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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

or

o 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: 001-40611

NAUTICUS ROBOTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**85-1699753**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

17146 FEATHERCRAFT LANE, SUITE 450,
WEBSTER, TEXAS 77598
(Address of principal executive offices and zip code)

(281) 942-9069
(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	KITT	The Nasdaq Stock Market LLC
Redeemable Warrants	KITTW	The Nasdaq Stock Market LLC

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 filing requirements for the past 90 days. Yes x No o

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 x No o

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:

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

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. x

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

As of August 9, 2024, the registrant had 4,649,630 shares of common stock outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements appear in a number of places in this Form 10-Q including, without limitation, in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements are based on the current expectations of our management and are inherently subject to uncertainties and changes in circumstances and their potential effects and speak only as of the date such statements are made. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in “Item 1A. Risk Factors” and other sections in the Annual Report on Form 10-K filed by us on April 9, 2024, ,in our Quarterly Reports on Form 10-Q filed subsequent to the Annual Report on Form 10-K, and in our prospectus or any prospectus supplement which are on file with the Securities and Exchange Commission.

These and other factors could cause actual results to differ from those implied by the forward-looking statements. Forward-looking statements are not guarantees of performance and speak only as of the date hereof. There can be no assurance that future developments will be those that have been anticipated or that we will achieve or realize these plans, intentions, or expectations.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements of belief and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date they are made, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NAUTICUS ROBOTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,122,943	$ 753,398
Restricted certificate of deposit	51,223	201,822
Accounts receivable, net	176,458	212,428
Inventories	2,217,507	2,198,797
Contract assets	482,576	-
Prepaid expenses	1,283,088	1,889,218
Other current assets	490,419	1,025,214
Assets held for sale	289,430	2,940,254
Total Current Assets	13,113,644	9,221,131
Property and equipment, net	16,500,849	15,904,845
Operating lease right-of-use assets	1,380,434	834,972
Other assets	204,296	187,527
Total Assets	$ 31,199,223	$ 26,148,475
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	$ 5,594,270	$ 7,035,450
Accrued liabilities	5,212,935	7,339,099
Contract liability	457,872	2,767,913
Operating lease liabilities - current	420,910	244,774
Total Current Liabilities	11,685,987	17,387,236
Warrant liabilities	1,192,693	18,376,180
Operating lease liabilities - long-term	1,035,713	574,260
Notes payable - long-term, net of discount (related party)	46,644,908	31,597,649
Total Liabilities	$ 60,559,301	$ 67,935,325
Commitments and Contingencies		
Stockholders' Deficit:		
Common stock, $0.0001 par value; 625,000,000 shares authorized, 4,131,426 and 1,389,884 shares issued, respectively, and 4,131,426 and 1,389,884 shares outstanding, respectively (As adjusted, see Note 11)	$ 413	$ 139
Additional paid-in capital (As adjusted, see Note 11)	94,390,920	77,004,714
Accumulated deficit	(123,751,411)	(118,791,703)
Total Stockholders' Deficit	(29,360,078)	(41,786,850)
Total Liabilities and Stockholders' Deficit	$ 31,199,223	$ 26,148,475

The accompanying notes are an integral part of these condensed consolidated financial statements.

NAUTICUS ROBOTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue:				
Service	$ 501,708	$ 1,128,115	$ 966,062	$ 3,948,395
Service - related party	-	-	-	500
Total revenue	501,708	1,128,115	966,062	3,948,895
Costs and expenses:				
Cost of revenue (exclusive of items shown separately below)	2,875,394	1,900,602	4,969,349	4,832,869
Depreciation	411,586	53,209	837,771	326,308
Research and development	-	482,761	63,534	709,728
General and administrative	3,227,288	5,560,565	6,657,298	10,773,209
Total costs and expenses	6,514,268	7,997,137	12,527,952	16,642,114
Operating loss	(6,012,560)	(6,869,022)	(11,561,890)	(12,693,219)
Other (income) expense:				
Other (income) expense, net	118,274	(3,162)	21,801	1,149,219
Gain on lease termination	(8,532)	-	(23,897)	-
Foreign currency transaction loss (gain)	4,296	(17,709)	9,443	(27,593)
Loss on exchange of warrants	-	590,266	-	590,266
Change in fair value of warrant liabilities	(4,422,701)	(29,668,454)	(12,732,324)	(27,431,550)
Interest expense, net	3,669,423	1,556,597	6,122,795	6,491,664
Total other income, net	(639,240)	(27,542,462)	(6,602,182)	(19,227,994)
Net income (loss)	$ (5,373,320)	$ 20,673,440	$ (4,959,708)	$ 6,534,775
Basic earnings (loss) per share (As adjusted, see Note 16)	$ (2.75)	$ 18.62	$ (2.97)	$ 5.90
Diluted earnings (loss) per share (As adjusted, see Note 16)	$ (2.75)	$ 17.70	$ (2.97)	$ 5.79
Basic weighted average shares outstanding (As adjusted, see Note 16)	1,950,563	1,110,091	1,667,187	1,107,580
Diluted weighted average shares outstanding (As adjusted, see Note 16)	1,950,563	1,231,814	1,667,187	1,127,853

The accompanying notes are an integral part of these condensed consolidated financial statements.

NAUTICUS ROBOTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES OF STOCKHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
	(As adjusted, see Note 11)				
Balance at March 31, 2024	1,592,140	$ 159	$ 78,875,003	$ (118,378,091)	$ (39,502,929)
Stock-based compensation	-	-	809,310	-	809,310
Vesting of RSUs	46,665	5	(5)	-	-
Exercise of warrants	457,255	45	3,111,464	-	3,111,509
Conversion of convertible secured debentures	628,942	63	2,237,335	-	2,237,398
At the Market (ATM) share offering	1,406,424	141	9,357,813	-	9,357,954
Net loss	-	-	-	(5,373,320)	(5,373,320)
Balance at June 30, 2024	4,131,426	$ 413	$ 94,390,920	$ (123,751,411)	$ (29,360,078)
Balance at March 31, 2023	1,313,369	$ 131	$ 69,406,842	$ (82,243,767)	$ (12,836,794)
Stock-based compensation	-	-	1,862,164	-	1,862,164
Exercise of stock options	4,131	-	283,390	-	283,390
Vesting of RSUs	4,603	1	(1)	-	-
Exercise of warrants	8,293	-	338,055	-	338,055
Net income	-	-	-	20,673,440	20,673,440
Balance at Jun 30, 2023	1,330,396	$ 132	$ 71,890,450	$ (61,570,327)	$ 10,320,255

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	(As adjusted, see Note 11)				
Balance at December 31, 2023	1,389,884	$ 139	$ 77,004,714	$ (118,791,703)	$ (41,786,850)
Stock-based compensation	-	-	1,339,965	-	1,339,965
Vesting of RSUs	90,587	9	(9)	-	-
Exercise of warrants	615,589	61	4,451,102	-	4,451,163
Conversion of convertible secured debentures	628,942	63	2,237,335	-	2,237,398
At the Market (ATM) share offering	1,406,424	141	9,357,813	-	9,357,954
Net loss	-	-	-	(4,959,708)	(4,959,708)
Balance at June 30, 2024	4,131,426	$ 413	$ 94,390,920	$ (123,751,411)	$ (29,360,078)
Balance at December 31, 2022	1,312,521	$ 131	$ 68,132,790	$ (68,105,102)	$ 27,819
Stock-based compensation	-	-	3,077,027	-	3,077,027
Exercise of stock options	4,979	-	342,579	-	342,579
Vesting of RSUs	4,603	1	(1)	-	-
Exercise of warrants	8,293	-	338,055	-	338,055
Net income	-	-	-	6,534,775	6,534,775
Balance at Jun 30, 2023	1,330,396	$ 132	$ 71,890,450	$ (61,570,327)	$ 10,320,255

The accompanying notes are an integral part of these condensed consolidated financial statements.

NAUTICUS ROBOTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	$ (4,959,708)	$ 6,534,775
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	837,771	326,308
Amortization of debt discount	3,242,443	1,878,376
Amortization of debt issuance cost	312,440	-
Accretion of RCB Equities #1, LLC exit fee	48,475	-
Stock-based compensation	1,339,965	3,077,027
Loss on exchange of warrants	-	590,266
Change in fair value of warrant liabilities	(12,732,324)	(27,431,550)
Non-cash impact of lease accounting	171,962	145,253
Gain on disposal of assets	(3,102)	-
Write off of property and equipment	29,350	-
Gain on lease termination	(23,897)	-
Gain on short-term investments	-	(40,737)
Changes in operating assets and liabilities:		
Accounts receivable	35,969	319,940
Inventories	(18,710)	(5,869,092)
Contract assets	(482,576)	(37,341)
Other assets	1,232,368	(1,045,514)
Accounts payable and accrued liabilities	(1,715,646)	8,733,185
Contract liabilities	(2,310,041)	-
Operating lease liabilities	(55,937)	(193,257)
Net cash used in operating activities	(15,051,198)	(13,012,361)
Cash flows from investing activities:		
Capital expenditures	(351,942)	(6,102,253)
Proceeds from sale of assets held for sale	419,720	-
Proceeds from sale of property and equipment	6,802	-
Proceeds from sale of short-term investments	-	5,000,000
Net cash from (used in) investing activities	74,580	(1,102,253)
Cash flows from financing activities:		
Proceeds from notes payable	14,305,000	-
Payment of debt issuance costs on notes payable	(1,316,791)	-
Proceeds from ATM offering	9,857,857	-
Payment of ATM commissions and fees	(499,903)	-
Proceeds from exercise of stock options	-	342,579
Proceeds from exercise of warrants	-	338,055
Net cash from financing activities	22,346,163	680,634
Net change in cash and cash equivalents	7,369,545	(13,433,980)
Cash and cash equivalents, beginning of period	753,398	17,787,159
Cash and cash equivalents, end of period	$ 8,122,943	$ 4,353,179
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 111,875	$ 908,184
Cash paid for taxes	$ -	$ -
Non-cash investing and financing activities:		
Operating leases at inception	$ 1,095,067	$ 1,212,824
Exercise of warrants	$ 4,451,163	$ -

Conversion of convertible secured debentures to common stock	$	2,237,398	$	-
Capitalized paid-in-kind (PIK) interest	$	649,922	$	-
Liabilities relieved through sale of asset held for sale	$	1,158,609	$	-
Transfer from assets held for sale to property and equipment	$	1,114,883	$	-
Capitalized interest	$	-	$	536,077
Capital expenditures included in accounts payable	$	-	$	841,171

The accompanying notes are an integral part of these condensed consolidated financial statements.

