

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2026

OR

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

For the transition period from _____ to _____.

Commission File Number **001-41347**

EXPION360

Expion360 Inc.

(Exact name of registrant as specified in its charter)

Nevada

(state or other jurisdiction of incorporation or organization)

81-2701049

(IRS Employer Identification No.)

2025 SW Deerhound Avenue, Redmond, OR 97756

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(541) 797-6714**

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, par value \$0.001 per share | XPON | The Nasdaq Capital Market |

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 No

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input checked="" type="checkbox"/> |

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

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

As of May 14, 2026, there were 11,438,298 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

TABLE OF CONTENTS

| | |
|----------------------------------------------------------------------------------------------------------------------|-----|
| <u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA</u> | i |
| <u>INDUSTRY AND MARKET DATA</u> | ii |
| <u>TRADEMARKS</u> | iii |
| <u>PART I - FINANCIAL INFORMATION</u> | 1 |
| <u>ITEM 1. FINANCIAL STATEMENTS</u> | 1 |
| <u>BALANCE SHEETS</u> | 1 |
| <u>STATEMENTS OF OPERATIONS (UNAUDITED)</u> | 2 |
| <u>STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)</u> | 3 |
| <u>STATEMENTS OF CASH FLOWS (UNAUDITED)</u> | 4 |
| <u>NOTES TO FINANCIAL STATEMENTS (UNAUDITED)</u> | 5 |
| <u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 21 |
| <u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 31 |
| <u>ITEM 4. CONTROLS AND PROCEDURES</u> | 31 |
| <u>PART II - OTHER INFORMATION</u> | 32 |
| <u>ITEM 1. LEGAL PROCEEDINGS</u> | 32 |
| <u>ITEM 1A. RISK FACTORS</u> | 32 |
| <u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | 33 |
| <u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u> | 33 |
| <u>ITEM 4. MINE SAFETY DISCLOSURES</u> | 33 |
| <u>ITEM 5. OTHER INFORMATION</u> | 33 |
| <u>ITEM 6. EXHIBITS</u> | 34 |
| <u>SIGNATURES</u> | 35 |

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q (this “Quarterly Report”) includes “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”).

All statements in this Quarterly Report, other than statements of historical fact, are “forward-looking statements” for purposes of these provisions, including, without limitation, any projections regarding the markets where we operate, any statements of the plans and objectives of our management for future operations, any statements concerning proposed new products or services, any statements regarding expected capital expenditures, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All forward-looking statements included in this Quarterly Report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement, except as required by applicable law. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “should,” “anticipates,” “intends,” “seeks,” “believes,” “estimates,” “potential,” “forecasts,” “continue,” or other forms of these words or similar words or expressions, or the negative thereof or other comparable terminology. Although we believe the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct. Investors are cautioned not to place undue reliance on any such forward-looking statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- We operate in an extremely competitive industry and are subject to pricing pressures.
- We have a history of losses. As our costs increase, we may not be able to generate sufficient revenue to achieve and sustain profitability.
- Our audited financial statements include a statement that there is a substantial doubt about our ability to continue as a going concern and a continuation of negative financial trends could result in our inability to continue as a going concern.
- Our results of operations could be adversely affected by changes in the cost and availability of raw materials and our reliance on third-party manufacturers and suppliers.
- Increases in costs, disruption of supply, or shortage of any of our battery components, such as electronic and mechanical parts could harm our business.
- We may not be able to raise additional capital on acceptable terms or at all, and our failure to obtain additional financing could adversely affect our ability to continue as a going concern.
- Our business and future growth depends on the needs and success of our customers.
- We have substantial customer concentration, with a limited number of customers accounting for a substantial portion of our sales, and the loss of or reduction in purchases by any of these customers could adversely affect our results of operations.
- If we fail to expand our sales and distribution channels, our business could suffer.
- The uncertainty in global economic conditions could negatively affect our results of operations.
- Tariffs on imported battery components may increase our costs, and we may be unable to fully mitigate such increases.
- We are currently, and will likely continue to be, dependent on a limited number of warehouse facilities. If our facilities become inoperable for any reason, our ability to produce our products could be negatively impacted.

