

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

Form 10-Q

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

For the Quarterly Period Ended July 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 September 11, 2026, the number of outstanding shares of common stock of the registrant was 9,004,628.

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)

	July 31, 2026 (Unaudited)	April 30, 2026
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,356	\$ 8,719
Restricted cash, short-term	154	154
Accounts receivable, net	1,249	587
Contract assets	269	590
Inventory	4,552	3,190
Other current assets	1,852	2,648
Total current assets	15,432	15,888
Property and equipment, net	9,798	10,255
Intangibles, net	3,324	3,357
Right-of-use assets, net	1,614	1,886
Goodwill	8,537	8,537
Total assets	\$ 38,705	\$ 39,923
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,726	\$ 4,366
Earn out payable	50	150
Convertible notes payable (Note 13)	8,068	10,428
Warrant liability	3,756	—
Accrued expenses	4,608	4,232
Contract liabilities, current	5,091	6,029
Right-of-use liabilities, current portion	1,228	1,202
Total current liabilities	29,527	26,407
Deferred tax liability	203	203
Right-of-use liabilities, less current portion	522	837
Total liabilities	30,252	27,447
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 400,000,000 shares, issued 9,094,159 shares and 7,704,867 shares, respectively; outstanding 9,004,628 shares and 7,615,336 shares, respectively	273	231
Treasury stock, at cost; 89,531 and 89,531 shares, respectively	(1,825)	(1,825)
Additional paid-in capital	401,503	395,031
Accumulated deficit	(391,498)	(380,961)
Accumulated other comprehensive loss	—	—
Total shareholders' equity	8,453	12,476
Total liabilities and shareholders' equity	\$ 38,705	\$ 39,923

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

	Three months ended July 31,	
	2026	2025
Product & service revenue	\$ 1,046	\$ 1,115
Lease revenue	657	67
Total revenue	1,703	1,182
Cost of revenues	4,534	1,205
Gross margin	(2,831)	(23)
Operating expenses	12,246	7,055
Operating loss	(15,077)	(7,078)
Interest income/(expense), net	(373)	(310)
Change in fair value of derivative	4,912	—
Foreign exchange loss	1	—
Loss before income taxes	(10,537)	(7,388)
Income tax benefit	—	—
Net loss	(10,537)	(7,388)
Basic and diluted net loss per share	\$ (1.28)	\$ (1.28)
Weighted average shares used to compute basic and diluted net loss per common share	8,236,617	5,765,639

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

Three months Ended July 31, 2026								
	Common Shares		Treasury Shares		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In	Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance at May 1, 2026	7,704,867	\$ 231	(89,531)	\$ (1,825)	\$ 395,031	\$ (380,961)	\$ —	12,476
Net loss	—	—	—	—	—	(10,537)	—	(10,537)
Share-based compensation	—	—	—	—	1,829	—	—	1,829
Issuance of common stock – At The Market Offering, net of issuance costs	189,796	6	—	—	1,399	—	—	1,405
Issuance of common stock – Asset Acquisition	336,162	11	—	—	1,980	—	—	1,991
Issuance of common stock – Capital Raise, net of issuance costs	833,334	25	—	—	1,264	—	—	1,289
Balances at July 31, 2026	<u>9,094,159</u>	<u>\$ 273</u>	<u>(89,531)</u>	<u>\$ (1,825)</u>	<u>\$ 401,503</u>	<u>\$ (391,498)</u>	<u>\$ —</u>	<u>\$ 8,453</u>
Three months Ended July 31, 2025								
	Common Shares		Treasury Shares		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In	Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance at May 1, 2025	5,735,019	\$ 172	(26,250)	\$ (1,018)	\$ 359,544	\$ (332,046)	\$ —	\$ 26,652
Net loss	—	—	—	—	—	(7,388)	—	(7,388)
Share-based compensation	—	—	—	—	2,399	—	—	2,399
Issuance of common stock – At The Market Offering, net of issuance costs	23,165	1	—	—	337	—	—	338
Issuance of common stock - Convertible Debt, net of issuance costs	185,558	5	—	—	2,184	—	—	2,189
Balances at July 31, 2025	<u>5,943,742</u>	<u>\$ 178</u>	<u>(26,250)</u>	<u>\$ (1,018)</u>	<u>\$ 364,464</u>	<u>\$ (339,434)</u>	<u>\$ —</u>	<u>\$ 24,190</u>

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended July 31,	
	2026	2025
Cash flows from operating activities:		
Net loss	\$ (10,537)	\$ (7,388)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	286	194
Foreign exchange loss	—	—
Non-cash payment for asset acquisition	1,991	—
Amortization of intangible assets	33	34
Amortization of right of use asset	273	231
Share-based compensation	1,829	2,399
Change in fair value of derivative	(4,912)	—
Loss on disposition of assets	769	—
Changes in operating assets and liabilities:		
Accounts receivable	(662)	(1,016)
Contract assets	321	533
Inventory	(1,837)	(643)
Right-of-use asset	—	(66)
Other assets	797	(493)
Accounts payable	2,360	715
Earnout payable	(100)	(50)
Accrued expenses	376	22
Right-of-use liabilities	(289)	(212)
Contract liabilities	(938)	135
Net cash used in operating activities	\$ (10,240)	\$ (5,605)
Cash flows from investing activities:		
Purchases of property and equipment	(124)	(1,453)
Net cash used in investing activities	\$ (124)	\$ (1,453)
Cash flows from financing activities:		
Proceeds from convertible notes	—	9,866
Repayment of convertible notes	(2,356)	—
Proceeds from issuance of common stock – Capital Raise - Warrants, net of issuance costs	9,952	—
Proceeds from issuance of common stock - At The Market offering, net of issuance costs	1,405	\$ 337
Net cash provided by financing activities	\$ 9,001	\$ 10,203
Net increase in cash, cash equivalents and restricted cash	\$ (1,363)	\$ 3,145
Cash, cash equivalents and restricted cash, beginning of period	\$ 8,873	\$ 6,869
Cash, cash equivalents and restricted cash, end of period	\$ 7,510	\$ 10,014
Supplemental disclosure of noncash investing and financing activities:		
Common stock issued related to conversion of convertible debt	\$ —	\$ 2,060

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®, our autonomous unmanned surface vehicle, and Merrows™, our user interface and command and control system that integrates multiple sensor feeds using software and hardware and enables 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 believe 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 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, 2026, as filed with the SEC and elsewhere in subsequent Exchange Act filings, including this Form 10-Q.

(c) Going Concern

During the three months ended July 31, 2026, the Company incurred a net loss of approximately \$10.5 million and used cash in operations of approximately \$10.2 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 and credit, 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. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States (“US GAAP”) 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, valuation of derivative liabilities, valuation of debt instruments for which the Company has elected the fair

value option, evaluation of net realizable value of inventory, 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 or in short-term investments that are held-to-maturity. The Company had cash, cash equivalents, and restricted cash of approximately \$7.5 million and \$8.9 million as of July 31, 2026 and April 30, 2026, 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.