NAUTICUS ROBOTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of the Business

Nauticus Robotics, Inc. (the “Company”, “our”, "us" or “we”) develops autonomous robots for the ocean industries. The Company’s principal corporate offices are located in Webster, Texas. Nauticus’ robotic systems and services are designed to address both commercial and government-facing customers. Autonomy requires the extensive use of sensors, artificial intelligence, and effective algorithms for perception and decision allowing the robot to adapt to changing environments. The Company’s business model includes using robotic systems for service, selling vehicles and components, and licensing of related software to both the commercial and government defense business sectors. Nauticus has designed and is currently testing and certifying a new generation of vehicles to reduce operational cost and gather data to maintain and operate a wide variety of subsea infrastructure. Besides a standalone service offering, Nauticus’ approach to ocean robotics has also resulted in the development of a range of technology products for retrofit/upgrading legacy systems and other third-party vehicle platforms. Nauticus’ services provide customers with the necessary data collection, analytics, and subsea manipulation capabilities to support and maintain assets while reducing their operational footprint, operating cost, and greenhouse gas emissions, to improve offshore health, safety, and environmental exposure.

Liquidity – The Company continues to develop its principal products and conduct research and development activities. Currently, the Company does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company has embarked on cost-cutting measures to continue to preserve cash. The Company may require additional liquidity to continue its operations over the next twelve months, which a current investor has committed to provide. The Company believes with this investor support that there will be sufficient resources to continue as a going concern for at least one year from the date that the condensed consolidated financial statements contained in this Form 10-Q are issued.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying condensed consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments, unless otherwise disclosed) necessary for a fair statement of the condensed consolidated results of operations, financial position, cash flows and changes in stockholders’ deficit for each period presented. All intercompany balances and transactions have been eliminated in preparation of these condensed consolidated financial statements. The condensed consolidated results for the interim periods are not necessarily indicative of results to be expected for the full year. The 2023 year-end consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

Summary of Significant Accounting Policies – The Company’s significant accounting policies are discussed in Note 2 to Nauticus Robotics, Inc.’s consolidated financial statements included in its Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2023. There have been no significant changes to these policies which have had a material impact on the Company’s interim unaudited condensed consolidated financial statements and related notes during the three and six months ended June 30, 2024.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the (i) estimates of future costs to complete customer contracts recognized over time, (ii) valuation allowances for deferred income tax assets, (iii) valuation of stock-based compensation awards and (iv) the valuation of conversion options, warrants and earnouts. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company classifies all highly-liquid instruments with an original maturity of three months or less as cash equivalents. The Company maintains cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits of $250,000. Historically, the Company has not experienced any losses in such accounts. There were no cash equivalents at June 30, 2024 or December 31, 2023.

NAUTICUS ROBOTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Restricted Certificates of Deposit – The Company has restricted certificate of deposits of $ 51,223 and $201,822, held by a bank on our behalf as of June 30, 2024 and December 31, 2023, respectively. The restricted certificate of deposit at June 30, 2024, relates to a guarantee against corporate credit cards. $150,000 of the balance at December 31, 2023 relates to a certificate of deposit required to collateralize a letter of credit which was released in the first quarter of 2024, with the remainder relating to a guarantee against corporate credit cards.

Short-term Investments – On March 14, 2023, the Company received proceeds of $ 5,000,000 from the maturity of a short-term investment in a US Treasury Bill. The gain on the investment of $40,737 is included in other (income) expense on the condensed consolidated statements of operations for the six months ended June 30, 2023.

Accounts Receivable, Unbilled Revenues, and Allowance for Credit Losses – In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU” or “standard”) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued several standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss (“CECL”). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in Topic 326 were trade accounts receivable and unbilled revenues. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures.

With the adoption of ASU 2016-13, accounts receivable and contract assets are recorded at the invoiced amount and do not typically bear interest. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. The Company's accounts receivables are primarily derived from the provision of services to our customers. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. If applicable, accounts receivable and contract assets are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Company’s historical losses based on the aging of receivables. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company’s portfolio segments have remained constant since the Company’s inception.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as income in the year of recovery and as a reduction to the allowance, in accordance with the entity’s accounting policy election.

Assets Held For Sale ("AHFS") - Long-lived assets identified as assets held for sale are categorized on the balance sheet as current assets and are measured at the lower of carrying value or fair value less any costs to sell. Any liabilities associated with the assets being sold are categorized on the balance sheet as current liabilities. AHFS are no longer depreciated or amortized.

Property and Equipment – Property and equipment is recorded at cost and depreciated using the straight-line method. Expenditures which extend the useful lives of existing property and equipment are capitalized. Those costs which do not extend the useful lives are expensed as incurred. Upon disposition, the cost and accumulated depreciation are removed and any gain or loss on the disposal is reflected in the statements of operations.

Segment Reporting – Our operations represent a single segment because each revenue stream possesses similar production methods, distribution methods, and customer quality and consumption characteristics, resulting in similar long-term expected financial performance.

NAUTICUS ROBOTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Revenue – Our primary sources of revenue are from providing technology, engineering services and products to the offshore industry and governmental entities. Revenue is generated pursuant to contractual arrangements to design and develop subsea robots and software and to provide related engineering, technical, and other services according to the specifications of the customers. These contracts can be service sales (cost plus fixed fee or firm fixed price) or product sales and typically have terms of up to 18 months. The Company had no product sales for the three and six months ended June 30, 2024 and 2023, respectively.

A performance obligation is a promise in a contract to transfer distinct goods or services to a customer. For all contracts, we assess if there are multiple promises that should be accounted for as separate performance obligations or combined into a single performance obligation. We generally separate multiple promises in a contract as separate performance obligations if those promises are distinct, both individually and in the context of the contract. If multiple promises in a contract are highly interrelated or require significant integration or customization within a group, they are combined and accounted for as a single performance obligation.

Our performance obligations under service agreements generally are satisfied over time as the service is provided. Revenue under these contracts is recognized over time using an input measure of progress (typically costs incurred to date relative to total estimated costs at completion). This requires management to make significant estimates and assumptions to estimate contract sales and costs associated with its contracts with customers. At the outset of a long-term contract, the Company identifies risks to the achievement of the technical, schedule and cost aspects of the contract. Throughout the contract term, on at least a quarterly basis, we monitor and assess the effects of those risks on its estimates of sales and total costs to complete the contract. Changes in these estimates could have a material effect on our results of operations. Where the current estimate of total costs at completion for contracts exceeds the total consideration we expect to receive we recognize the entire expected loss in the period that becomes evident. Estimated contract costs include costs that relate directly to the contract including direct labor, direct materials, and allocations of certain overhead costs.

Firm-fixed price contracts present the risk of unreimbursed cost overruns, potentially resulting in lower-than-expected contract profits and margins. This risk is generally lower for cost plus fixed fee contracts which, consequently, often have a lower margin.

Inventories – The inventories of Olympic Arms comprise raw materials, work in progress, and finished goods, as applicable, and are valued at the lower of cost or net realizable value. Work in progress and finished goods inventories include raw materials, direct labor and production overhead. The Company periodically reviews inventories on hand and current market conditions to determine if the cost of raw materials, work in progress and finished goods inventories exceed current market prices and impairs the cost basis of the inventory accordingly. The associated impairment is charged as a standalone expense on the condensed consolidated statements of operations. Obsolete inventory or inventory in excess of management's estimated usage requirement is written down to its net realizable value if those amounts are determined to be less than cost. The associated write-downs or write-offs of inventory are charged to cost of sales.

Inventories consisted of the following:

	June 30, 2024	December 31, 2023
Raw material and supplies	$ 897,902	$ 898,335
Work in progress	1,319,605	1,300,462
Total inventories	$ 2,217,507	$ 2,198,797

Leases – The Company's lease arrangements are operating leases which are capitalized on the balance sheet as right-of-use ("ROU") assets and obligations. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. These are recognized at the lease commencement date based on the present value of payments over the lease term. If leases do not provide for an implicit rate, we use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term as the lease payments. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less ("short term leases") are not recorded on the balance sheet; and the lease expense on short-term leases is recognized on a straight-line basis over the lease term.

NAUTICUS ROBOTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Stock-Based Compensation – The Company accounts for employee stock-based compensation using the fair value method. Compensation cost for equity incentive awards is based on the fair value of the equity instrument generally on the date of grant and is recognized over the requisite service period. The Company's policy is to issue new shares upon the exercise or conversion of options and recognize option forfeitures as they occur.

Income Taxes – Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax asset (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. A valuation allowance for deferred tax assets is recorded when it is more likely than not that the benefit from the deferred tax asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company had no material uncertain income tax positions as of June 30, 2024, and December 31, 2023.

Foreign Currency Gains and Losses – The Company purchases certain materials and equipment from foreign companies and these transactions are generally denominated in the vendors' local currency. The Company recorded $4,296 and $9,443 of foreign currency transaction losses for the three and six months ended June 30, 2024, respectively. The Company recorded $17,709 and $27,593 of foreign currency transaction gains for the three and six months ended June 30, 2023, respectively.

Common Stock Warrants – We account for common stock warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance. This assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability or requirements for equity classification, including whether the warrants are indexed to the Company's Common Stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

We have determined that the Public and Private warrants should be accounted for as liabilities. The Public and Private Warrants were initially recorded at their estimated fair value. They are then revalued at each reporting date thereafter, with changes in the fair value reported in the condensed consolidated statements of operations. Derivative warrant liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date. The fair value of the Private Warrants was estimated using a Black-Scholes option pricing model (a Level 3 measurement). The Public Warrants are valued using their publicly-traded price at each measurement date (a Level 1 measurement).

We have determined that the Securities Purchase Agreement ("SPA") Warrants should be accounted for as liabilities. The SPA Warrants were initially recorded at their estimated fair value and are then revalued at each reporting date thereafter, with changes in the fair value reported in the condensed consolidated statements of operations. Derivative warrant liabilities are classified in our balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date. The fair value of the Original SPA Warrants was estimated using a Black-Scholes option pricing model (a Level 3 measurement).