- We could face potential product liability or warranty claims relating to our products, including the components thereof, which could reduce market adoption, result in reputation damage, and result in significant costs and liabilities, which would reduce our profitability.
- Our operations expose us to litigation, tax, environmental, and other legal compliance risks.
- Our failure to introduce new products and product enhancements that respond to customer and end consumer demand, and any broad market acceptance of new technologies introduced by our competitors, could adversely affect our business.
- We may not be able to adequately protect our proprietary intellectual property and technology and we may need to defend ourselves against intellectual property infringement claims.
- Any acquisitions or other strategic transactions that we complete may not achieve their intended benefits and may involve significant costs, diversion of management attention and resources, integration difficulties, or unanticipated liabilities, and may have adverse effects on our financial condition and results of operations.
- If our electronic data is compromised, or we experience a failure in our information technology or storage systems, our business could be significantly harmed.
- Our ability to raise capital in the future may be limited, which could make us unable to fund our capital requirements and our stockholders may be diluted by future securities offerings.
- We depend on our senior management team and other key employees, and significant attrition within our management team or unsuccessful succession planning could adversely affect our business.
- We may be unable to maintain compliance with the continued listing requirements of The Nasdaq Capital Market, including the minimum bid price requirement, which could result in the delisting of our common stock.
- Our stock price may fluctuate significantly, and you may lose all or a part of your investment.
- Sales of substantial amounts of our securities in the public markets, including sales under our at-the-market program, or the perception that such sales might occur, could reduce the price of our securities and may dilute your voting power and your ownership interest in us.
- The exercise of outstanding warrants may result in a substantial increase in the number of shares of our common stock that are outstanding.
- The Series A Warrants and Series B Warrants may have an adverse effect on the market price of our common stock and make it more difficult to effect a business combination.
- Our long-term lease and debt obligations could adversely affect our ability to raise additional capital to fund operations and limit our ability to enter into certain transactions.

These and other risks and uncertainties are described in greater detail under “*Risk Factors*” in Item 1A of our Annual Report filed on March 17, 2026. Moreover, new risks and uncertainties emerge occasionally, and it is not possible for us to predict all risks and uncertainties, nor can we assess the impact of all factors on our business, or the extent to which any factor, or combination of factors, may cause our actual future results to be materially different from any results expressed in or implied by any forward-looking statements. Financial estimates are subject to change and are not intended to be relied upon as predictions of future results of operations. Except as required by applicable law or the listing rules of The Nasdaq Stock Market, we expressly disclaim any intent or obligation to update any forward-looking statements. If we do update or correct any forward-looking statements, investors and others should not conclude that we will make additional updates or corrections. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

INDUSTRY AND MARKET DATA

This Quarterly Report includes statistical and other industry and market data that we obtained from industry publications and research, surveys, and studies conducted by third parties, as well as our own projections and estimates. All of the market data used in this report involve a number of assumptions and limitations, and investors are cautioned not to unduly rely on such data. Industry publications and research, surveys, and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our products include several key assumptions based on our industry knowledge, industry publications and research, and other surveys, which may be based on a small sample size and may fail to accurately reflect market opportunities. While we believe our internal assumptions are reasonable, no independent source has verified such assumptions.

TRADEMARKS

This Quarterly Report includes trademarks, tradenames, and service marks that are our property or the property of others. Solely for convenience, such trademarks and tradenames sometimes appear without any “™” or “®” symbol. However, failure to include such symbols is not intended to suggest, in any way, that we will not assert our rights or the rights of any applicable licensor, to these trademarks and tradenames.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EXPION360 INC.
BALANCE SHEETS