	July 31, 2026	April 30, 2026
	(in thousands)	
Cash and cash equivalents	\$ 7,356	\$ 8,719
Restricted cash, short-term	154	154
Cash, cash equivalents, restricted cash and restricted cash	<u>\$ 7,510</u>	<u>\$ 8,873</u>

(d) Inventory

In accordance with ASC 330 - *Inventory*, inventory is stated at the lower of cost or net realizable value applicable to goods on hand. As of both July 31, 2026 and April 30, 2026, the Company had an inventory reserve of \$745,000 to recognize inventory at the lower of cost or net realizable value. Items remain in inventory until they are shipped to the customer, at which time the costs are transferred on a first in first out 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 three months ended July 31, 2026, the Company did not adjust its allowance for credit losses. The allowance for credit losses was \$652,000 at both July 31, 2026 and April 30, 2026. 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 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 seven 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 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.

Description	Estimated depreciable life
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 and mooring assets	7 years
Leased WAM-V assets	7 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 three months ended July 31, 2026 and 2025, the Company had three and four customers, respectively, whose revenues accounted for at least 10% of the Company's consolidated revenues. These revenues accounted for approximately 87% and 89% of the Company's total revenues for the respective periods.

As of both July 31, 2026 and 2025, the Company had five customers, whose total receivable balance accounted for at least 10% of the Company's consolidated receivables. These receivables accounted for approximately 93% and 79% of the Company's total receivables for July 31, 2026 and 2025.

As of July 31, 2026, one commercial customer represented about 14% 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 20% of the total gross accounts receivable balance, recognizing a loss of \$373,000 for the prior 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 three months ended July 31, 2026 and 2025 was approximately \$1.8 million and \$2.4 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 obligation, 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 ASC Topic 606 – *Revenue from Contracts with Customers* ("ASC 606") for contracts with customers and ASC Topic 842 – *Leases* ("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 and/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 July 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 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. 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 three-month period ended July 31, 2026, the Company recognized approximately \$1.0 million in revenue related to performance obligations satisfied at a point in time and less than \$0.1 million in revenue related to performance obligations satisfied over time. During the three-month period ended July 31, 2025, the Company recognized approximately \$1.0 million in revenue related to performance obligations satisfied at a point in time and approximately \$0.2 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. There is \$0.3 million recognized in revenue as of July 31, 2026 related to zero margin agreements. 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 July 31, 2026 and 2025, the majority of the Company's contracts were classified as firm fixed-price and the remainder were cost-sharing.

Certain product sales are made under Ex Works ("EXW") shipping terms. For these arrangements, the Company's performance obligation is satisfied, and revenue is recognized, at a point in time when the product has been completed, is available for customer pickup at the Company's designated facility, and control transfers to the customer. Control is considered to transfer when the customer has the present right to direct the use of, and obtain substantially all of the remaining benefits from, the product, including legal title and risk of loss in accordance with the contractual shipping terms. Under EXW arrangements, the customer is responsible for transportation, export and import clearance, freight costs, insurance, and all risks associated with the shipment after pickup. Shipping and handling activities performed by the Company after control transfers, if any, are accounted for as fulfillment activities and do not represent separate performance obligations.

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.

As of July 31, 2026, the Company's remaining performance obligations that are expected to be recognized in the next 12 months totaled \$1.1 million. 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 months ended July 31, 2026 and 2025.

	Three months ended July 31, 2026			Three months ended July 31, 2025		
	ASC 606	ASC 842	Total	ASC 606	ASC 842	Total
	(in thousands)			(in thousands)		
Product Line:						
WAM-V	\$ 321	\$ 68	\$ 389	\$ 1,038	\$ 67	\$ 1,105
Buoy	27	589	616	66	—	66
Services	698	—	698	11	—	11
Total	\$ 1,046	\$ 657	\$ 1,703	\$ 1,115	\$ 67	\$ 1,182
Region:						
North and South America	\$ 768	\$ 589	\$ 1,357	\$ 134	\$ —	\$ 134
EMEA	21	68	89	980	67	1,047
Asia and Australia	257	—	257	1	—	1
Total	\$ 1,046	\$ 657	\$ 1,703	\$ 1,115	\$ 67	\$ 1,182

Revenue by geographic region is presented based on the location of the customer's corporate headquarters (or principal place of business), which management uses to determine the geographic region for financial reporting purposes. Accordingly, the geographic classification of revenue may differ from the ultimate destination of the products delivered or the location where services are performed or equipment is deployed.

(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 and warrants to purchase shares of common stock, unvested RSUs issued to employees and non-employee directors, and convertible notes 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 and warrants to purchase shares of common stock, unvested RSUs issued to employees and non-employee directors, and notes convertible into common stock totaling 2,378,061 and 742,838 for the three months ended July 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

Separately identifiable intangible assets acquired in a business combination are recognized apart from goodwill and are initially recognized at their fair value at the acquisition date. 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 three months ended July 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. There were no indications of potential impairment of goodwill identified for the year ended April 30, 2026. There were no indications of potential impairment of goodwill identified for the three months ended July 31, 2026. Where 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 sales 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 fair value of the Company. If the fair value is less than the carrying amounts, an impairment charge for the difference is recorded. The Company acquired goodwill as part of its purchase of MAR. Management performed its annual qualitative assessment in the last quarter of fiscal year 2026 and 2025 and determined that it is more likely than not that no goodwill impairment existed as of April 30, 2026 and 2025.

(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. Management must believe there is at least a 50% chance of a tax position being sustained for its maximum realizable value for it to be recognized. 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 16 for additional disclosure.

In order to monetize their attributes, the Company has historically sold the Net Operating Losses (NOLs) 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 (Income) Loss within Shareholders' Equity. For each of the three months ended July 31, 2026 and 2025, there were no amounts recorded to other comprehensive (income) loss due to no longer having any foreign subsidiaries.

(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 \$2.7 million and \$0.6 million in product development expense for the three months ended July 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. Additionally, the Company evaluates all freestanding equity-linked instruments to determine if they meet the definition of a derivative. 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. Freestanding equity-linked instruments that meet the definition of a derivative are also 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 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. The Company adopted ASU 2023-09 on May 1, 2026. The adoption of this standard did not have an impact on the Company's interim consolidated financial statements.

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 December 15, 2025, 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. The Company adopted ASU 2025-05 on May 1, 2026 and the adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

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:

	July 31, 2026	April 30, 2026	April 30, 2025
		(in thousands)	
Accounts receivable	\$ 1,249	\$ 587	\$ 1,191
Contract assets	\$ 269	\$ 590	\$ 1,088
Contract liabilities	\$ 5,091	\$ 6,029	\$ —

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 three months ended July 31, 2026 and 2025.