Earnout Shares – Following the closing of the Merger between CleanTech, Merger Sub and Nauticus Robotics Holdings on September 9, 2022, former holders of shares of Nauticus Robotics Holdings Inc.'s Common Stock are entitled to received their pro-rata share of Earnout Shares which are held in escrow. The Earnout Shares will be released upon the occurrence of a triggering event within 5 years of the issue date (see Note 11, "Equity"). The Earnout Shares are considered legally issued and outstanding shares of Common Stock subject to restrictions on transfer and potential forfeiture pending the achievement of the Earnout targets. The Company evaluated the Earnout Shares and concluded that they meet the criteria for equity classification. The Earnout Shares were classified in stockholders' equity, recognized at fair value upon issuance and will not be subsequently remeasured. A Monte Carlo valuation model (a Level 3 measurement) determined their estimated fair value upon issuance.

Capitalized Interest – The Company capitalizes interest costs incurred to work in progress during the related construction periods. Capitalized interest is charged to cost of revenue when the related completed project is delivered to the buyer. The Company did not capitalize interest during the six months ended June 30, 2024. During the six months ended June 30, 2023 the Company capitalized interest totaling $ 536,077, of which $219,531 and $316,546 related to inventory and property and equipment, respectively.

Earnings (Loss) per Share - Basic earnings per share is computed by dividing income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional shares of common stock that could have been outstanding assuming the exercise of stock options and warrants (determined using the treasury stock method) and conversion of convertible debt. The Earnout Shares, which are subject to forfeiture if the achievement of certain stock price thresholds is not met, are not considered participating securities and are not included in the weighted-average shares outstanding for purposes of calculating earnings (loss) per share.

Major Customer and Concentration of Credit Risk – We have a limited number of customers. During the six months ended June 30, 2024, sales to three customers accounted for 100% of total revenue. The total balance due from these customers as of June 30, 2024, comprised 83% of accounts receivable, with the remaining 17% due from one other customer. During the six months ended June 30, 2023, sales to two customers accounted for 100% of total revenue. The total balances due from these customers as of December 31, 2023, made up 68% of accounts receivable, with the remaining 32% due from one other customer. Loss of these customers could have a material adverse impact on the Company.

Reclassifications – Financial statements presented for prior periods include reclassifications that were made to conform to the current year presentation. There was no material impact to the condensed consolidated financial statements for these changes.

Accounting Standards Issued but not adopted as of June 30, 2024 - In November 2023, FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments are intended to increase reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the impact of this guidance on the disclosures within our condensed consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this guidance will have on the disclosures within our condensed consolidated financial statements.

All other new accounting pronouncements that have been issued, but not yet effective are currently being evaluated and at this time are not expected to have a material impact on our condensed consolidated financial statements.

3. Revenue

The following table presents the components of our revenue:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cost plus fixed fee	$ -	$ 627,660	$ 214,414	$ 2,577,168
Firm fixed-price	501,708	500,455	751,648	1,371,727
Total	$ 501,708	$ 1,128,115	$ 966,062	$ 3,948,895

Our performance obligations under service agreements are generally satisfied over time as the service is provided and, therefore, all revenue above has been recognized over time.

Contract Balances – Accounts receivable, net as of June 30, 2024, totaled $ 176,458 due from customers for contract billings and is expected to be collected within the next three to six months. As of December 31, 2023, accounts receivable, net totaled $212,428. As of June 30, 2024, and December 31, 2023, allowances for doubtful accounts included in accounts receivable totaled $0. Bad debt expense was $0 and $39 for the three and six months ended June 30, 2024, respectively and $0 for the three and six months ended June 30, 2023, respectively.

Contract assets include unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Contract assets are recorded at the net amount expected to be billed and collected. Contract assets were $482,576 at June 30, 2024 and $ 0 December 31, 2023.

Contract liabilities include billings in excess of revenue recognized and accruals for certain contract obligations. The Company had contract liabilities at June 30, 2024 and December 31, 2023 of $457,872 and $2,767,913, respectively. Contract liabilities at June 30, 2024 and December 31, 2023 included costs accrued for an ongoing contract expected to be loss making with the loss reported on the consolidated income statement for the three and six months ended June 30, 2024 and in the fourth quarter of the year ended December 31, 2023. The decrease in contract liabilities at June 30, 2024 is primarily attributable to costs incurred on the loss making contract in the first half of 2024 being offset against the accrual.

Unfulfilled Performance Obligations – As of June 30, 2024, we expect to recognize approximately $ 1,667,000 of revenue in future periods from unfulfilled performance obligations from existing contracts with customers.

If any of our contracts were to be modified or terminated, the expected value of the unfulfilled performance obligations of such contracts would be reduced.

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4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	June 30, 2024	December 31, 2023
Prepaid material purchases	$ 226,334	$ 440,091
Prepaid insurance	817,409	1,282,703
Other prepayments	239,345	166,424
Total prepaid expenses	$ 1,283,088	$ 1,889,218
Term loan receivable	$ -	$ 695,000
Other current assets	490,419	330,214
Total other current assets	$ 490,419	$ 1,025,214

5. Property and Equipment

Property and equipment consisted of the following:

	Useful Life (years)	June 30, 2024	December 31, 2023
Leasehold improvements	5	$ 796,136	$ 796,136
Property & equipment	3-5 years	7,324,345	5,906,859
Technology hardware equipment	3-5 years	2,008,351	1,907,770
Total		10,128,832	8,610,765
Less accumulated depreciation		(2,948,971)	(2,035,034)
Construction in progress		9,320,988	9,329,114
Total property and equipment, net		$ 16,500,849	$ 15,904,845

During the year ended December 31, 2023, the Company conducted a thorough review of its assets and decided to divest items that no longer aligned with its strategic objectives. This strategic shift aimed to enhance cash flow within the Company. Consequently, through an update of its business model, the Company identified and reclassified $2,940,254 worth of property and equipment, including Hydronaut vessels, the Drix unmanned surface vessel, and other miscellaneous equipment, as AHFS. At June 30, 2024 property and equipment totaling $ 289,430 remains as AHFS with the decrease driven primarily by the sale of Hydronaut vessels 2 and 3 on January 22, 2024, for $1,533,609, which included cash of $375,000, combined with the offset of open payable invoices and the reclassification of the Drix unmanned surface vessel back to property and equipment as it became revenue generating in the third quarter of 2024. The Company is actively pursuing the sale of the remaining assets earmarked for sale and anticipates that the majority will be sold by the end of the third quarter of 2024.

6. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2024	December 31, 2023
Accrued compensation	$ 275,966	$ 618,630
Accrued severance	1,031,731	1,375,000
Accrued professional fees	41,115	1,355,721
Accrued insurance	370,834	876,150
Accrued sales and property taxes	613,088	885,292
Accrued royalties	325,000	250,000
Accrued interest	2,121,612	-
Accrued AHFS liability	-	1,158,609
Accrued lease termination costs	410,251	657,000
Other accrued expenses	23,338	162,697
Total accrued expenses	$ 5,212,935	$ 7,339,099

The Hydronaut vessels 2 and 3 are reported as AHFS at December 31, 2023 at an amount based on an offer for sale. The offer for sale contains both cash and non-cash considerations. The AHFS liability of $1,158,609 includes the non-cash consideration, which are purchase invoices submitted by the purchaser that will be foregone upon closing of the sale. Hydronaut vessels 2 and 3 were sold on January 22, 2024, and the AHFS current asset of December 31, 2023 was offset with the AHFS liability and cash received.

In December 2023, the Company started negotiations to exit a lease for office space. The negotiations completed in March 2024 with the Company agreeing a settlement figure with the lessor of $657,000 to be paid over 8 months commencing April 2024. See Note 8, "Leases" for further discussion. The accrual is recorded under accrued liabilities on the condensed consolidated balance sheet as of June 30, 2024.

In April 2023, the Company received correspondence from the State of Texas assessing a sale and use tax liability of $ 575,602. The sales and use tax audit is currently ongoing. The accrual is recorded under accrued liabilities on the condensed consolidated balance sheet as of June 30, 2024.

7. Notes Payable

Notes payable consisted of the following:

	June 30, 2024	December 31, 2023
Convertible secured debentures	$ 34,336,089	$ 36,530,320
Convertible senior secured term loan	27,249,922	12,295,000
Total	61,586,011	48,825,320
Less: debt discount, net	(13,457,428)	(16,593,357)
Less: capitalized debt issuance costs	(1,559,759)	(661,922)
Senior bridge note exit fee provision	76,083	27,608
Total notes payable – long-term	$ 46,644,908	$ 31,597,649

Convertible Secured Debentures

On September 9, 2022, we issued Debentures, secured debt instruments, which featured a 2% original issue discount, in an aggregate principal amount of $36,530,320, together with 2,922,425 associated warrants ("Original SPA Warrants"), for gross proceeds of $ 35,800,000. The fair value of the Original SPA Warrants was estimated to be $20,949,110 using a Monte Carlo valuation model incorporating future projections of the various potential outcomes and any exercise price adjustments based on future financing events. This amount was recorded as a warrant liability and, together with the original issue discount, was recognized as a debt discount upon issuance totaling $21,679,716. The debt discount is being amortized to interest expense over the four-year term of the Debentures.

The Debentures were convertible at each holder's option at 120% of the principal amount at a conversion price of $ 15.00 or 2,922,425 shares of Common Stock, on a pre Reverse Stock Split basis, subject to certain adjustments including full ratchet anti-dilution price protections. Interest accrued on the outstanding principal amount of the Debentures at 5% per annum, payable quarterly. The Debentures were secured by first priority interests, and liens on, all our assets, and are scheduled to mature on the fourth anniversary of the date of issuance, September 9, 2026.

Exchanged Senior Secured Convertible Debenture

On January 30, 2024, the Company and certain of its subsidiaries and ATW Special Situations I LLC ("ATW I") entered into an Amendment and Exchange Agreement (the “Amendment and Exchange Agreement”), pursuant to which ATW I transferred its existing 5% Original Issue Discount Senior Secured Convertible Debenture to the Company in exchange for a new Original Issue Discount Exchanged Senior Secured Convertible Debenture due September 9, 2026 (the “New Debenture”) in the aggregate principal amount of $29,591,600. The Amendment and Exchange Agreement provides for certain amendments to the Securities Purchase Agreement dated December 16, 2021, as amended, and contains certain covenants of the Company to, among other items, hold one or more stockholder meetings in respect of the shares of the Company’s common stock underlying the New Debentures and obtain certain voting agreements related thereto. In addition, on January 30, 2024, the Company and certain of its subsidiaries entered into additional Amendment and Exchange Agreements with Material Impact Fund II, L.P. ("MIF") and SLS Family Irrevocable Trust ("SLS") on substantially similar terms, pursuant to which MIF and SLS transferred their existing 5% Original Issue Discount Senior Secured Convertible Debentures to the Company in exchange for New Debentures in the aggregate principal amount of $5,102,000 and $1,836,720, respectively.

