectively execute our strategic transformation and requiring additional investments that increase our costs. Laws and regulations regarding AI are rapidly evolving as well, including in the areas of data privacy, cybersecurity, intellectual property, and data protections. Compliance with new or changing laws, regulations, or industry standards relating to AI may impose significant operational and financial burdens and may limit our ability to develop, deploy, or use AI in our business.

There are doubts about our ability to continue as a going concern.

Our current cash balance may not be sufficient to fund our planned expenditures through twelve months from the filing date of this Form 10-Q. These conditions raise substantial doubt about our ability to continue as a going concern. The ability to continue as a going concern is dependent upon our operations in the future and/or obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. The accompanying consolidated financial statements have been prepared on a basis which assumes we are a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from any uncertainty related to our ability to continue as a going concern. Such adjustments could be material. There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources, such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations, or to raise capital from external sources would have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on our existing stockholders.

Delays or difficulties in converting backlog into revenue could adversely affect our results of operations.

As of January 31, 2026, our backlog was \$19.9 million, a significant increase compared to the prior year. While backlog represents business under contract that we expect to recognize as revenue, the timing of conversion is uncertain and may be delayed due to changes in customer schedules, contract modifications, regulatory approvals, or other factors beyond our control. If we are unable to convert backlog into revenue as anticipated, our results of operations and cash flows could be negatively affected.

Item 2. **UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

Item 3. **DEFAULTS UPON SENIOR SECURITIES**

None.

Item 4. **MINE SAFETY DISCLOSURES**

Not applicable.

Item 5. OTHER INFORMATION

Item 6. EXHIBIT INDEX

- 10.1 [Third Amendment to Ocean Power Technologies, Inc. Employment Inducement Incentive Award Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 28, 2026\).](#)
- 10.2 [First Amendment to Amended & Restated 2015 Omnibus Incentive Plan \(incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement on Schedule 14A filed on December 4, 2025\).](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 * [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 * [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 The following financial information from Ocean Power Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2026, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets – January 31, 2026 (unaudited) and April 30, 2025, (ii) Consolidated Statements of Operations (unaudited) – three and three months ended January 31, 2026 and 2023, (iii) Consolidated Statements of Comprehensive Loss (unaudited) – three and three months ended January 31, 2026 and 2021, (iv) Consolidated Statement of Shareholders' Equity (unaudited) – three and three months ended January 31, 2026 and 2023 (v) Consolidated Statements of Cash Flows (unaudited) –three months ended January 31, 2026 and 2023, (vi) Notes to Consolidated Financial Statements.**
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)
- * As provided in Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed to be “filed” or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability under those sections.
- **As provided in Rule 406T of Regulation S-T, this exhibit shall not be deemed “filed” or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability under those sections.
- ##As permitted by Regulation S-K, Item 601(b)(10)(iv) of the Securities Exchange Act of 1934, as amended, certain confidential portions of this exhibit have been redacted from the publicly filed document. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ocean Power Technologies, Inc.

(Registrant)

Date: March 17, 2026

/s/ Philipp Stratmann

By: Philipp Stratmann
President and Chief Executive Officer

Date: March 17, 2026

/s/ Robert Powers

By: Robert Powers
Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

I, Philipp Stratmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ocean Power Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or other persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2026

/s/ Philipp Stratmann

Philipp Stratmann

President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

I, Robert Powers, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Ocean Power Technologies, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or other persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2026

/s/ Robert Powers

Robert Powers

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Ocean Power Technologies, Inc. (the "Company") for the period ended January 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Philipp Stratmann, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 17, 2026

/s/ Philipp Stratmann

Philipp Stratmann
President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of Ocean Power Technologies, Inc. (the "Company") for the period ended January 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert Powers, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 17, 2026

/s/ Robert Powers

Robert Powers

Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