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

	Three months ended July 31, 2026	Three months ended July 31, 2025
	(in thousands)	
Transferred to receivables from contract assets recognized	\$ (475)	\$ (644)
Revenue recognized and not billed	154	111
Net change in contract assets	<u>\$ (321)</u>	<u>\$ (533)</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:

	Three months ended July 31, 2026	Three months ended July 31, 2025
	(in thousands)	
Revenue recognized	\$ (938)	\$ (115)
Payments billed or collected for which revenue has not been recognized	—	250
Net change in contract liabilities	<u>\$ (938)</u>	<u>\$ 135</u>

(4) Inventory

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

	July 31, 2026	April 30, 2026
	(in thousands)	
Raw Materials	\$ 2,934	\$ 2,581
Work in Process	1,618	609
Finished Products	—	—
Inventory	<u>\$ 4,552</u>	<u>\$ 3,190</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 is a combination of buoy and boat builds that are for both active projects and for inventory to have ready for potential future projects. The Company typically ships finished products as they are completed.

(5) Other Current Assets

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

	July 31, 2026	April 30, 2026
	(in thousands)	
Prepaid insurance	\$ —	\$ 282
Prepaid software & licenses	258	133
Prepaid sales & marketing	226	157
Prepaid project costs	163	421
Prepaid inventory materials	985	1,458
Net investment in lease	116	127
Prepaid expenses- other	104	70
	<u>\$ 1,852</u>	<u>\$ 2,648</u>

The Company recognizes prepaid project costs 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 are classified within other current assets based on when management estimates the revenue will be recognized. As of July 31, 2026, the Company has net prepaid project costs of \$0.2 million. The amount recorded will be recognized as cost of goods sold if and when the Company achieves and delivers the performance obligations under the terms of the applicable agreement.

(6) Property and Equipment, net

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

	July 31, 2026	April 30, 2026
	(in thousands)	
Equipment	\$ 4,539	\$ 4,465
Computer equipment & software	692	643
Office furniture & equipment	427	427
Leasehold improvements	683	683
Leased WAM-V's	2,066	1,807
Leased Buoys	4,991	5,662
	<u>13,398</u>	<u>13,687</u>
Less: accumulated depreciation	<u>(3,600)</u>	<u>(3,432)</u>
	<u>\$ 9,798</u>	<u>\$ 10,255</u>

Leased WAM-V's and buoys represent fixed assets that are associated with underlying operating leases with customers as discussed in the revenue recognition section related to ASC 842 or utilized for customer demonstrations. Of gross book amounts, \$1.0 million is related to a buoy that has not been placed into operation as of July 31, 2026.

Depreciation expense was approximately \$0.3 million and \$0.2 million for the three months ended July 31, 2026 and 2025, respectively.

During the three months ended July 31, 2026, the Company recognized a non-cash abandonment loss of approximately \$769,000 associated with a deployed mooring system that sank and could not be recovered. The asset had no estimated salvage value and was fully derecognized from property and equipment. The abandonment loss is included in operating expenses in the condensed consolidated statement of operations. No insurance recovery was recognized as of July 31, 2026.

(7) Intangible Assets

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

	July 31, 2026	April 30, 2026
	(in thousands)	
Patents	\$ 2,729	\$ 2,729
Trademarks	2,769	2,769
	<u>5,498</u>	<u>5,498</u>
Accumulated amortization	<u>(2,174)</u>	<u>(2,141)</u>
	<u>\$ 3,324</u>	<u>\$ 3,357</u>

Amortization expense was approximately \$33,000 and \$34,000 for the three-month periods ended July 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 impairment of goodwill during the three-month periods ended July 31, 2026 and 2025.

(9) Leases

Lessor Information

As of both July 31, 2026 and April 30, 2026, the Company had four WAM-V's, as of the same dates, and had three and zero buoys, respectively, leased to customers which have been classified as operating leases per accounting guidance contained within ASC 842. The remaining term on these operating leases is less than 1 year.

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 October 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 expense in the Consolidated Statement of Operations the three months ended July 31, 2026 and 2025 were \$312,000 and \$267,000, respectively. The operating lease cash flow payments for the three months ended July 31, 2026 and 2025 were \$328,000 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 months ended July 31, 2026 and 2025 were as follows:

	Three months ended July 31,	
	2026	2025
	(in thousands)	
Operating lease cost	\$ 312	\$ 267
Short-term lease cost	—	—
Total lease cost	<u>\$ 312</u>	<u>\$ 267</u>

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

	July 31, 2026 (in thousands)
<u>Operating lease:</u>	
Operating right-of-use assets, net	<u>\$ 1,614</u>
Right-of-use liabilities- current	\$ 1,228
Right-of-use liabilities- long term	<u>522</u>
Total lease liabilities	<u>\$ 1,750</u>
Weighted average remaining lease term- operating leases	1.48 years
Weighted average discount rate- operating leases	8.5%

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

	July 31, 2026
	(in thousands)
Remainder of fiscal year 2027	\$ 994
2028	821
2029	28
2030	—
2031	—
thereafter	—
Total future minimum lease payments	\$ 1,843
Less imputed interest	(93)
Total	\$ 1,750

(10) Accrued Expenses

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

	July 31, 2026	April 30, 2026
	(in thousands)	
Employee incentive payments	\$ 1,278	\$ 632
Accrued salary and benefits	407	135
Professional fees	86	—
Accrued project costs	2,831	3,273
Accrued interest expense	—	146
Other	6	46
	\$ 4,608	\$ 4,232

(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 44,402 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 2026, the shareholders approved an amendment and restatement of the 2015 Plan to, among other things, provide an aggregate increase to the 2015 Plan of 166,666 shares resulting in total shares authorized for issuance of 1,076,068 as of July 31, 2026 based on 909,402 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 834 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 8,333 to 9,167. On June 3, 2025, the 2018 Inducement Plan was further amended and restated to increase the authorized shares by 23,833 to 33,000. On January 27, 2026, the 2018 Inducement Plan was further amended to increase the authorized shares by 33,334 to 66,334.

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 either the three months ended July 31, 2026 and 2025.

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, 2026	13,206	\$ 54.90	5.6
Granted	—	\$ —	
Exercised	—	\$ —	
Cancelled/forfeited	(248)	\$ 133.50	
Outstanding as of July 31, 2026	12,958	\$ 53.40	5.4
Exercisable as of July 31, 2026	12,958	\$ 53.40	5.4

As of July 31, 2026, the total intrinsic value of outstanding and exercisable options was approximately zero. As of July 31, 2026, no options were unvested. The outstanding options had an intrinsic value of zero and a weighted average remaining contractual term of 5.4 years. There was approximately zero and \$9,000 of total recognized compensation cost related to stock options during the three months ended July 31, 2026 and 2025, respectively. As of July 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, 2026	5,000	\$ 16.80
Granted	—	\$ —
Vested and issued	—	\$ —
Cancelled/forfeited	—	\$ —
Outstanding at July 31, 2026	5,000	\$ 16.80

There was approximately \$10,000 and \$8,000 of total recognized compensation cost related to PSUs for the three months ended July 31, 2026 and 2025, respectively. As of July 31, 2026, there was approximately \$18,000 of unrecognized compensation cost remaining related to unvested PSUs. This cost is expected to be recognized over a weighted-average period of 0.3 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 July 31, 2026 and 2025, the Company granted approximately 2,167 and 17,367 shares, respectively, that were subject to both service-based and market-based vesting requirements.