The New Debentures provide for, among other items: (a) an interest rate of 5% per annum, payable quarterly in shares of the Company’s common stock (if the conditions described therein are met) and/or in cash, at the Company’s option; (b) conversion by the holder into shares of the Company’s common stock at any time (subject to limitations on conversion described therein); (c) a conversion price of $0.4582, on a pre Reverse Stock Split basis, (subject to adjustment as provided therein) with shares of the Company’s common stock issuable on conversion determined by dividing 120% of the applicable “conversion amount” (as defined in the New Debenture) by the conversion price; (d) prior to the date of sale of the Company’s common stock (or equivalents) in one or in a series of transactions resulting in net cash proceeds to the Company of at least $30 million an alternate conversion price at the lower of (1) $0.4582, on a pre Reverse Stock Split basis, (subject to adjustment as provided therein) and (2) the greater of a floor price of $ 0.0878, on a pre Reverse Stock Split basis, (subject to adjustment as provided therein) and 98% of the lowest volume-weighted average price ("VWAP") of the Company’s shares of commons stock during the applicable 10-trading day period (subject to payment in cash if the applicable VWAP calculation is less than the floor price), and an interest conversion rate of 90% of such alternate conversion price; and (e) an option by the holder to extend the maturity date by an additional year.

Generally, upon an event of default the outstanding principal, interest, liquidated damages, and other amounts become immediately due and payable in cash (and interest then accrues at 18% per annum). The obligations of the Company under the New Debentures are generally secured by all assets of the Company and its subsidiaries, and are generally guaranteed by the Company’s subsidiaries. The New Debentures include, among other items, representations, warranties, affirmative and negative covenants, certain adjustments (including in respect of stock dividends, stock splits, and subsequent equity sales and rights offerings, pro rata distributions, and fundamental transactions), certain limitations on share issuances (including prior to stockholder approval), optional redemption, liquidated damages, events of default, and remedies, in each case, as further described therein.

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Conversion of Senior Secured Convertible Debentures

During the second quarter of 2024, ATW I converted secured debentures with a principal value of $ 2,194,231 and interest of $43,167 into 22,641,909 shares on a pre Reverse Stock Split basis (628,942 shares post Reverse Stock Split).

Debt discount amortization of $2,072,903 and $3,222,575 was included within interest expense in the condensed consolidated statement of operations for the three and six months ended June 30, 2024, respectively. Debt discount amortization of $970,511 and $1,878,376 was included within interest expense in the condensed consolidated statement of operations for the three and six months ended June 30, 2023, respectively. The Debentures effective interest rate was approximately 25.2% at June 30, 2024 and 2023.

RCB Equities #1, LLC

On July 14, 2023, the Company issued a secured promissory note to RCB Equities #1, LLC (RCB) for $ 5,000,000. The promissory note included a 2.5% original issue discount or $125,000, interest at 15% per annum, and was scheduled to mature on September 9, 2026. The promissory note provided for an exit fee of $125,000 if paid off in full between October 12, 2023, and the maturity date, with no other considerations triggered for premiums or penalties. Further, the promissory note provided for an automatic rollover into the structure of certain future debt-financing transactions. On September 18, 2023, the RCB promissory note was rolled into the convertible senior secured term loan discussed below bearing interest at 12.5% per annum including the $125,000 exit fee.

Convertible Senior Secured Term Loan

On September 18, 2023, the Company entered into a convertible senior secured term loan agreement, the "2023 Term Loan Agreement", with ATW Special Situations II LLC ("ATW II") as collateral agent (in such capacity, the “Collateral Agent”) and lender, and Transocean Finance Limited, ATW I, MIF, and RCB, as lenders.

The 2023 Term Loan Agreement provides the Company with up to $ 20 million of secured term loans. Any portion of the outstanding principal amount of the loans is prepayable at the Company’s option pro rata to each Lender upon at least 5 days' prior written notice to each Lender.

The initial amount funded under the 2023 Term Loan Agreement was $ 11,600,000, (the "2023 Term Loan"). The 2023 Term Loan Agreement included a 2.5% exit fee of $290,000, bearing interest at 12.50% per annum, payable quarterly in arrears on the first day of each calendar quarter commencing April 1, 2024. The exit fee is being provided for over the period of the loan. The loan agreement included a 2.5% original issue discount of $125,000 from the RCB promissory note. The loan includes assumed debt issuance costs of $577,500 and deemed interest from convertible debentures of $ 378,118. The debt discount and debt issuance costs are being amortized to interest expense over the period of the loan. The Loans will mature on the earliest of (a) the third anniversary of the date of the 2023 Term Loan Agreement of September 17, 2026, (b) 91 days prior to the maturity of the 5% Original Issue Discount Senior Secured Convertible Debentures, dated as of September 9, 2022.

Subject to the terms and conditions of the 2023 Term Loan Agreement, the Company may, upon at least two trading days’ written notice to the Lenders, elect to redeem some or all of the then outstanding principal amount of the Loans. In connection with any such election, which shall be irrevocable, the Company shall pay each Lender, on a pro rata basis, an amount in cash equal to the greater of (x) the sum of (i) 100% of the then outstanding principal amount of the Loans, (ii) accrued but unpaid interest and (iii) all liquidated damages and other amounts due in respect of the Loans (including, without limitation, the Exit Fee (as defined in the 2023 Term Loan Agreement)) (the “Optional Redemption Amount”) and (y) the product of (i) the aggregate number of shares of the Company’s common stock, par value $0.0001 per share (“Common Stock”), then issuable upon conversion of the applicable Optional Redemption Amount (without regard to any limitations on conversion set forth in the 2023 Term Loan Agreement) multiplied by (ii) the highest closing sale price of the Common Stock on any trading day during the period commencing on the date immediately preceding the date that the applicable notice of redemption is delivered to the Lenders and ending on the trading day immediately prior to the date the Company makes the entire payment required to be made in connection with such redemption.

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The Loans are convertible, in whole or in part, at the option of each Lender into shares of Common Stock until the date that the Loans are no longer outstanding, at a conversion rate equal to the outstanding principal amount of the Loans to be converted divided by a conversion price of $6.00 per share of Common Stock (the “Conversion Price”), on a pre Reverse Stock Split basis, subject to certain customary anti-dilution adjustments as described in the 2023 Term Loan Agreement.

First Amendment to Convertible Senior Secured Term Loan

On December 31, 2023, the Company entered into a First Amendment to 2023 Term Loan Agreement, dated as of December 31, 2023 (the “First Amendment”), by and among the Company, the subsidiary guarantors (as defined in the First Amendment) and ATW II which amended that certain 2023 Term Loan Agreement dated as of September 18, 2023 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Term Loan Agreement”) with ATW II, as collateral agent (as replaced by Acquiom Agency Services LLC, in such capacity, the “Collateral Agent”) and lender, and Transocean Finance Limited (“Transocean Finance”), ATW I, MIF, and RCB, as lenders (collectively, the “Initial Lenders”).

The First Amendment provided the Company with an incremental loan in the aggregate principal amount of $ 695,000 (the “December 2023 Incremental Loan”), subject to the terms and conditions set forth in the Term Loan Agreement and the First Amendment. The total loan funded under the Term Loan Agreement and First Amendment as of December 31, 2023 is $12,295,000. The December 2023 Incremental Loan was made on the same terms as the 2023 Term Loan and be deemed to be Additional Term Loans for all purposes under the Term Loan Agreement. The loan incurred debt issuance costs of $72,000 which are being amortized to interest expense over the period of the loan.

Second Amendment to convertible Senior Secured Term Loan

On January 30, 2024, the Company entered into a Second Amendment to Term Loan Agreement, dated as of January 30, 2024 (the “Second Amendment”), by and among the Company, the guarantors (as defined in the Second Amendment) and the required lenders (as defined in the Second Amendment), which amended that certain Term Loan Agreement, dated as of September 18, 2023, by and among the Company, Transocean Finance, ATW I, MIF and RCB as lenders and ATW II, as collateral agent (as succeeded by Acquiom Agency Services LLC).

In connection with the Second Amendment, the Company also entered into a Second Agreement regarding incremental loans, dated as of January 30, 2024 (the “Second Agreement”), by and among the Company, the guarantors (as defined in the Second Agreement), and ATW II and MIF, as incremental lenders. The Second Agreement provides the Company with an incremental loan in the aggregate principal amount of $3,753,144 (the “January 2024 Incremental Loan”). The January 2024 Incremental Loan would be made on the same terms as the 2023 Term Loan and be deemed to be Additional Term Loans for all purposes under the Term Loan Agreement.

New Senior Secured Term Loan Agreement

On January 30, 2024, the Company also entered into a senior secured term loan agreement (the “2024 Term Loan Agreement”) with ATW Special Situations Management LLC (“ATW Management”), as collateral agent (in such capacity, the “Collateral Agent”) and lender, and ATW Special Situations III LLC (“ATW III”), MIF, VHG Investments, ATW II and ATW I, as lenders.

The 2024 Term Loan Agreement provides the Company with an aggregate $ 9,551,856 of secured term loans (the "2024 Loans"). Any portion of the outstanding principal amount of the 2024 Loans are prepayable at the Company’s option pro rata to each Lender upon at least 5 days’ prior written notice to each Lender. The 2024 Term Loan Agreement also provides for up to an additional $ 6 million of secured term loans within 180 days of signing, $1 million of which has already been committed by ATW III or an affiliate. The 2024 Loans assumed debt issuance costs of $1,237,291 which are being amortized to interest expense over the period of the loan.

The 2024 Loans bear interest at the rate of 15% per annum, payable quarterly in arrears on the first day of each calendar quarter commencing April 1, 2024. The 2024 Loans (other than the ATW Extended Maturity Term Loan) will mature on the earliest of: (a) the third anniversary of the date of the Term Loan Agreement, (b) the maturity of the Indebtedness under that certain Term Loan Agreement among the Company, the lenders party thereto and Acquiom Agency Services LLC, as collateral agent, dated September 18, 2023, as amended on December 31, 2023, and as further amended on January 30, 2024 (the "Term Loan Agreement"), and (c) 91 days prior to the maturity of the 5% Original Issue Discount Senior Secured Convertible Debentures, dated as of September 9, 2022 (the "Original Debentures"), issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of December 16, 2021, as amended on January 31, 2022, and as further amended on September 9, 2022, and as further amended on January 30, 2024 (the "SPA"). The ATW Extended Maturity Term Loan will mature on the earlier of the 30th anniversary of the date of the Term Loan Agreement or such earlier date as is required or permitted to be repaid under the Term Loan Agreement.