| | As of March 31, 2026 (Unaudited) | As of December 31, 2025 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,056,538 | \$ 2,969,096 |
| Accounts receivable, net | 616,448 | 718,964 |
| Inventory | 2,433,581 | 2,858,780 |
| Prepaid/in-transit inventory | 174,362 | 318,440 |
| Prepaid expenses and other current assets | 326,353 | 179,645 |
| Total current assets | <u>6,607,282</u> | <u>7,044,925</u> |
| Property and equipment | 807,083 | 807,083 |
| Accumulated depreciation | (503,774) | (478,861) |
| Property and equipment, net | <u>303,309</u> | <u>328,222</u> |
| Other Assets | | |
| Operating leases – right-of-use asset | 587,672 | 666,199 |
| Deposits | 32,016 | 32,016 |
| Total other assets | <u>619,688</u> | <u>698,215</u> |
| Total assets | <u>\$ 7,530,279</u> | <u>\$ 8,071,362</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 419,599 | \$ 403,792 |
| Customer deposits | 1,042 | 2,978 |
| Accrued expenses and other current liabilities | 241,448 | 221,863 |
| Current portion of operating lease liability | 332,410 | 337,246 |
| Current portion of long-term debt | 31,572 | 31,058 |
| Total current liabilities | <u>1,026,071</u> | <u>996,937</u> |
| Long-term debt, net of current portion and discount | 158,106 | 166,187 |
| Operating lease liability, net of current portion | 296,503 | 372,478 |
| Total liabilities | <u>1,480,680</u> | <u>1,535,602</u> |
| Stockholders' equity | | |
| Preferred stock, par value \$0.001; 20,000,000 shares authorized; zero shares issued and outstanding | — | — |
| Common stock, par value \$0.001; 200,000,000 shares authorized; 11,438,298 and 9,781,739 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively | 11,438 | 9,782 |
| Additional paid-in capital | 48,610,756 | 47,336,405 |
| Accumulated deficit | (42,572,595) | (40,810,427) |
| Total stockholders' equity | <u>6,049,599</u> | <u>6,535,760</u> |
| Total liabilities and stockholders' equity | <u>\$ 7,530,279</u> | <u>\$ 8,071,362</u> |

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

EXPION360 INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

| | For the Three Months Ended March 31, | |
|------------------------------------------------------|-------------------------------------------------|----------------|
| | 2026 | 2025 |
| Net sales | \$ 1,565,847 | \$ 2,049,331 |
| Cost of sales | 1,169,771 | 1,547,764 |
| Gross profit | 396,076 | 501,567 |
| Selling, general and administrative | 2,166,985 | 1,649,435 |
| Loss from operations | (1,770,909) | (1,147,868) |
| Other (income) / expense: | | |
| Interest income | (14,316) | (1) |
| Interest expense | 5,519 | 5,668 |
| Gain on sale of property and equipment | — | (1,625) |
| Other expense | 30 | 50 |
| Total other (income) / expense | (8,767) | 4,092 |
| Loss before taxes | (1,762,142) | (1,151,960) |
| Franchise taxes | 26 | 38 |
| Net loss | \$ (1,762,168) | \$ (1,151,998) |
| Net loss per share (basic and diluted) | \$ (0.17) | \$ (0.37) |
| Weighted-average number of common shares outstanding | 10,459,784 | 3,109,522 |

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

EXPION360 INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
|-------------------------------------------|--------------|-----------|----------------------------------|------------------------|----------------------------------|
| | Shares | Amount | | | |
| Balance at December 31, 2024 | 2,096,082 | \$ 2,096 | \$ 37,091,468 | \$ (34,575,240) | \$ 2,518,324 |
| Issuance of shares, net of issuance costs | 474,193 | 474 | 355,084 | — | 355,558 |
| Issuance of pre-funded warrants | 574,193 | 574 | 1,423,425 | — | 1,423,999 |
| Amortization of stock-based compensation | — | — | 50,721 | — | 50,721 |
| Net loss | — | — | — | (1,151,998) | (1,151,998) |
| Balance at March 31, 2025 | 3,144,468 | \$ 3,144 | \$ 38,920,698 | \$ (35,727,238) | \$ 3,196,604 |
| Balance at December 31, 2025 | 9,781,739 | \$ 9,782 | \$ 47,336,405 | \$ (40,810,427) | \$ 6,535,760 |
| Issuance of shares, net of issuance costs | 1,656,559 | 1,656 | 1,221,161 | — | 1,222,817 |
| Amortization of stock-based compensation | — | — | 53,190 | — | 53,190 |
| Net loss | — | — | — | (1,762,168) | (1,762,168) |
| Balance at March 31, 2026 | 11,438,298 | \$ 11,438 | \$ 48,610,756 | \$ (42,572,595) | \$ 6,049,599 |