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

	Number of Shares	Weighted Average Price per Share
Outstanding at April 30, 2026	793,756	\$ 17.10
Granted	2,167	\$ 8.70
Vested and issued	—	\$ —
Cancelled/forfeited	(1,935)	\$ 17.40
Outstanding at July 31, 2026	793,988	\$ 17.10

There was approximately \$1.8 million and \$2.4 million of total recognized compensation cost related to RSUs for the three months ended July 31, 2026 and 2025, respectively. As of July 31, 2026, there was approximately \$6.7 million of unrecognized compensation cost remaining related to unvested RSUs. This cost is expected to be recognized over a weighted-average period of 0.4 years.

(12) Fair Value Measurements

ASC 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.

ASC 825 – *Financial Instruments* allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (the fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date.

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 are measured at fair value on a recurring basis by level within the fair value hierarchy (amounts in thousands):

		Convertible Notes	Warrant Liability
Convertible note fair value - April 30, 2026	\$	10,428	—
Change due to note repayment		(2,355)	—
Change due to fair value adjustment of convertible notes		(5)	—
Warrant Liability – June Issuance		—	8,663
Change due to fair value adjustment of convertible notes		—	(4,907)
Fair Value - July 31, 2026	\$	8,068	3,756

	Level	July 31, 2026	April 30, 2026
April 2026 Convertible Note	3	\$ 8,068	\$ 10,428
June 2026 Warrant Liability	3	3,756	—

The Company elected the fair value option for the April 2026 convertible note issuances. Management determined that the fair value option would be elected for these convertible notes as they are required to be measured at fair value as part of the determination of the extinguishment of the previously issued convertible notes. At July 31, 2026, the fair value of these convertibles notes was \$8.1 million, as compared to the aggregate unpaid principal and premium balance of \$8.6 million at that same date. The fair value of the convertible notes, including the conversion option and all embedded features, was determined using a simulation model. Key inputs to the model include the initial conversion price of \$12.00 per share, the common stock value as of the issuance date of \$10.50, the risk-free rate of 3.68%, and probability of settlement options, and the equity volatility of 150%. The equity volatility was determined using the Company’s historical volatility. Interest expense of approximately \$278,000 was recorded during the three-month period ended July 31, 2026. This amount is included within “Interest (expense)/income, net” within the Company’s Consolidated Statements of Operations.

(13) Equity

At-the-Market Offering Agreement

On August 8, 2025, the Company entered into an At Market Issuance Sales Agreement with Ladenburg Thalmann & Co. Inc. (the “Ladenburg Sales Agreement”), 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 189,797 shares were sold under the Ladenburg Sales Agreement during the three-month period ended July 31, 2026 totaling proceeds of \$1.4 million. The agreement was terminated effective July 22, 2026.

On July 27, 2026, the Company entered into an at-the-market offering agreement (the “Wainwright Sales Agreement”) with H.C. Wainwright & Co., LLC (“Wainwright”), pursuant to which the Company may offer and sell, from time to time through Wainwright acting as sales agent, shares of the Company’s common stock having an aggregate offering price of up to \$20.0 million. Sales under the Wainwright Sales Agreement may be made through methods deemed to be “at-the-market offerings,” as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended, including sales made directly on or through the NYSE American or another existing trading market for the Company’s common stock. The Company is not obligated to sell any shares under the Wainwright Sales Agreement. Wainwright is required to use commercially reasonable efforts to sell shares in accordance with the Company’s instructions, subject to the terms and conditions of the Wainwright Sales Agreement. The Company will pay Wainwright a commission equal to 3.0% of the aggregate gross proceeds from shares sold under the Wainwright Sales Agreement. The shares issuable under the Wainwright Sales Agreement were registered pursuant to the Company’s shelf registration statement on Form S-3 (File No. 333-275843), which was declared effective by the Securities and Exchange Commission on December 12, 2023, and the related prospectus supplement dated July 27, 2026.

Subsequent to July 31, 2026, the Company did not timely file its Annual Report on Form 10-K for the fiscal year ended April 30, 2026 within the extension period provided by Rule 12b-25. As a result, the Company is not currently eligible to use Form S-3 and, as of the date of this Quarterly Report on Form 10-Q, is unable to offer or sell additional shares under the Wainwright Sales Agreement pursuant to the Form S-3 registration statement and related prospectus supplement. The Company's ability to conduct future sales under an at-the-market offering will be subject to its regaining eligibility to use its shelf registration on Form S-3, the availability of an effective registration statement and satisfaction of the other applicable legal and contractual requirements.

Convertible Debt Issuance

In April 2026, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors pursuant to which the Company issued and sold senior convertible notes (the "Notes") in an aggregate principal amount of \$10.0 million, along with a 13% premium on the principal amount. The conversion rate related to this agreement is \$12.00 per share. Proceeds from these Notes were used to pay off the remaining balances associated with the May and October 2025 convertible notes, respectively. Beginning on the closing date, the Notes are subject to quarterly cash amortization payments through maturity and monthly interest payments calculated on a 4.5% annual rate for the outstanding principal amount at the end of the previous month. Between the premium and annual interest rate, the effective interest rate on this Note is approximately 20%. The agreement also contains a make-whole interest whereby in connection with any conversion, redemption, or other repayment would result in an additional interest amount as if the principal remained outstanding through the maturity date. The Notes rank senior to the Company's other unsecured indebtedness, subject to certain exceptions, and contain customary affirmative and negative covenants, including restrictions on indebtedness, liens, restricted payments, asset transfers, changes in business, and affiliate transactions, including a covenant requirement \$2.0 million minimum cash balance to be maintained. The Notes also contain customary events of default. The conversion of these notes into equity may occur at times and under pricing mechanisms that could lead to a substantial number of shares being issued, potentially at prices below prevailing market prices.

The Company did not timely file its Annual Report on Form 10-K as required under the reporting covenants of the Notes, which resulted in the Company not having an ongoing ATM program. As a result, the Company was technically not in compliance with these covenants as of the date of issuance of these consolidated financial statements. No notice of default has been received by the Company from its lenders.

As of July 31, 2026, the Notes could potentially be converted into approximately 733,334 shares. These shares are not included in the calculation of earnings per share as the impact of these conversions would be anti-dilutive. The conversions are at the election of the Note holders to be converted in shares but may also be repaid through cash payments.

Absent conversions, the total remaining debt maturity cash payments under the Company's convertible debt are as follows:

Schedule of Debt Maturity Cash Payments

	July 31, 2026
	(in thousands)
Fiscal year 2027	\$ 6,066
Fiscal year 2028	3,844
Total future minimum debt payments	9,910

Common Stock and Warrant Issuance

On June 4, 2026, the Company entered into a Securities Purchase Agreement with certain institutional accredited investors in connection with a registered direct offering. The offering closed on June 8, 2026, at which time the Company issued 833,334 shares of its common stock together with warrants to purchase up to an aggregate of 833,334 additional shares of common stock (the "Warrants"). The combined purchase price for each share of common stock and accompanying Warrant was \$12.00.

The Company received gross proceeds of \$10.0 million and net proceeds of approximately \$9.3 million after placement-agent fees and other offering expenses of approximately \$0.7 million. The Company used approximately \$0.7 million of the net proceeds to repay principal and other amounts due under its convertible notes payable, with the remaining proceeds available for working capital and other general corporate purposes.