The 2024 Loans are convertible, in whole or in part, at the option of each Lender into shares of Common Stock until the date that the 2024 Loans are no longer outstanding, at a conversion rate equal to the outstanding principal amount of the Loans to be converted divided by a conversion price of $0.4582 per share of Common Stock, on a pre Reverse Stock Split basis, subject to certain adjustments as described in the 2024 Term Loan Agreement.

Amendment to 2024 Term Loan Agreement

On May 1, 2024, the Company entered into an amendment (the "the May 2024 Amendment") to the 2024 Term Loan Agreement dated January 30, 2024 between the Company, ATW Management as collateral agent, and the lenders party thereto. Pursuant to the Amendment, ATW III, one of the lenders under the 2024 Term Loan Agreement, will loan an additional $1,000,000 (the "May 2024 Incremental Loan") to the Company. The May 2024 Incremental Loan will have the same terms as the ATW Extended Maturity Term Loan under the 2024 Term Loan Agreement and will mature on the 30th anniversary of the date of the 2024 Term Loan Agreement or such earlier date as is required or permitted to be repaid under the 2024 Term Loan Agreement. The May 2024 Incremental Loan incurred debt issuance costs of $37,500 which are being amortized to interest expense over the period of the loan.

Interest expense includes the following relating to the 2023 Term Loan, the December 2023 Incremental Loan, the January 2024 Incremental Loan, 2024 Loans and the May 2024 Incremental Loan (collectively the "convertible senior term loans"):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Debt discount amortization	$ 9,944	$ -	$ 19,868	$ -
Amortization of debt issuance costs	169,619	-	312,440	-
Provision for bridge note exit fee	24,263	-	48,475	-

8. Leases

The Company determines if an arrangement is a lease at inception based on whether the Company has the right to control the use of an identified asset, the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. After the criteria are satisfied, the Company accounts for these arrangements as leases in accordance with ASC 842, Leases. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. For leases in which the Company is the lessee and do not have a readily determinable implicit rate, an incremental borrowing rate, based on the information available at the lease commencement date, is utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. The Company uses the implicit rate for agreements in which it is a lessor. The Company has not entered into any material agreements in which it is a lessor. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

In March 2024, the Company extended the lease on its current office and manufacturing facility for an additional 3 years. The incremental borrowing rate on this lease of 8% was used to determine the present value of lease payments and establish the right-of-use asset and lease liability at lease inception for this lease.

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In December 2023 the Company started negotiations to exit the lease for office space entered into in April 2023. The negotiations were completed in March 2024 with a settlement figure of $657,000 being agreed between the Company and the lessor. The Company removed the right-of-use asset and lease liability relating to this operating lease from the consolidated balance sheet as of December 31, 2023.

In August 2023, the Company entered into an operating lease for office space in Norway. The lease has a term of 5 years. The Company's secured borrowing rate of 15% was used to determine the present value of the lease payments and establish the right-of-use asset and lease liability at lease inception for this lease. During the six months ended June 30, 2024, the Company agreed with the lessor on two separate occasions to reduce the size of the office space leased and a gain on lease termination of $8,532 and $23,897 was reported for the three and six months ended June 30, 2024, respectively, under other (income) expense on the condensed consolidated statement of operations.

In July 2023, the Company entered into an operating lease for office space in Scotland. The lease has a term of 5 years with two options to extend. The Company's secured borrowing rate of 15% was used to determine the present value of the lease payments and establish the right-of-use asset and lease liability at lease inception for this lease. During the first quarter of 2024, management decided the Company would not extend this lease beyond its initial term and a loss on lease termination of $356 was reported under other (income) expense on the condensed consolidated statement of operations.

The Company's other operating leases include leases for certain office equipment.

The following table presents the Company's lease costs which are included in general and administrative expenses in the unaudited condensed consolidated statements of operations:

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Fixed lease expense	$ 122,798	$ 104,528	$ 259,443	$ 207,497
Variable lease expense	89,910	96,335	214,271	105,270
Total operating lease expense	212,707	200,863	473,713	312,767
Short-term lease expense	6,915	-	27,428	-
Total lease expense	$ 219,621	$ 200,863	$ 501,141	$ 312,767

Cash paid for operating leases was $ 245,558 and $204,987 for the six months ended June 30, 2024, and 2023, respectively.

The following table presents the balance and classifications of the Company's right-of-use assets and lease liabilities included in the unaudited condensed balance sheets:

	June 30, 2024	December 31, 2023
Operating lease right-of-use assets	$ 1,380,434	$ 834,972
Current portion of operating lease liabilities	420,910	244,774
Long-term operating lease liabilities	1,035,713	574,260
Total operating lease liabilities	$ 1,456,623	$ 819,034

For operating lease assets and liabilities, the weighted average remaining lease term was 3.6 years and 8.7 years as of June 30, 2024, and December 31, 2023, respectively. The weighted average discount rate used in the valuation over the remaining lease terms was 12.6% as of June 30, 2024, and 14.3% as of December 31, 2023.

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The following table presents the Company's maturities of lease liabilities as of June 30, 2024:

2024 (excluding the six months ended June 30, 2024)	$	268,323
2025		584,155
2026		509,975
2027		284,946
2028		35,231
2029 onward		-
Total lease payments		1,682,630
Total present value discount		(226,007)
Operating lease liabilities	$	1,456,623

9. Commitments and Contingencies

Litigation – From time to time, we may be subject to litigation and other claims in the normal course of business. No amounts have been accrued in the condensed consolidated financial statements with respect to any matters.

10. Income Taxes

Income tax provisions for interim periods are generally based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent, or unusual items related specifically to interim periods. No income tax expense was recognized for the six months ended June 30, 2024, or 2023. The Company has a full valuation allowance against its deferred income tax assets as of June 30, 2024, and December 31, 2023, respectively.

11. Equity

Reverse Stock Split

On July 22, 2024, the Company effected a 1-for-36 reverse stock split ("Reverse Stock Split") of the shares of the Company's common stock, par value $0.0001 per share. No fractional shares were issued in connection with the Reverse Stock Split, but were instead rounded up to the nearest whole share. The Reverse Stock Split resulted in 150,107,598 shares of common stock being converted in to 4,169,679 shares of common stock. The Board of Directors of the Company approved the Certificate of Amendment to meet the share bid price requirements of the NASDAQ Capital Market. The Company's stockholders approved the Certificate of Amendment at a special meeting held on June 17, 2024.

All options, warrants and other convertible securities of the Company outstanding immediately prior to the split have been adjusted in accordance with the terms of the plans, agreements or arrangements governing such options, warrants and other convertible securities and subject to rounding to the nearest whole share.

Each stockholder's percentage ownership interest in the Company and proportional voting power will remain virtually unchanged by the split, except for minor changes and adjustments that will result from rounding fractional shares into whole shares. The rights and privileges of the holders of shares of the Company's common stock will be substantially unaffected.

As the par value per share of common stock was not changed in connection with the Reverse Stock Split, we recorded a decrease of $ 14,460 and $4,865 to common stock on our consolidated balance sheet with a corresponding increase in additional paid-in capital as of June 30, 2024 and December 31, 2023, respectively.

Unless otherwise noted, all references in the consolidated financial statements and notes to consolidated financial statements to the number of shares, per share data, restricted stock and stock option data have been retroactively adjusted to give effect to the Reverse Stock Split.

Common Stock – A total of 4,131,426 shares of Common Stock were outstanding as of June 30, 2024.

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During the second quarter of 2024, ATW I converted secured debentures with a principal value of $ 2,194,231 and interest of $43,167 into 22,641,909 shares of Common Stock, on a pre Reverse Stock Split basis, (628,942 shares post Reverse Stock Split).

During the second quarter of 2024 the Company entered into an At The Market ("ATM") Offering Agreement to offer and sell shares of our Common Stock having an aggregate offering price of up to $9,858,269. Under this offering we issued and sold 50,631,263 shares, on a pre Reverse Stock Split basis, (1,406,424 shares post Reverse Stock Split), for gross proceeds of $ 9,857,857 and net proceeds of 9,357,954 after deducting commissions and offering expenses totaling $499,903.

On December 31, 2023, the Company and ATW I, as the purchaser, entered into a Securities Purchase Agreement (the “PIPE SPA”), pursuant to which the purchaser agreed to purchase up to an aggregate of $5,000 of the shares of common stock of the Company, par value $ 0.0001 per share (the “Common Stock”), at a $2 per share purchase price. The sale of these shares of Common Stock was subject to the terms and conditions set forth in the PIPE SPA and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder as a transaction by an issuer not involving a public offering. As a result of the sale of shares under the PIPE SPA, the conversion prices under the warrants and debentures issued pursuant to the Securities Purchase Agreement were reset to $2, pursuant to their terms, removing future dilutive effects pursuant to the “ratchet” provisions of such warrants and debentures.

Earnout Shares – Following the closing of the Merger between CleanTech, Merger Sub and Nauticus Robotics Holdings on September 9, 2022, former holders of shares of Nauticus Robotics Holdings’ Common Stock (including shares received as a result of the Nauticus Preferred Stock Conversion and the Nauticus Convertible Notes Conversion) are entitled to receive their pro rata share of up to 7,499,993, on a pre Reverse Stock Split basis, (208,333 post Reverse Stock Split), Earnout Shares which are held in escrow. The Earnout Shares will be released from escrow upon the occurrence of the following (each a "triggering event"):

i. one-half of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds $15.00 per share over any 20 trading days within a 30-day trading period;

ii. one-quarter of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds $17.50 per share over any 20 trading days within a 30-day trading period; and

iii. one-quarter of the Earnout Shares will be released if, within a 5-year period from September 9, 2022, the volume-weighted average price of our Common Stock equals or exceeds $20.00 per share over any 20 trading days within a 30-day trading period.

As of June 30, 2024, the Earnout targets have not been achieved, and the Earnout Shares remain in escrow.

12. Warrants

Public Warrants – We assumed 8,624,991 Public Warrants on September 9, 2022 which remained outstanding as of June 30, 2024. For every 36 Public Warrants, the holder is entitled to purchase one share of Common Stock at a price of $ 11.50, subject to adjustment. However, no Public Warrants will be exercisable for cash unless we have an effective and current registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants and a current prospectus relating to such shares of Common Stock. Notwithstanding the foregoing, if a registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants is not effective within 120 days of September 9, 2022, warrant holders may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise, subject to the terms of the governing warrant agreement, Public Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. The Public Warrants expire on September 9, 2027, or earlier upon redemption or liquidation. Our Public Warrants are listed on Nasdaq under the symbol “KITTW”.