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

EXPION360 INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)

| | For the Three Months Ended March 31, | |
|-----------------------------------------------------------------------------|-------------------------------------------------|---------------------|
| | 2026 | 2025 |
| Cash flows from operating activities | | |
| Net loss | \$ (1,762,168) | \$ (1,151,998) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 24,913 | 34,028 |
| Gain on sale of property and equipment | — | (1,625) |
| Stock-based compensation | 53,190 | 50,721 |
| Valuation of inventory | (74,443) | — |
| Allowance for doubtful accounts | 7,626 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 94,890 | 20,397 |
| Inventory | 499,642 | (1,204,572) |
| Prepaid/in-transit inventory | 144,078 | 1,463,145 |
| Prepaid expenses and other current assets | (146,708) | 28,088 |
| Deposits | — | 2,000 |
| Accounts payable | 15,807 | 29,366 |
| Customer deposits | (1,936) | (6,554) |
| Accrued expenses and other current liabilities | 19,585 | 9,410 |
| Right-of-use assets and lease liabilities | (2,284) | (1,340) |
| Suspended liability | — | (500,000) |
| Net cash used in operating activities | <u>(1,127,808)</u> | <u>(1,228,934)</u> |
| Cash flows from investing activities | | |
| Net proceeds from sale of property and equipment | — | 2,750 |
| Net cash provided by investing activities | — | 2,750 |
| Cash flows from financing activities | | |
| Principal payments on long-term debt | (7,567) | (8,331) |
| Net proceeds from issuance of common stock | 1,222,817 | 1,779,557 |
| Net cash provided by financing activities | <u>1,215,250</u> | <u>1,771,226</u> |
| Net change in cash and cash equivalents | 87,442 | 545,042 |
| Cash and cash equivalents, beginning | 2,969,096 | 547,565 |
| Cash and cash equivalents, ending | <u>\$ 3,056,538</u> | <u>\$ 1,092,607</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 5,573 | \$ 6,001 |
| Cash paid for franchise taxes | \$ 176 | \$ — |

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Nature of Operations

Expion360 Inc. (the “Company”) was incorporated in the State of Nevada in November 2021. Effective November 1, 2021, the Company converted to a C corporation. The Company was originally formed as a limited liability company in the State of Oregon in June 2016.

The Company designs, assembles, manufactures, and sells lithium iron phosphate (“LiFePO4”) batteries and supporting accessories for recreational vehicles (“RVs”), marine, and industrial applications. The Company’s lithium battery solutions incorporate innovative concepts and have been designed to include some of the most dense and minimal-footprint batteries available. The Company’s customers consist of dealers, wholesalers, private-label customers, and original equipment manufacturers (“OEMs”) who then sell its products to end consumers. The Company currently operates in one reportable business segment, Energy Storage (ES).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statement presentation. However, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included.

Results of operations for the three-month periods ended March 31, 2026 and 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026 or for any other reporting period. The unaudited interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 17, 2026 (the “Annual Report”).

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

Going Concern

The Company’s activities are subject to significant risks and uncertainties, including that it may be unable to secure additional funding before it achieves profitability or positive cash flow from operations. The Company expects to continue to incur operating losses for the foreseeable future, and will need to raise additional debt or equity financing to fund working capital, purchase inventory, expand its presence in the marketplace, develop new products, achieve operating efficiencies, and accomplish its long-term business plan. There can be no assurance that additional financing will be available on acceptable terms or at all.