The Warrants have an initial exercise price of \$12.00 per share, become exercisable on December 8, 2026, and expire on December 8, 2032. The exercise price and number of shares issuable upon exercise are subject to adjustment for stock splits, stock dividends and similar transactions. The Warrants contain beneficial-ownership limitations and provisions applicable upon a fundamental transaction, including provisions under which holders may be entitled to receive consideration based on the Black-Scholes value of the Warrants. The terms of the agreement stipulate that the Black-Scholes model utilize the greater of a) 100%, b) the 30-day volatility of the Company's common stock, c) the 100-day volatility of the Company's common stock, or d) the 365-day volatility of the Company's common stock. Additionally, the price per share to be used in the Black-Scholes model is to be the greater of the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any being offered in the fundamental transaction and the highest volume-weighted average price for the Company's common stock during the period beginning on the trading day immediately preceding the announcement of the fundamental transaction (or the consummation of the fundamental transaction, if earlier) and ending on the trading day of the holder's request.

The Company evaluated the Warrants in accordance with ASC 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, and concluded that the Warrants do not meet all of the requirements for equity classification. Accordingly, the Warrants are accounted for as derivative liabilities. The Warrants were initially recognized at fair value on the issuance date and are subsequently remeasured at fair value at each reporting date. Changes in the fair value of the Warrant liability are recognized in the consolidated statements of operations.

On June 8, 2026, the initial fair value of the Warrants was approximately \$8.7 million. The Company allocated an equivalent amount of the gross proceeds to the Warrant liability, with the remaining proceeds allocated to common stock and additional paid-in capital. Offering costs were allocated between the common stock and the Warrant liability based on their relative fair values. Offering costs of less than \$0.1 million attributable to the common stock were recorded as a reduction of additional paid-in capital, and offering costs of approximately \$0.6 million attributable to the Warrant liability were expensed as incurred.

The Company estimated the fair value of the Warrant liability using a Black-Scholes option-pricing model. The Warrant liability is classified within Level 3 of the fair value hierarchy because the valuation incorporates significant unobservable inputs, principally expected stock-price volatility.

The following table summarizes the assumptions used to estimate the fair value of the Warrants:

	June 8, 2026	July 31, 2026
Common stock price VWAP	\$ 11.70	\$ 5.40
Exercise price	\$ 12.00	\$ 12.00
Expected volatility	120%	121%
Risk-free interest rate	4.27%	4.56%
Expected remaining term	6.5 years	6.3 years
Expected dividend yield	—%	—%
Fair value of Warrant liability	\$ 8,663,000	\$ 3,756,000

For the three months ended July 31, 2026, the Company recognized a gain of approximately \$4.9 million resulting from the change in fair value of the Warrant liability.

As of July 31, 2026, all 833,334 Warrants remained outstanding and no Warrants had been exercised. If all Warrants are exercised for cash at the initial exercise price, the Company would receive additional gross proceeds of \$10.0 million. However, the Warrants may be exercised on a cashless basis under certain circumstances, and there can be no assurance that any Warrants will be exercised or that the Company will receive any additional cash proceeds.

(14) Acquisition of In-Process Research and Development Assets

On July 22, 2026, the Company entered into and closed an Asset Purchase Agreement with Columbia Power Technologies, Inc. (“C-Power”), pursuant to which the Company acquired certain intellectual property, engineering materials, and developmental work related to a subsurface wave energy converter technology known as “SubWEC”. The Company also obtained a license to certain background intellectual property used in connection with the acquired technology. The acquired technology is intended to support the Company’s development of subsea power capabilities and complement its existing offshore power and autonomous maritime systems.

As consideration for the acquired assets, the Company issued 366,162 restricted shares of its common stock to C-Power. The number of shares issued was determined using a contractually agreed value of \$2.9 million and a trailing 30-day volume-weighted average price of approximately \$8.10 per share. The Company also paid C-Power \$0.1 million in cash as reimbursement of certain expenses.

For accounting purposes, the common stock issued was measured at its acquisition-date fair value rather than the historical volume-weighted average price used to determine the number of shares issued. Based on the quoted market price of the Company’s common stock of \$5.40 per share on July 22, 2026, the 366,162 shares had a fair value of approximately \$2.0 million on the acquisition date. Including the \$0.1 million cash payment and approximately \$0.1 million of direct transaction costs, the total accounting cost of the acquisition was approximately \$2.2 million.

The difference between the \$2.9 million contractual reference value and the acquisition-date fair value of the shares resulted from the use of the trailing 30-day volume-weighted average price to establish the fixed number of shares issued and the subsequent change in the Company’s stock price. No gain or loss was recognized as a result of this difference.

The Company evaluated the acquired set under ASC 805, *Business Combinations*, and concluded that it did not constitute a business because the acquired set did not include an assembled workforce or a substantive process capable of significantly contributing to the creation of outputs. Accordingly, the transaction was accounted for as an asset acquisition.

As of the acquisition date, the acquired technology remained under development, had not reached technological feasibility and required substantive additional research, engineering, integration and testing before it could be available for its intended commercial use. The Company determined that the acquired in-process research and development assets were specific to the SubWEC development project and had no alternative future use, in other research and development projects or otherwise, at the acquisition date. Accordingly, the Company charged the entire acquisition cost of approximately \$2.2 million to research and development expense during the three months ended July 31, 2026. No acquired intangible asset or goodwill was recognized in connection with the transaction.

The 366,162 shares issued as consideration represented noncash consideration that is excluded from the Company’s condensed consolidated statement of cash flows. The shares were recorded as common stock and additional paid-in capital and are included in weighted-average shares outstanding for earnings-per-share purposes beginning on the July 22, 2026 issuance date.

(15) Commitments and Contingencies

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.

Onerous Contract

The Company has one contract with a customer that has been determined to be an onerous contract, which means that the expected costs of the contract are expected to exceed the revenue. The total value of this contract is \$1.4 million. As of July 31, 2026, total revenue recognized for this contract was \$0.7 million, with total costs incurred of \$3.6 million. The Company estimates total future costs associated with this contract of \$2.8 million, which will be incurred over the next 24 months.

(16) 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 July 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 Plan was amended and restated on June 29, 2026 to among other things extend the life of the Plan through June 29, 2029.

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.