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We may redeem the outstanding Public Warrants, in whole and not in part, at a price of $ 0.01 per warrant:

- at any time after the Public Warrants become exercisable,
- upon not less than 30 days' prior written notice of redemption to each warrant holder,
- if, and only if, the reported last sale price of the shares of Common Stock equals or exceeds $ 16.50 per share (subject to adjustment for splits, dividends, recapitalizations and other similar events), for any 20 trading days within a 30-day trading period ending on the third business day prior to the notice of redemption to warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If we call the Public Warrants for redemption as described above, we have the option to require all holders that wish to exercise warrants to do so on a "cashless basis."

The exercise price and number of shares of Common Stock issuable on exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation.

The Public Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of June 30, 2024 and December 31, 2023 at $258,750 and $451,088, respectively, based on their publicly-traded price. For the three months ended June 30, 2024 and 2023, the Company reported a loss in value of the Public Warrants of $6,900 and $35,241, respectively, and for the six months ended June 30, 2024 and 2023, a gain in value of the Public Warrants of $192,338 and $354,488, respectively. The change in fair value of the Public Warrants was reported within other (income) expense in our condensed consolidated statements of operations.

Private Warrants – We assumed 7,175,000 Private Warrants, which are not publicly traded, on September 9, 2022. These remained outstanding as of June 30, 2024. For every 36 Private Warrants, the holder is entitled to purchase one share of Common Stock at an exercise price of $ 11.50 and is identical in all material respects to the Public Warrants except that the Private Warrants are exercisable for cash (even if a registration statement covering the shares of Common Stock issuable upon exercise of such warrants is not effective) or on a cashless basis, at the holder's option, and will not be redeemable by us, in each case so long as they are still held by the initial purchasers or their affiliates. The Private Warrants purchased by CleanTech Investments, LLC are not exercisable after July 14, 2026, as long as Chardan Capital Markets, LLC or any of its related persons beneficially own these Private Warrants.

The Private Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of June 30, 2024 and December 31, 2023 at $224,862 and $380,531, respectively. The fair value of the Private Warrants was estimated using a Black-Scholes option pricing model using the following assumptions: stock price of $0.14, no assumed dividends, a risk-free rate of 4.50%, implied volatility of 143.0%, and a remaining term of 3.19 years. For the three months ended June 30, 2024, the Company reported a loss in value of the Private Warrants of $ 12,386. For the three months ended June 30, 2023, the Company reported a gain in value of the Private Warrants of $23,799. For the six months ended June 30, 2024 and 2023, the Company reported a gain in value of the Private Warrants of $155,669 and $257,563, respectively. The change in fair value of the Private Warrants was reported within other (income) expense in our condensed consolidated statements of operations.

SPA Warrants – On September 9, 2022 and pursuant to the Securities Purchase Agreement, we issued an aggregate 2,922,425 Original SPA Warrants, on a pre Reverse Stock Split basis, to the SPA Parties. Upon issuance, each whole Original SPA Warrant was exercisable over its 10-year term for one share of Common Stock at a price of $20.00 per share, subject to certain adjustments including full ratchet anti-dilution price protections.

In connection with the Securities Purchase Agreement, the Company and the SPA Parties entered into that certain Registration Rights Agreement, dated as of September 9, 2022 (the "RRA"), pursuant to which the Company and the SPA

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Parties agreed to certain requirements and conditions covering the resale by the SPA Parties of the shares of Common Stock underlying the Debentures and Original SPA Warrants. Under the terms of the RRA, the Company was required to (i) file a registration statement (the "Initial Registration Statement") covering such underlying shares within 15 business days of the Closing and (ii) use its best efforts to cause the Initial Registration Statement to be declared effective as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date (as defined in the RRA) (the "Registration Requirements"). The RRA additionally provided for liquidated damages if the Registration Requirements were not met.

On June 22, 2023, the Company and the SPA Parties entered into the first amendment to the RRA (the "RRA Amendment"), pursuant to which the Company agreed to deliver to the SPA Parties an aggregate 1,890,066 shares of Common Stock at an agreed upon price of $ 2.286, on a Pre Reverse Stock Split basis, (the "RRA Amendment Shares") in exchange for the waiver and release by the SPA Parties of any and all claims, remedies, causes of action and any other Initial Effectiveness Date Claims (as defined in the RRA Amendment) under any of the Transaction Documents (as defined in the RRA), including all past and future claims for liquidated damages under the RRA with respect to, and any other amounts that may be payable by reason of or otherwise relating to, the Effectiveness Date (as defined in the RRA) of the Initial Registration Statement.

During the third quarter of 2023, the Company issued 1,890,066 shares of Common Stock, on a pre Reverse Stock Split basis, as payment for liquidated damages and interest of $4,320,690, and the damages and interest were recorded under interest expense in the condensed consolidated statements of operations. The settlement date of the liquidated damages occurred August 3, 2023, with a closing price of $1.95, with the change in the agreed upon price of $2.286 to settlement resulting in a gain of $ 635,061, which was also included in interest expense in the condensed consolidated statements of operations.

Pursuant to the RRA Amendment, the Company also agreed to file a registration statement for the registration and resale of the RRA Amendment Shares by the SPA Parties and to cause such registration statement to become effective as soon as practicable thereafter in accordance with the terms of the RRA, as amended by the RRA Amendment. The registration statement was filed on August 7, 2023 and was declared effective on September 12, 2023.

On June 22, 2023, we entered into the Letter Agreements with the SPA Parties (the "Letter Agreements"), pursuant to which the SPA Parties (also being the holders of the Original SPA Warrants) agreed to amend the exercise price of the Original SPA Warrants, which, since issuance, had been exercisable to purchase an aggregate 2,922,425 shares of Common Stock, on a pre Reverse Stock Split basis, in exchange for the Company's agreement to (i) lower the exercise price of the Original SPA Warrants to a weighted average of $3.28 per share, with multiple tranches priced between $ 2.04 and $4.64 per share, and (ii) upon the SPA Parties' exercise of the Amended SPA Warrants, issue New SPA Warrants to the SPA Parties to purchase, in the aggregate, up to 2,922,425 shares of Common Stock, on a pre Reverse Stock Split basis.

During any period when we shall have failed to maintain an effective registration statement covering the shares of Common Stock issuable upon exercise of the Amended SPA Warrants, the registered holder may exercise its Amended SPA Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act.

On June 23, 2023, pursuant to its Letter Agreement with the Company, ATW I exercised 165,713 Amended SPA Warrants, pursuant to which 165,713 shares of Common Stock, on a pre Reverse Stock Split basis, (4,603 shares of Common Stock post Reverse Stock Split) and 165,713 New SPA Warrants were issued to ATW by the Company in accordance with the terms of the Letter Agreement. The Company received proceeds of $ 338,055 from the warrants exercised by ATW.

On September 18, 2023, the Company entered into a convertible senior secured term loan agreement convertible at $ 6.00 per share. Based on the letter agreement, SPA warrants holders who exchange through March 1, 2024, the exercise price was reset from $20.00 to $6.00 a warrant pursuant to the full-ratchet provision. The exchange warrants were reset to $6.00 with a factor of 3.3333, increasing the number of warrants to 552,377, on a pre Reverse Stock Split basis.

The New SPA Warrants will be (and, with respect to those already issued, are) substantially in the form of the Amended SPA Warrants as described above except that the New SPA Warrants (i) have an exercise price of $20.00 per share (including, for purposes of clarification, full-ratchet anti-dilution on the exercise price and number of underlying shares issuable based on the aggregate exercise price using $20.00 as the base exercise price), (ii) are immediately exercisable upon issuance, and (iii) are exercisable until September 9, 2032.

If a registration statement covering the shares of Common Stock issuable upon exercise of the New SPA Warrants is not effective 60 days after March 1, 2024 (or, in the event of a "full review" by the SEC, 120 days after March 1, 2024), upon the registered holder's election to exercise its New SPA Warrants, the registered holder may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise its New SPA Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act.

On December 31, 2023, the Company and ATW I, as the purchaser, entered into a Securities Purchase Agreement (the "PIPE SPA"), pursuant to which the purchaser agreed to purchase up to an aggregate of $5,000 shares of Common Stock of the Company at a $ 2 per share purchase price on a pre Reverse Stock Split basis. Based on the PIPE SPA, the exercise price of the SPA Warrants was reset from $6.00 to $2.00.

In March 2024, ATW I exercised 5,700,000, on a pre Reverse Stock Split basis, (158,334 post Reverse Stock Split) SPA Warrants in exchange for Common Stock. The Company did not receive cash in respect of this transaction.

In the second quarter of 2024, ATW I exercised 16,461,186 SPA Warrants, on a pre Reverse Stock Split basis, (457,255 post Reverse Stock Split) in exchange for Common Stock. The Company did not receive cash in respect of this transaction.

Unless context otherwise requires, the term "SPA Warrants" means (i) before the entry into the Letter Agreements, the Original SPA Warrants, and (ii) upon and following the entry into the Letter Agreements, (a) the Amended SPA Warrants, and (b) the New SPA Warrants.

The SPA Warrants, which are accounted for as liabilities in our condensed consolidated balance sheets, were valued as of June 30, 2024, at $ 709,081 and as of December 31, 2023 at $17,544,561. The fair value of the SPA Warrants was estimated using a Black-Scholes option pricing model using the following assumptions: stock price of $0.14, no assumed dividends, implied volatility of 143.0%, and a remaining term of 8.25 years. The change in value of the SPA Warrants during the three and six months ended June 30, 2024, was a gain of $4,441,987 and $12,384,317, respectively. The change in value of the SPA Warrants during the three and six months ended June 30, 2023, was a gain of $29,657,015 and $26,819,502, respectively, and was reported with other (income) expense in our condensed consolidated statements of operations.

13. Stock-Based Compensation

Total stock-based compensation expense including options, PRSUs, and RSUs for the three and six months ended June 30, 2024 and 2023, net of forfeiture adjustments, totaled $809,310 and $1,339,965, and $1,862,164 and $3,077,027, respectively.

14. Employee Benefit Plan

Nauticus offers a 401(k) plan which permits eligible employees to contribute portions of their compensation to an investment trust. The Company makes contributions to the plan totaling 3% of employees' gross salaries and such contributions vest immediately. The 401(k) plan provides several investment options, for which the employee has sole investment discretion. The Company's cost for the 401(k) plan was $48,261 and $103,265, and $42,165 and $159,506, for the three and six months ended June 30, 2024 and 2023, respectively.