Historically, the Company’s operations have been funded through a combination of sales of equity securities, and issuances of third-party debt and working capital loans. As presented in the accompanying financial statements, the Company has sustained recurring losses and negative cash flows from operations and has a significant negative stockholders’ equity balance. The Company incurred net losses of \$1.8 million and \$1.2 million for the three months ended March 31, 2026 and 2025, respectively, and incurred net losses of \$6.2 million and \$13.5 million for the years ended December 31, 2025 and 2024, respectively. The Company had negative cash flows from operating activities of \$1.1 million and \$1.2 million for the three months ended March 31, 2026 and 2025, respectively, and negative cash flows from operating activities of \$6.1 million and \$9.6 million for the years ended December 31, 2025 and 2024, respectively. In addition, the Company had accumulated deficits of \$42.6 million and \$40.8 million as of March 31, 2026 and December 31, 2025, respectively. The Company has never achieved profitability or positive cash flows from operations, and may not be able to do so for the foreseeable future. In addition, the Company had a cash and cash equivalents balance of \$3.1 million as of March 31, 2026. These factors raise substantial doubt about the Company’s ability to continue as a going concern within twelve months from the date that the financial statements in this Quarterly Report were issued. However, management is working to address its operational and liquidity challenges, including raising additional capital, managing inventory levels, identifying alternative supply chain resources, and managing operational expenses.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business; however, the above conditions raise substantial doubt about the Company's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

For additional information regarding the significant risks and uncertainties that may impact our business and financial results, see Part II, Item 1A, "Risk Factors" in this Quarterly Report.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. The Company's significant accounting estimates include the carrying value of inventory, the depreciable lives of fixed assets, operating lease assets and liabilities, and stock-based compensation and warrant valuation. Management evaluates its estimates and assumptions on an ongoing basis using historical experience, existing and known circumstances, authoritative accounting guidance, and other factors management believes to be reasonable and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements. Actual results could differ from these estimates, which may result in material effects on the Company's financial condition, results of operations and liquidity. To the extent there are differences between these estimates and actual results, the Company's financial statements may be materially impacted.

Inventory

Inventory generally consists of batteries and accessories, resale items, components, and related landing costs. Inventory is stated at the lower of cost (first in, first out) or net realizable value.

As of March 31, 2026 and December 31, 2025, the Company had inventory that consisted of finished assemblies totaling \$1,878,269 and \$2,269,267, respectively, and raw materials (inventory components, parts, and packaging) totaling \$555,312 and \$589,513, respectively. The stated inventory value is inclusive of fixed production overhead costs based on normal capacity of the assembly warehouse.

The Company periodically reviews its inventory for evidence of slow-moving or obsolete inventory and provides for an allowance when considered necessary. In 2025, the Company wrote off and wrote down \$919,730 in obsolete inventory, and in the three months ended March 31, 2025, an additional \$21,187 in obsolete inventory was written off, in addition to expensing \$58,207 in marketing-related products previously recorded as inventory. A portion of the obsolete inventory was sold for scrap or recycled, and a portion has been retained to use in marketing promotions and was either written down to its estimated net realizable value or written off completely. The value of obsolete inventory that remains on the Balance Sheet as of March 31, 2026 is \$472,851.

The Company prepays for inventory purchases from foreign suppliers. Prepaid inventory totaled \$174,362 and \$318,440 as of March 31, 2026 and December 31, 2025, respectively, and included inventory in transit where title had passed to the Company but had not yet been physically received.

Vendor and Foreign Concentrations of Inventory Suppliers

During the three months ended March 31, 2026 and 2025, approximately 70% and 71%, respectively, of inventory purchases were made from foreign suppliers in Asia. Any adverse change in macroeconomic or geopolitical conditions could negatively impact the Company's supply chain. The inability to obtain product to meet sales demand could adversely affect the Company's results of operations. However, the Company has secured a secondary source for lithium iron phosphate cells used in its batteries from a supplier in Europe, enabling the Company to source materials outside of Asia in the event it becomes necessary to do so.