(17) 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 months ended July 31, 2026 and 2025, respectively:

	Three month ended July 31,	
	2026	2025
	(in thousands)	
Revenue	\$ 1,703	\$ 1,182
Less:		
Cost of sales	4,534	1,205
Product development costs	2,719	136
Employee-related costs	3,046	2,285
Professional, consulting and contractor fees	1,645	977
General and administrative costs	2,225	652
Facilities costs	463	379
Share-based compensation	1,829	2,399
Depreciation and amortization expense	319	227
Other expense, net	(1)	—
Interest (income)/expense, net	373	310
Change in fair value of derivatives	4,912	—
Loss on extinguishment of debt	—	—
Net loss	<u>\$ (10,537)</u>	<u>\$ (7,388)</u>

(18) Subsequent Events

Reverse Stock Split

On September 10, 2026, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation authorizing the Board of Directors to effect a reverse stock split of the Company's common stock at a ratio within a specified range, with the exact ratio to be determined by the Board of Directors. On the same date, the Board of Directors approved a reverse stock split at a ratio of one-for-thirty (the "Reverse Stock Split"). The Reverse Stock Split became effective on September 11, 2026 upon the filing and effectiveness of a Certificate of Amendment with the Secretary of State of the State of Delaware, and the Company's common stock began trading on a split-adjusted basis on the NYSE American on September 14, 2026 under the existing trading symbol "OPTT" but under a new CUSIP number. As a result, every thirty shares of the Company's issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders otherwise entitled to receive a fractional share received one whole share of common stock in lieu of the fractional share.

The Reverse Stock Split did not change the number of authorized shares of common stock or the par value of the common stock. Proportionate adjustments were made to the number of shares issuable upon the exercise, vesting or conversion of the Company's outstanding stock options, restricted stock units, other equity awards, warrants and other convertible securities, including the convertible notes; the applicable exercise and conversion prices; and the number of shares authorized, reserved and available for issuance under the Company's equity compensation plans. The Reverse Stock Split did not generate any proceeds for the Company. The Reverse Stock Split was intended, among other objectives, to increase the market price per share of the Company's common stock, support compliance with applicable stock-exchange listing standards, improve the marketability of the common stock and enhance the Company's ability to pursue financing and potential future exchange-listing opportunities. All common share and per-share amounts presented in these unaudited condensed consolidated financial statements and the related notes, including earnings per share and shares underlying outstanding equity awards, warrants and other convertible securities, including the convertible notes, have been retrospectively adjusted for all periods presented to reflect the Reverse Stock Split. The number of authorized shares and the par value per share have not been retrospectively adjusted because they were not affected by the Reverse Stock Split.

Pursuant to the terms of that certain Amended and Restated Section 382 Tax Benefits Preservation Plan, dated as of June 29, 2026 (the "Plan"), by and between the Company and Computershare Trust Company, N.A., a federally chartered trust company, as rights agent (the "Rights Agent"), the Reverse Stock Split resulted in an automatic, mechanical, and proportional adjustment pursuant to Section 11(o) of the Plan to the purchase price of the preferred stock purchase rights (the "Rights") associated with each outstanding share of Common Stock.

Effective as of the Effective Time, the initial purchase price of \$2.25 per one one-thousandth of a share of Series A Participating Preferred Stock, par value \$0.001 per share (the "Preferred Stock"), was multiplied by the Reverse Stock Split ratio factor of one for thirty, resulting in an adjusted purchase price of \$67.50 per one one-thousandth of a share of Preferred Stock, subject to further adjustment as provided in the Plan.

Pursuant to Section 11(o) of the Plan:

- (i) the fraction of a share of Preferred Stock purchasable upon exercise of each Right remains unchanged at one one-thousandth of a share of Preferred Stock per Right; and
- (ii) the number of Rights associated with each outstanding share of Common Stock remains unchanged at one (1) Right per share.

On September 11, 2026, in accordance with Section 12 of the Plan, the Company delivered to the Rights Agent the required notice setting forth the adjustments to the Purchase Price and the statement of facts and computations accounting for such adjustment. No formal text amendment to the Plan or its underlying exhibits was executed or required in connection therewith.

Chief Executive Officer Transition

On September 14, 2026, Dr. Philipp Stratmann resigned as President and Chief Executive Officer of the Company. The Board of Directors appointed Tracy Pagliara to serve as Acting Chief Executive Officer, effective September 14, 2026. Dr. Stratmann's resignation was not the result of any disagreement with the Company concerning its operations, policies or practices. In connection with his departure, Dr. Stratmann will be entitled to receive six months of base salary and the balance of his agreed fiscal 2026 bonus. He also will receive continued Company health benefits through September 30, 2026. The resignation and related leadership transition did not result in an adjustment to the Company's consolidated financial statements as of and for the three months ended July 31, 2026.

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, and the potential that this affects the demand for, or restricts 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;
- the ability to continue as a going concern due to constrained liquidity in its business;
- 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, Russia's invasion of Ukraine, the Israel/Palestine conflict, the Iran war 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, 2026, 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, 2026 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, 2026). 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.

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.

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, 2026, filed with the SEC on August 19, 2026.

Liquidity

During the three months ended July 31, 2026, the Company incurred a net loss of approximately \$10.5 million and used cash in operations of approximately \$10.2 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.

The Company has incurred recurring operating losses and negative cash flows from operations and expects to continue to incur losses and use cash in operations for the foreseeable future. Based on the Company's current operating plan, existing cash resources and anticipated cash flows from operations are not expected to be sufficient to fund planned operations and satisfy the Company's contractual obligations for at least twelve months from the date the accompanying unaudited condensed consolidated financial statements are issued. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The report of the Company's independent registered public accounting firm on the Company's consolidated financial statements for the fiscal year ended April 30, 2026 included an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern. The inclusion of this explanatory paragraph did not represent a modification of the auditor's opinion on those consolidated financial statements. The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Subsequent to July 31, 2026, the Company did not file its Annual Report on Form 10-K for the fiscal year ended April 30, 2026 within the extension period provided by Rule 12b-25 under the Securities Exchange Act of 1934. The failure to timely file the Form 10-K constituted an event of default under the Notes (as defined below). As of the date of this Quarterly Report on Form 10-Q, the Company has not obtained a written waiver of the event of default. Although the holders of the Notes have not indicated that they intend to exercise remedies available to them under the Notes, there can be no assurance that they will not do so. Any enforcement action could have a material adverse effect on the Company's liquidity, financial condition and ability to continue as a going concern.

Management's plans to address the Company's liquidity requirements include seeking additional capital through public or private equity or debt financings, pursuing strategic or commercial arrangements, increasing revenue and collections, reducing or delaying expenditures, and seeking to restructure or otherwise modify the Company's outstanding debt obligations. The Company's ability to obtain additional financing is subject to numerous risks and uncertainties, including market conditions, the Company's operating performance, the trading price of its common stock, limitations arising from its outstanding indebtedness, and its ability to satisfy applicable securities-law and stock-exchange requirements. Additional financing may not be available when required or may be available only on terms that are unfavorable to the Company and its stockholders, including financing arrangements that result in substantial dilution to existing stockholders.

Management's plans have not alleviated the substantial doubt about the Company's ability to continue as a going concern because those plans are not currently considered probable of being effectively implemented within the applicable assessment period. There can be no assurance that the Company will be successful in implementing any of these plans.