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15. Related Party Transactions

SPA Warrants – The SPA Warrants are held by related parties ATW I, MIF and SLS Family Irrevocable Trust (see Note 12 – Warrants). During the six months ended June 30, 2024, ATW exercised 22,161,186 SPA Warrants in exchange for Common Stock.

Convertible Secured Debentures – During the second quarter of 2024, ATW 1 converted secured debentures with a principal value of $ 2,194,231 and interest of $43,167 into 22,641,909 shares on a pre Reverse Stock Split basis (628,942 shares post Reverse Stock Split).

On January 30, 2024, the Company and certain of its subsidiaries and ATW I entered into an Amendment and Exchange Agreement (the "Amendment and Exchange Agreement"), pursuant to which ATW I transferred its existing 5% Original Issue Discount Senior Secured Convertible Debenture to the Company in exchange for a new Original Issue Discount Exchanged Senior Secured Convertible Debenture due September 9, 2026 (the "New Debenture") in the aggregate principal amount of $29,591,600. In addition, on January 30, 2024, the Company and certain of its subsidiaries entered into additional Amendment and Exchange Agreements with MIF and SLS Family Irrevocable Trust on substantially similar terms, pursuant to which MIF and SLS Family Irrevocable Trust transferred their existing 5% Original Issue Discount Senior Secured Convertible Debentures to the Company in exchange for New Debentures in the aggregate principal amount of $5,102,000 and $1,836,720, respectively. (see Note 7, "Notes Payable").

For the three and six months ended June 30, 2024, interest expense attributable to ATW, MIF, and SLS Family Irrevocable Trust was $ 346,272, $64,484 and $23,214, and $692,545, $128,967 and $46,428, respectively. For the three and six months ended June 30, 2023 interest expense to ATW, MIF, and SLS Family Irrevocable Trust was $374,005, $64,484 and $23,214, and $743,900, $128,259 and $46,173, respectively.

Convertible Senior Secured Term Loans – In the third quarter of 2023, the Company entered into a convertible senior secured term loan with related parties ATW II, ATW I, MIF and other non-related party lenders. The loan was subsequently amended in the fourth quarter of 2023 and the first quarter of 2024 (see Note 7, "Notes Payable").

On January 30, 2024, the Company also entered into the 2024 Term Loan Agreement with related parties ATW Management, as collateral agent and lender, and ATW III, ATW II, ATW I, MIF and another non-related party lenders. The principal amounts outstanding on the convertible senior term loans to related parties ATW I, ATW II, ATW III and MIF at June 30, 2024 were $ 1,939,593, $5,722,598, $2,021,528 and $4,050,972, respectively. For the three and six months ended June 30, 2024, interest expense attributable to ATW I, ATW II, ATW III and MIF was $ 88,909, $189,501, $39,876 and $142,883, and $333,552, $65,709, $64,730 and $246,841, respectively.

Flexible Consulting, LLC - On December 1, 2023, the Board appointed Victoria Hay as the Interim Chief Financial Officer and principal financial officer of the Company. Victoria Hay is the co-owner and President of Flexible Consulting, LLC, a financial and accounting consulting firm, with which the Company has engaged with since January 2023 to provide it with accounting and finance services relating to its quarterly reporting and mergers/acquisition activity. Flexible Consulting, LLC is considered to be a related party from December 1, 2023. The total value of services provided by Flexible Consulting, LLC to the Company for the three and six months ended June 30, 2024 was $240,000 and $460,000, respectively, and accounts payable included $97,227 and $95,177 due to Flexible Consulting, LLC at June 30, 2024 and December 31, 2023, respectively.

16. Earnings (Loss) Per Share

The following table is the basic and diluted earnings (loss) per share computation. For all periods presented, weighted average shares and earnings (loss) per share reflect the effects of the Reverse Stock Split.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss) for basic earnings per share	$ (5,373,320)	$ 20,673,440	$ (4,959,708)	$ 6,534,775
Adjustments to net income (loss) available to shareholders				
Convertible secured debentures interest	-	1,129,509	-	-
Adjusted net income (loss) for diluted earnings per share	$ (5,373,320)	$ 21,802,949	$ (4,959,708)	$ 6,534,775
Denominator:				
Weighted average shares used to compute basic EPS	1,950,563	1,110,091	1,667,187	1,107,580
Dilutive effect of:				
Stock options	-	10,561	-	5,281
Restricted and performance stock units	-	29,984	-	14,992
Convertible debt	-	81,178	-	-
Weighted average shares used to compute diluted EPS	1,950,563	1,231,814	1,667,187	1,127,853
Basic earnings (loss) per share	$ (2.75)	$ 18.62	$ (2.97)	$ 5.90
Diluted earnings (loss) per share	$ (2.75)	$ 17.70	$ (2.97)	$ 5.79
Anti-dilutive securities excluded from shares outstanding:				
Stock options	50,736	21,230	50,736	21,230
Restricted and performance stock units	165,796	41,114	165,796	41,114
Warrants	583,648	520,067	583,648	520,067
Earnout shares	208,333	208,333	208,333	208,333
Convertible debt	3,251,287	-	3,251,287	81,178
Total	4,259,800	790,744	4,259,800	871,922

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17. Fair Value Measurements

The Company measures and reports certain financial and non-financial assets and liabilities on a fair value basis. Fair value is defined as the price 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. The three levels related to fair value measurements are as follows:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The estimated fair values of accounts receivable, contract assets, accounts payable, accrued expenses, and indebtedness with unrelated parties approximate their carrying amounts due to the relatively short maturity or time to maturity of these instruments. Notes payable with related parties may not be arms-length transactions and therefore may not reflect fair value. The estimated fair value of the Debentures approximates their carrying amount due to their recent issuance.

The Company's non-financial assets measured at fair value on a recurring basis include Public, Private and SPA Warrants. The Private and SPA Warrants are considered Level 3 measurements as they involve significant unobservable inputs. See Note 12 for more information about the valuation methodologies and assumptions.

In accordance with the fair value hierarchy described above, the following tables show the fair value of the Company's financial liabilities that are required to be measured at fair value on a recurring basis and the related activity for the periods presented:

	Fair Value as of June 30, 2024			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:				
Warrant liability - Public Warrants	$ 258,750	$ 258,750	$ -	$ -
Warrant liability - Private Warrants	224,862	-	-	224,862
Warrant liability - SPA Warrants	709,081	-	-	709,081
Total	$ 1,192,693	$ 258,750	$ -	$ 933,943

The following table sets forth a summary of the changes in fair value of the Company's financial liabilities:

	Warrant Liability
Balance, December 31, 2023	$ 18,376,180
Exercise of warrants	(4,451,163)
Change in fair value of warrant liabilities	(12,732,324)
Balance, June 30, 2024	$ 1,192,693

18. Subsequent Events

[None]

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q.

Overview

Nauticus Robotics, Inc. (the “Company,” “our,” “us” or “we”) is a developer of ocean robots, cloud software and services delivered to the ocean industry. The Company’s principal corporate offices are located in Webster, Texas. Our services provide customers with the necessary data collection, analytics, and subsea manipulation capabilities to support and maintain assets while reducing their operational footprint, operating cost, and greenhouse gas emissions, as well as to improve offshore health, safety, and environmental exposure.

Our subsea robotic product, Aquanaut, is a vehicle that begins its mission in a hydrodynamically efficient configuration that enables efficient transit to the worksite (i.e., operating as an autonomous underwater vehicle, or “AUV”). During transit (operating in survey mode), Aquanaut’s sensor suite provides the capability to observe and inspect subsea assets or other subsea features. Once it arrives at the worksite, Aquanaut transforms its hull configuration to expose two electric manipulators that can perform dexterous tasks with (supervised), or without (autonomous), direct human involvement. In this intervention mode, the vehicle has capabilities similar to a conventional remotely operated vehicle (“ROV”). The ability to operate in both AUV and ROV modes is a quality unique to our subsea robot and is protected under a U.S. patent. To take advantage of these special configuration qualities, we have developed underwater acoustic communication technology, called Wavelink, our over-the-horizon remote connectivity solution, which removes the need for long umbilical cables to connect the robot with topside vessels. Eliminating these umbilical cables and communicating with the robot through acoustic or other latent, laser, or RF methods reduces much of the system infrastructure currently required for ROV servicing operations and is core to our value proposition.

The component technologies that comprise the Aquanaut are also marketable to the existing worldwide ROV fleet. Aquanaut’s perception and machine learning software technologies combined with its perception and electric manipulators can be retrofitted on existing ROV platforms to improve their ability to perform subsea maintenance activities.

Our key technologies are autonomous platforms, acoustic communications networks, electric manipulators, AI-based perception and control software, and high-definition workspace sensors. Implementation of these technologies enables operators to reduce costs relative to conventional methods.

Results of Operations

Three and six months ended June 30, 2024, compared to three and six months ended June 30, 2023

The following table sets forth summarized condensed consolidated financial information:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Revenue								
Service	$ 501,708	$ 1,128,115	$ (626,407)	-56 %	$ 966,062	$ 3,948,395	$ (2,982,333)	-76 %
Service - related party	-	-	-	-	-	500	(500)	-100 %
Total revenue	501,708	1,128,115	(626,407)	-56 %	966,062	3,948,895	(2,982,833)	-76 %
Costs and Expenses								
Cost of revenue	2,875,394	1,900,602	974,792	51 %	4,969,349	4,832,869	136,480	3 %
Depreciation	411,586	53,209	358,377	674 %	837,771	326,308	511,463	157 %
Research and development	-	482,761	(482,761)	-100 %	63,534	709,728	(646,194)	-91 %
General and administrative	3,227,288	5,560,565	(2,333,277)	-42 %	6,657,298	10,773,209	(4,115,911)	-38 %
Total costs and expenses	6,514,268	7,997,137	(1,482,869)	-19 %	12,527,952	16,642,114	(4,114,162)	-25 %
Operating loss	(6,012,560)	(6,869,022)	(856,462)	-12 %	(11,561,890)	(12,693,219)	(1,131,329)	-9 %
Other (income) expense:								
Other (income) expense, net	118,274	(3,162)	121,436	-3840 %	21,801	1,149,219	(1,127,418)	-98 %
Gain on lease termination	(8,532)	-	(8,532)	(100)%	(23,897)	-	(23,897)	(100)%
Foreign currency transaction loss (gain)	4,296	(17,709)	22,005	124 %	9,443	(27,593)	37,036	134 %
Loss on exchange of warrants	-	590,266	(590,266)	-100 %	-	590,266	(590,266)	-100 %
Change in fair value of warrant liabilities	(4,422,701)	(29,668,454)	(25,245,753)	-85 %	(12,732,324)	(27,431,550)	(14,699,226)	-54 %
Interest expense, net	3,669,423	1,556,597	2,112,826	136 %	6,122,795	6,491,664	(368,869)	-6 %
Net income (loss)	$ (5,373,320)	$ 20,673,440	$ (26,046,760)	-126 %	$ (4,959,708)	$ 6,534,775	$ (11,494,483)	-176 %

***Revenue**.* For the three and six months ended June 30, 2024, revenue decreased $626,407 and $2,982,833, or 56% and 76%, respectively, as compared to the three and six months ended June 30, 2023, primarily driven by a reduction in government related contracts.