Cash and Cash Equivalents

The Company considers all cash amounts which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company maintains its cash and cash equivalents balances with high-quality financial institutions located in the United States. Cash accounts are secured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At times, the Company's cash and cash equivalents balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to any significant credit risk with respect to these balances. As of March 31, 2026, the Company had investment accounts with a balance of \$1,530,462 that was invested in U.S. treasury securities.

Revenue Recognition

The Company's revenue is generated from the sale of products consisting primarily of batteries and accessories. The Company recognizes revenue when control of goods is transferred to its customers in an amount that reflects the consideration it is expected to be entitled to in exchange for those goods or services. To determine revenue recognition, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the performance obligation(s) are satisfied. Revenue is recognized upon shipment or delivery to the customer, as that is when the customer obtains control of the promised goods and the Company's performance obligation is considered satisfied. As such, accounts receivable is recorded at the time of shipment or will call, when the Company's right to the consideration becomes unconditional and the Company determines there are no uncertainties regarding payment terms or transfer of control.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount, are due within a year or less, and generally do not bear any interest. The Company performs ongoing credit evaluations of its customers and generally requires no collateral. An allowance for uncollectible accounts may be recorded to reduce accounts receivable to the estimated amount management expects will be collected. The allowance is based upon management's review of the accounts receivable aging, specific identification of potentially uncollectible balances, historical collection experience, and other factors deemed relevant. Recoveries of accounts previously written off and adjustments to the allowance for uncollectible accounts are recorded as adjustments to bad debt expense. For the three months ended March 31, 2026 and 2025, the Company wrote off \$7,626 and \$0, respectively, to bad debt expense. The allowance for doubtful accounts had a balance of \$7,626 and \$0 at March 31, 2026 and December 31, 2025, respectively.

Concentration of Major Customers

A customer is considered a major customer when net revenue attributable to the customer exceeds 10% of total revenue for the period, or the accounts receivable balance attributable to the customer exceeds 10% of total accounts receivable.

During the three months ended March 31, 2026, sales to two customers totaled \$726,173, comprising approximately 47% of total sales. These customers represented approximately 61% of total accounts receivable as of March 31, 2026.

During the three months ended March 31, 2025, sales to three customers totaled \$1,010,058, comprising approximately 50% of total sales. These customers represented approximately 53% of total accounts receivable as of March 31, 2025. Accounts receivable from one additional customer totaled \$91,001, representing approximately 17% of total accounts receivable as of March 31, 2025.

Leases

The Company determines if an arrangement is a lease at inception. Leases may be categorized as operating leases or finance leases. The Company does not have any finance leases.

Operating lease right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset during the lease term, and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating leases are included in ROU assets, current operating lease liabilities, and long-term operating lease liabilities on the balance sheets.

Lease ROU assets and lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date calculated using the Company’s incremental borrowing rate (“IBR”) applicable to the lease asset, unless the implicit rate is readily determinable. The Company’s IBR represents the interest rate that the Company would expect to incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis with similar terms and payments, in an economic environment where the leased asset is located. ROU assets include any lease payments made at or before lease commencement and exclude any lease incentives received. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Leases with a term of 12 months or less are not recognized on the balance sheets. The Company’s leases do not contain any residual value guarantees. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company accounts for lease and non-lease components as a single lease component for all its leases.

Property and Equipment

Property and equipment are stated at cost less depreciation calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

| | |
|---------------------------------------|--------------|
| Vehicles and transportation equipment | 5 - 7 years |
| Manufacturing equipment | 3 - 10 years |
| Office furniture and equipment | 3 - 7 years |
| Warehouse equipment | 3 - 10 years |
| Quality Assurance (“QA”) equipment | 3 - 10 years |
| Tooling and molds | 5 - 10 years |

Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives.

Betterments, renewals, and extraordinary repairs that extend the lives of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation and amortization applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized on the statements of operations.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment. When events or circumstances indicate the carrying value of a long-lived asset may be impaired, the Company estimates the future undiscounted cash flows to be derived from the use and eventual disposition of the asset to assess whether or not a potential impairment exists. If the carrying value exceeds the estimate of future undiscounted cash flows, the impairment is calculated as the excess of the carrying value of the asset over the estimate of its fair value. Fair value is determined primarily using the estimated cash flows discounted at a rate commensurate with the risk involved. No long-lived asset impairment was recognized during the three months ended March 31, 2026 or 2025.