Convertible Notes

In April 2026, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain institutional investors pursuant to which the Company issued and sold senior convertible notes (the “Notes”) in an aggregate principal amount of \$10.0 million, along with a 13% premium on the principal amount. The conversion rate related to this agreement is \$12.00 per share. Proceeds from these Notes were used to pay off the remaining balances associated with the May and October 2025 convertible notes, respectively. Beginning on the closing date, the Notes are subject to quarterly cash amortization payments through maturity and monthly interest payment calculated on a 4.5% annual rate for the outstanding principal amount at the end of the previous month. Between the premium and annual interest rate, the effective interest rate on this Note is approximately 20%. The agreement also contains a make-whole interest whereby in connection with any conversion, redemption, or other repayment would result in an additional interest amount as if the principal remained outstanding through the maturity date. The Notes rank senior to the Company’s other unsecured indebtedness, subject to certain exceptions, and contain customary affirmative and negative covenants, including restrictions on indebtedness, liens, restricted payments, asset transfers, changes in business, and affiliate transactions, including a covenant requirement \$2.0 million minimum cash balance to be maintained. The Notes also contain customary events of default. The conversion of these notes into equity may occur at times and under pricing mechanisms that could lead to a substantial number of shares being issued, potentially at prices below prevailing market prices.

Backlog

As of July 31, 2026, backlog was \$19.1 million, compared to \$15.0 million at July 31, 2025. The backlog represents the value of unfulfilled, purchase orders and agreements with commercial and governmental customers. If any of our contracts were to be terminated, our backlog would be reduced by the expected value of the remaining terms of such contract.

Backlog figures do not necessarily reflect future revenue, as orders may be adjusted, delayed, or canceled, and our recognition of associated revenue is subject to the terms of the underlying agreements. The size of our backlog may also fluctuate materially based on the timing of new awards, contract renewals, or the conclusion of long-term engagements. Consequently, while we view backlog as a useful performance indicator, it should not be relied upon as a predictor of future results.

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, 2026 other than noted below.

We measure the warrant liability associated with the June 2026 equity issuance (described below) at fair value using a Black-Scholes option-pricing model. The valuation requires the use of assumptions and judgments, including the market price of our common stock, expected stock-price volatility, the risk-free interest rate, the expected remaining term of the warrants and the expected dividend yield. Certain of these assumptions, particularly expected volatility, are not directly observable and may change significantly between reporting periods.

Changes in these assumptions, individually or in combination, could materially affect the estimated fair value of the warrant liability and the amount of the related noncash gain or loss recognized in our results of operations. An increase in the market price or expected volatility of our common stock generally would increase the warrant liability and result in a noncash loss, while a decrease in those assumptions generally would reduce the warrant liability and result in a noncash gain. See Note 13, *Common Stock and Warrant Issuance*, and Note 12, *Fair Value Measurements*, to our condensed consolidated financial statements for additional information.

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 December 15, 2025, 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. The Company adopted ASU 2025-05 on May 1, 2026 and the adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

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. In fiscal 2026, we made significant progress in diversifying our customer and geographic base. Our strategic efforts to expand into defense, energy, and environmental monitoring markets in Europe, the Middle East, and Africa (EMEA) resulted in a substantial increase in EMEA-sourced revenue. This geographic expansion reflects the increasing global relevance of our autonomous maritime systems, particularly among government and industrial customers. It also demonstrates the early success of our international channel development initiatives, which we intend to further scale in fiscal 2026 through targeted partnerships, regional deployments, and export-driven offerings.

The following table shows the percentage of our revenues by geographical location of our customers for the three months ended July 31, 2026 and 2025.

Customer Location*	Three months ended July 31,	
	2026	2025
North America & South America	80%	11%
EMEA	5%	89%
Asia & Australia	15%	<1%
	100%	100%

* 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, materials incurred, 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 July 31, 2026 compared to the three months ended July 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 July 31, 2026 and 2025.

	Three months ended July 31,	
	2026	2025
Product & service revenue	\$ 1,046	\$ 1,115
Lease revenue	656	67
Total revenue	1,703	1,182
Cost of revenues	4,534	1,205
Gross margin	(2,831)	(23)
Operating expenses	12,246	7,055
Operating loss	(15,077)	(7,078)
Interest income/(expense), net	(373)	(310)
Change in fair value of derivative	4,912	—
Foreign exchange loss	(1)	—
Loss before income taxes	(10,537)	(7,388)
Income tax benefit	—	—
Net loss	(10,537)	(7,388)

Revenues

Revenues for the three months ended July 31, 2026 increased approximately \$0.5 million related primarily to ongoing buoy operations during the current year.

Cost of revenues

Cost of revenues for the three months ended July 31, 2026 increased approximately \$3.3 million and is related primarily to the recognition of one-time losses associated with contracts in strategically important markets, including \$0.3 million related to revenue and cost of goods sold at no margin to the Company for change orders on existing contract. The expenses and revenues associated with these projects will continue over the next several months.

Operating expenses

Operating expenses for the three months ended July 31, 2026 increased approximately \$5.2 million and was primarily the result of the significant increases in product development of \$2.6 million, one-time non-cash losses on abandonment of assets and warrant acquisition expense of \$1.4 million, and increases in employee-related expenses of \$0.8 million.

Product development

Product development expenses increased by \$2.6 million to \$2.7 million for the three months ended July 31, 2026, compared with \$0.1 million for the corresponding prior-year period. The increase was primarily attributable to a charge related to the July 2026 acquisition of in-process research and development assets from Columbia Power Technologies, Inc. The acquired technology had not reached technological feasibility and had no alternative future use and, accordingly, the acquisition-date cost was expensed. Approximately \$2.0 of the charge related to common stock issued as consideration and was noncash.

Interest expense

Interest expense for the three months ended July 31, 2026 and 2025 was \$373,000 and \$310,000, respectively, with the change primarily related to interest expenses associated with the May and October 2025 convertible notes and the April 2026 convertible note.

Change in fair value of derivatives

The warrants issued in the June 2026 registered direct offering are accounted for as derivative liabilities and are measured at fair value at each reporting date. For the three months ended July 31, 2026, we recognized a noncash gain of approximately \$4.9 million from the change in fair value of the warrant liability. There was no comparable amount during the corresponding period of the prior year. The change in fair value during the period was primarily attributable to changes in the market price of our common stock and other valuation assumptions. Because the warrant liability is remeasured each reporting period, changes in our stock price and the other valuation assumptions may result in significant noncash gains or losses in future periods. These fair-value adjustments affect our reported results of operations but do not affect our cash flows from operating activities.

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 \$10.5 million and \$7.4 million for the three months ended July 31, 2026 and 2025, respectively. Refer to “Liquidity Outlook” below for additional information.

On June 8, 2026, we completed a registered direct offering in which we issued 833,334 shares of common stock together with warrants to purchase up to 833,334 additional shares of common stock. The combined purchase price was \$12.00 for each share of common stock and accompanying warrant. We received gross proceeds of \$10.0 million and net proceeds of approximately \$9.3 million after placement-agent fees and other offering expenses. We used a portion of the net proceeds to repay principal and other amounts due under our convertible notes payable. The remaining proceeds have been, and are expected to be, used for working capital and other general corporate purposes.

The offering increased our liquidity during the quarter; however, the net proceeds do not eliminate our need to obtain additional capital to fund our operations and satisfy our obligations. We expect to continue evaluating potential sources of capital, which may include additional public or private equity offerings, debt financings, strategic transactions or other financing arrangements. Our ability to obtain additional financing is subject to market conditions and other factors beyond our control, and there can be no assurance that financing will be available when needed or on acceptable terms. If we are unable to manage this, we may have to consider other options, such as selling assets, raising additional debt or equity capital, filing bankruptcy, or ceasing operations.