Cost of revenue. For the three months ended June 30, 2024, cost of revenue increased $974,792 or 51%, as compared to the three months ended June 30, 2023 primarily driven by costs relating to testing of the vehicle, Aquanaut. For the six months ended June 30, 2024, cost of revenue decreased $136,480 or 3%, as compared to the six months ended June 30, 2023 driven by the decrease in revenue offset by costs relating to commercialization of the vehicle.

***Depreciation**.* For the three and six months ended June 30, 2024, depreciation increased $358,377 and $511,463, or 674% and 157%, respectively, as compared to the three and six months ended June 30, 2023, due to the increase in property and equipment.

***Research and development**.* For the three and six months ended June 30, 2024, research and development costs decreased $482,761 and $646,194, or 100% and 91%, respectively, compared to the three and six months ended June 30, 2023, primarily due to the Company achieving technological feasibility in both hardware and software development and focusing on bringing its products to market.

General and administrative. For the three and six months ended June 30, 2024, general and administrative costs decreased $2,333,277 and $4,115,911, or 42% and 38%, respectively, compared to the three and six months ended June 30, 2023, driven by headcount reductions and a concerted effort to reduce costs.

Other (income) expense, net. For the three months ended June 30, 2024, other expense related mainly to franchise tax expense and taxes incurred from activity in Brazil. For the six months ended June 30, 2024, other expense related to franchise tax expense and taxes incurred from activity in Brazil partially offset by proceeds received from the sale of expensed equipment. For the six months ended June 30, 2023, other expense related primarily to a state sales tax assessment of $1.2 million from the Texas Comptroller of Public Accounts for which the audit is currently ongoing.

Gain on lease termination. For the three months ended June 30, 2024, a gain on lease termination of $8,532 was reported relating to a second agreement to reduce leased office space in Norway. For the six months ended June 30, 2024, a gain on lease termination of $23,897 was reported, primarily due to the reduction in leased office space in Norway.

Change in fair value of warrant liabilities. For the three and six months ended June 30, 2024, a gain in the fair value of warrant liabilities of $4,422,701 and $12,732,324, respectively, was reported as compared to a gain of $29,668,454 and $27,431,550 for the three and six months ended June 30, 2023, respectively.

Interest expense, net. For the three months ended June 30, 2024, interest expense, net, increased $2,112,826 or 136%, driven by interest on the convertible senior secured term loans received in the second half of 2023 and the first half of 2024. For the six months ended June 30, 2024, interest expense, net decreased, $368,869 or 6%. Interest expense for the six months ended June 30, 2023 included $4 million associated with liquidated damages and interest arising out of the RRA. The decrease is partially offset by increased interest expense for the six months ended June 30, 2024 relating to the convertible senior secured term loans.

Liquidity and Capital Resources

The Company continues to develop its principal products and conduct research and development activities. Currently, the Company does not generate sufficient revenue to cover operating expenses, working capital and capital expenditures. The Company has embarked on cost-cutting measures to continue to preserve cash. The Company may require additional liquidity to continue its operations over the next twelve months which a current investor has committed to provide. The Company believes with this investor support that there will be sufficient resources to continue as a going concern for at least one year from the date that the condensed consolidated financial statements contained in this Form 10-Q are issued.

As of June 30, 2024, the Company had $8,122,943 of cash and cash equivalents. The cash equivalents consist of money market funds.

Significant sources and uses of cash during the six months ended June 30, 2024.

Sources of cash:

- The Company received net proceeds of $22,346,163 from debt and equity financing comprising of additional convertible secured term loans and an ATM share offering.

Uses of cash:

- Cash used in operating activities was $15,051,198, of which $3,314,573 was used to increase working capital.

- Cash from in investing activities related mainly to proceeds from the sale of AHFS of $419,720, offset by capital expenditures of $351,942.

Indebtedness. The Company's indebtedness as of June 30, 2024, is presented in Item 1, "Financial Statements – Note 7 – Notes Payable" and our lease obligations are presented in Item 1, "Financial Statements – Note 8 – Leases."

Critical Accounting Policies and Estimates

Please refer to "Critical Accounting Policies and Estimates" contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023 for a complete discussion of our critical accounting estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in 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 SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation and under the supervision of our Chief Executive Officer and our Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on such evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of June 30, 2024, as a result of the continuation of the previously disclosed material weakness discussed below, our disclosure controls and procedures were not effective because of a material weakness in our internal control over financial reporting described below. In light of this fact, our management, including our Chief Executive Officer and Interim Chief Financial Officer, have performed additional analyses, reconciliations, and other post-closing procedures in order to conclude that, notwithstanding such material weakness, the unaudited condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP as of the dates and for the periods presented in this Form 10-Q.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, as amended. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Previously identified material weakness. In 2021, we identified a material weakness in our internal control over financial reporting, as defined in the standards established by the Sarbanes-Oxley Act of 2002. This material weakness related to a lack of qualified accounting and financial reporting personnel with an appropriate level of experience and inadequate procedures for the accounting close process including obtaining information supporting significant accounting estimates and judgments affecting the financial statements on a timely basis. As a result, our management concluded that a material weakness existed in our internal control over financial reporting.

Through the years ended December 31, 2022 and 2023, we continued to implement remediation initiatives in response to the previously identified material weakness, including, but not limited to, hiring additional experienced accounting and financial reporting personnel and modifying a new Enterprise Resource Planning (ERP) System which will assist in the automation of processes, including standardizing workflows, enhancing segregation of duties, and ensuring compliance with policies. As a result of the significant turnover of key finance personnel at the end of 2023, we have concluded there was a gap in the implementation of the above remediation initiatives due to certain tasks that would have to be completed not being properly handed over to the new personnel.

Remediation Plan. In order to remediate the material weakness, the Company plans to formally document the system controls that we have in place, including user access reviews and a formally documented segregation of duties that includes formal system-based roles. Our ongoing remediation actions planned include:

- Continue to search for, evaluate and hire qualified accounting personnel to prepare and report financial information in accordance with GAAP;
- Identify gaps in our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company; and
- Continue to develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures

Our remediation activities are ongoing and are subject to continued management review supported by ongoing design and testing of our framework of internal controls over financial reporting. Due to the nature of the remediation process and the need for sufficient time after implementation to evaluate and test the design and effectiveness of the controls, no assurance can be given as to the timing for completion of remediation

Changes in internal control over financial reporting. During the fiscal quarter ended June 30, 2024, exccept as described above in "Remediation Plan" there were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitation on the effectiveness of internal control. The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although we may, from time to time, be subject to litigation and other claims in the normal course of business, we are currently not a party to any material legal proceeding. No amounts have been accrued in the condensed consolidated financial statements with respect to any such matters.

ITEM 1A. RISK FACTORS

During the three months ended June 30, 2024, there have been no material changes in the “Risk Factors” as set forth in “Item 1A. Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 and in the Company's prospectus supplement dated May 20, 2024 filed by the Company with the SEC. The risks described therein are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the second quarter of 2024, the Company issued 22,641,909 shares on a pre Reverse Stock Split basis, (628,942 shares post Reverse Stock Split) to ATW Special Situations I LLC, upon its conversion of its secured debentures with a principal value of $2,194,231 and interest of $43,167.

In the second quarter of 2024, the Company issued 16,461,186 shares on a pre Reverse Stock Split basis, (457,255 share post Reverse Stock Split) to ATW Special Situations I LLC, upon its exercise of 16,461,186 SPA Warrants in exchange for the Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plans

During the three months ended June 30, 2024, no director or Section 16 officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

		Incorporated by Reference			
Exhibit	Description	Schedule/ Form	File Number	Exhibits	Filing Date
3.1	Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.5	September 15, 2022
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Nauticus Robotics, Inc.	Form 8-K	001-40611	3.1	July 18, 2024
3.3	Amended and Restated Bylaws of Nauticus Robotics, Inc (as of May 11, 2023).	Form 8-K	001-40611	3.1	May 15, 2023
10.1	First Amendment to Senior Secured Term Loan Agreement dated May 1, 2024, by and among Nauticus Robotics, Inc., ATW Special Situations Management LLC, as collateral agent, and the lenders party thereto.	Form 8-K	001-40611	10.1	May 1, 2024
10.2	At the Market Offering Agreement dated May 20, 2024, by and between Nauticus Robotics, Inc. and H.C. Wainwright & Co., LLC.	Form 8-K	001-40611	10.1	May 20, 2024
10.3	Nauticus Robotics, Inc. 2022 Omnibus Incentive Plan, as amended.	Definitive Proxy Statement	001-40611	Annex A	April 29, 2024
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

* Furnished herewith

SIGNATURES

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

NAUTICUS ROBOTICS, INC.

By:	/s/ John W. Gibson, Jr.
	John W. Gibson, Jr.
	Chief Executive Officer
	(Principal Executive Officer)
Date:	August 13, 2024
By:	/s/ Victoria Hay
	Victoria Hay
	Interim Chief Financial Officer
Date:	August 13, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, John W. Gibson, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nauticus Robotics, Inc. (“registrant”);

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 officer 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 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.

August 13, 2024

/s/ John W. Gibson, Jr.

John W. Gibson, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Victoria Hay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nauticus Robotics, Inc. (“registrant”);

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 officer 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 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.

August 13, 2024

/s/ Victoria Hay

Victoria Hay

Interim Chief Financial Officer

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, the undersigned Officer of Nauticus Robotics, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 13, 2024

/s/ John W. Gibson, Jr.

John W. Gibson, Jr.

Chief Executive Officer

Exhibit 32.2

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

Pursuant to 18 U.S.C. Section 1350, the undersigned Officer of Nauticus Robotics, Inc. (the "Company"), hereby certifies, that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 13, 2024

/s/ Victoria Hay

Victoria Hay

Interim Chief Financial Officer