Product Warranties

The Company sells the majority of its products to customers along with conditional repair or replacement warranties. The Company's branded products carry warranties ranging from one year to up to 12 years from date of sale, depending on the specific product. The Company determines its estimated liability for warranty claims based on the Company's historical experience with the amount of claims actually made. The Company has not accrued any liability for product warranties as of March 31, 2026 and December 31, 2025 because, historically, there have been very few warranty claims, and any costs for repairs or replacement parts have been nominal.

Liability for Refunds or Rebates

The Company does not have a formal product return policy but does accept returns under its warranty policies. Returns have historically been minimal. Product that is returned is tested and evaluated. Items that are in saleable condition are either returned to the customer or placed back into inventory to be resold. Items that do not pass our testing are expensed in the period the testing is completed. Failed product returns have historically been immaterial and therefore the Company does not accrue a liability for refunds, and did not accrue such liability as of March 31, 2026 or December 31, 2025.

The Company accrues a rebate liability when a customer's purchase agreement with us includes a rebate, which is typically reflected as a percentage of sales. The Company recognized a rebate liability of \$56 and \$0 as of March 31, 2026 and December 31, 2025, respectively.

Shipping and Handling Fees and Costs

Shipping and handling fees billed to customers totaled \$10,514 and \$14,918 during the three months ended March 31, 2026 and 2025, respectively, and are classified as net sales on the statements of operations. Shipping and handling costs for shipping product to customers totaled \$71,249 and \$83,177 during the three months ended March 31, 2026 and 2025, respectively, and are classified as selling, general, and administrative expense on the statements of operations.

Advertising and Marketing Costs

The Company expenses advertising and marketing costs as incurred. Advertising and marketing expenses totaled \$249,772 and \$246,643 for the three months ended March 31, 2026 and 2025, respectively, and are included in selling, general and administrative expense on the statements of operations.

Research and Development

The Company expenses research and development costs as incurred. Research and development expenses totaled \$142,960 and \$113,740 for the three months ended March 31, 2026 and 2025, and are included in selling, general and administrative expense on the statements of operations.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. The Company's 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 basis. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fair Value of Financial Instruments

The Company accounts for its financial assets and liabilities in accordance with ASC Topic 820, *Fair Value Measurement*. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data. These inputs include quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs are used when little or no market data is available. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in the assessment of fair value. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximates their respective carrying values because of the short-term nature of those instruments. The fair value of the long-term debt approximates their respective carrying values because the interest rates applicable to these instruments approximate market rates available to the Company for similar obligations with the same maturities.

Basic and Diluted Net Loss Per Share

The basic net earnings or loss per share is calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the period. Diluted earnings or loss per share adjusts the basic earnings or loss per share for the potentially dilutive impact of securities (*e.g.*, options and warrants).

We calculate basic and diluted net earnings or loss per share using the weighted average number of common shares outstanding during the periods presented. For the diluted earnings per share calculation, we adjust the weighted average number of common shares outstanding to include stock options, warrants, unvested restricted stock units ("RSUs"), and shares associated with the conversion of any convertible notes or convertible preferred stock, in each case as applicable. We use the if-converted method for calculating any potential dilutive effect of convertible notes and convertible preferred stock on diluted net earnings or loss per share. For periods in which we have a net loss position, we exclude these potentially dilutive securities from the weighted average number shares because their inclusion would be anti-dilutive. Accordingly, for periods in which we have a net loss position, basic and diluted net loss per share are the same.