The warrants become exercisable on December 8, 2026, at an initial exercise price of \$12.00 per share. If all warrants were exercised for cash at the initial exercise price, we would receive additional gross proceeds of \$10.0 million. However the decision to exercise the warrants is within the control of the holders. Accordingly, we cannot predict whether or when the warrants will be exercised, and potential proceeds from their exercise should not be considered a committed source of liquidity. We have not assumed the receipt of any warrant exercise proceeds in our assessment of available liquidity.

Net cash provided by financing activities for the three months ended July 31, 2026 included approximately \$9.0 million of net proceeds from the offering.

Net cash used in operating activities

During the three months ended July 31, 2026, net cash used in operating activities was \$10.2 million, an increase of \$4.6 million compared to net cash used in operating activities during the three months ended July 31, 2025 of \$5.6 million. This primarily reflects an increase in net loss of \$3.1 million, contract assets, contract liabilities, and inventory on hand, partially offset an increase in accounts payable in the current year versus the prior year.

Net cash used in investing activities

Net cash used in investing activities during the three months ended July 31, 2026 was \$0.1 million, compared to \$1.5 million during the three months ended July 31, 2025, a change of \$1.3 million. The net cash used in investing activities during the three months ended July 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 three months ended July 31, 2026 and July 31, 2025 was \$9.0 million and \$10.2 million, respectively. The current year activity was driven by the proceeds raised related to the June common stock and warrant offering of \$10.0 million and ATM proceeds of \$1.4 million, and the prior year activity was related primarily to ATM proceeds of \$0.3 million, and \$9.9 million in proceeds related to convertible debt issued in May 2025 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 months ended July 31, 2026 and July 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 July 31, 2026, our year-to-date revenues were \$1.7 million, our year-to-date net losses were \$10.5 million, and our year-to-date net cash used in operating activities was \$10.2 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 restricts 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;
- the ability to continue as a going concern due to constrained liquidity in our business;
- 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, Russia's invasion of Ukraine, the Israel/Palestine conflict, the Iran War 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;
- our ability to establish and maintain consistent commercial profit margins; and
- our recurring operating losses, negative cash flows, limited liquidity and unwaived event of default under the Notes raise substantial doubt about our ability to continue as a going concern.

Our business is capital intensive, and through July 31, 2026, we have been funding our business principally through sales of our securities. As of July 31, 2026, our cash and cash equivalents and long-term restricted cash balance was \$7.5 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 September 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 upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of July 31, 2026.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that the Company had an entity level material weakness in the application of the COSO framework which led to the following material weaknesses:

- The Company did not design and maintain effective controls over the identification, evaluation, valuation and accounting for complex and/or non-routine transactions, including transactions related to revenue recognition and convertible debt agreements. Specifically, the Company did not design and maintain effective controls to ensure that complex and/or non-routine transactions were appropriately identified, evaluated, valued and accounted for in accordance with generally accepted accounting principles in the United States.
- The Company did not design and maintain effective controls over the completeness and accuracy of key data elements and system-generated reports derived from our inventory management system used in financial reporting. Specifically, the Company did not design and maintain effective controls related to inventory movements to validate inventory aging, and consequently, there were insufficient controls over the completeness and accuracy of key data elements used in evaluating the appropriateness of the valuation of inventory.

When the deficiencies identified within each of the above areas are considered in the aggregate, these deficiencies rise to the level of material weaknesses. These material weaknesses did not result in a material misstatement to our annual or interim financial statements. As the business grows, new processes and procedures will need to be implemented. We are continuing our remediation plan and are in the process of implementing measures designed to improve internal control over financial reporting to remediate the control deficiencies that led to our material weaknesses. This includes, among other things, reviewing the need for additional resources as well as ensuring personnel possess or obtain appropriate expertise to perform specific reviews of technical areas, and designing and implementing improved processes.

Notwithstanding the identified material weaknesses, management believes that the financial statements and related financial information included in this Form 10-Q fairly present, in all material respects, our balance sheets, statements of operations, statements of changes in stockholders’ equity (deficit) and statements of cash flows as of and for the periods presented.

Remediation of the Material Weaknesses in Internal Control over Financial Reporting

We are committed to establishing and maintaining a strong internal control environment. We will continue to assess the effectiveness of our internal control over financial reporting and implement measures designed to help ensure that control deficiencies contributing to the material weaknesses are remediated as soon as possible. In light of the identified material weaknesses in internal control over financial reporting, management intends to enhance its controls period-end close processes, including identification of complex, non-routine transactions. These enhancements will include strengthening review procedures, increasing the level of precision applied in account analyses, and ensuring timely preparation and review of technical accounting memorandums by experienced members of the accounting team, including senior leadership.

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 three months ended July 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, 2026 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. 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 August 19, 2026.

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

3.1	<u>Amended and Restated Certificate of Designations of Series A Participating Preferred Stock of Ocean Power Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 29, 2026).</u>
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of Ocean Power Technologies, Inc. filed with the Secretary of State of the State of Delaware on September 11, 2026 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by Ocean Power Technologies, Inc. on September 11, 2026).</u>
4.1	<u>Form of Common Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 8, 2026).</u>
4.2	<u>Amended and Restated Section 382 Tax Benefits Preservation Plan, dated as of June 29, 2026, by and between Ocean Power Technologies, Inc. and Computershare Trust Company, N.A., as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on Jun 29, 2026).</u>
10.1	<u>Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 8, 2026).</u>
10.2	<u>Asset Purchase Agreement between Ocean Power Technologies, Inc. and Columbia Power Technologies, Inc. dated July 22, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 23, 2026).</u>
10.3	<u>At The Market Offering Agreement, dated July 27, 2026, by and between Ocean Power Technologies, Inc. and H.C. Wainwright & Co., LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 27, 2026).</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	* <u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	* <u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	The following financial information from Ocean Power Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended July 31, 2026, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets – July 31, 2026 (unaudited) and April 30, 2026, (ii) Consolidated Statements of Operations (unaudited) – three months ended July 31, 2026 and 2025, (iii) Consolidated Statements of Comprehensive Loss (unaudited) –three months ended July 31, 2026 and 2025, (iv) Consolidated Statement of Shareholders' Equity (unaudited) –three months ended July 31, 2026 and 2025 (v) Consolidated Statements of Cash Flows (unaudited) –three months ended July 31, 2026 and 2025, (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: September 14, 2026

/s/ Tracy Pagliara

By: Tracy Pagliara
Acting President and Chief Executive Officer

Date: September 14, 2026

/s/ Robert Powers

By: Robert Powers
Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

I, Tracy Pagliara, 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: September 14, 2026

/s/ Tracy Pagliara

Tracy Pagliara

Acting 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: September 14, 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 July 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Tracy Pagliara, Acting 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: September 14, 2026

/s/ Tracy Pagliara

Tracy Pagliara

Acting 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 July 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: September 14, 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.