The following shows the amounts used in computing net loss per share:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------|-------------------------------------|----------------|
| | 2026 | 2025 |
| Net loss | \$ (1,762,168) | \$ (1,151,998) |
| Weighted average common shares outstanding – basic and diluted | 10,459,784 | 3,109,522 |
| Net loss per share – basic and diluted | \$ (0.17) | \$ (0.37) |

As of March 31, 2026 and December 31, 2025, the Company had outstanding warrants and options exercisable into, and RSUs that may be settled for, an aggregate of 1,773,763 shares of common stock.

The following table sets forth the number of shares excluded from the computation of diluted loss per share since their inclusion would have been anti-dilutive:

| | As of | |
|----------------------------------|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| 2021-2023 Warrants | 6,639 | 6,639 |
| August 2024 Warrants – Series A | 901,943 | 901,943 |
| August 2024 Warrants – Series B | 2,132 | 2,132 |
| January 2025 Warrants | 449,193 | 449,193 |
| October 2025 Pre-Funded Warrants | 144,498 | 144,498 |
| Stock Options | 214,358 | 214,358 |
| Restricted Stock Units | 55,000 | 55,000 |
| Total | <u>1,773,763</u> | <u>1,773,763</u> |

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718 “*Compensation—Stock Compensation*,” which requires compensation costs to be recognized at grant date fair value over the requisite service period of each of the awards. The Company recognizes forfeitures of awards as they occur.

The fair value of options is determined using the Black-Scholes option-pricing model. In order to calculate the fair value of options, certain assumptions and estimates are made with respect to variables such as the expected life of options, volatility of the stock price, risk-free interest rates, future dividend yields, and estimated forfeitures at the initial grant date. Changes to these assumptions or estimates could cause result in significant changes to the valuations.

New Accounting Pronouncements

In December 2025, the FASB issued ASU 2025-11, “Interim Reporting (Topic 270): Narrow-Scope Improvements.” This ASU was issued to update guidance on disclosures that should be provided in interim reporting periods. The Company already complies with the guidance in this ASU, so there will be no impact on its financial statements or disclosures.

Accounting Guidance Issued but Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40).” This ASU was issued to improve the disclosures about an entity’s expenses, and require certain types of expenses to be disclosed individually, and is effective for annual reporting periods beginning after December 15, 2027. The Company is currently evaluating the impact of this standard on its financial statements or disclosures.

3. Property and Equipment, Net

Property and equipment consist of the following:

| | As of | |
|---------------------------------------|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| Vehicles and transportation equipment | \$ 299,015 | \$ 299,015 |
| Fixed assets not in service | 160,299 | — |
| Office furniture and equipment | 153,698 | 153,698 |
| Warehouse equipment | 72,964 | 72,964 |
| Leasehold improvements | 69,725 | 69,725 |
| Quality assurance equipment | 43,582 | 43,582 |
| Manufacturing equipment | 7,800 | 168,099 |
| | <u>\$ 807,083</u> | <u>\$ 807,083</u> |
| Less: accumulated depreciation | (503,774) | (478,861) |
| Property and equipment, net | <u>\$ 303,309</u> | <u>\$ 328,222</u> |

Depreciation expense was \$24,913 and \$34,028 for the three months ended March 31, 2026 and 2025, respectively. There were no disposals and sales of fixed assets during the three months ended March 31, 2026. As a result of disposals and sales of fixed assets during the three months ended March 31, 2025, the Company received \$2,750 of net cash received and recognized a gain of \$1,625.

4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

| | As of March 31, 2026 | As of December 31, 2025 |
|------------------------------------------------|----------------------------|-------------------------------|
| Accrued salaries and payroll liabilities | \$ 183,413 | \$ 146,407 |
| Accrued commissions | 41,001 | 49,505 |
| Deferred revenue | 11,258 | 17,754 |
| Other | 5,776 | 8,197 |
| Accrued expenses and other current liabilities | <u>\$ 241,448</u> | <u>\$ 221,863</u> |

5. Long-Term Debt

Long-term debt consisted of the following as of March 31, 2026 and December 31, 2025:

| | March 31, 2026 | December 31, 2025 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Note payable – SBA: Payable in monthly installments of \$731, including interest at 3.75% per annum, maturing in May 2050, and is unsecured. | 137,972 | 138,853 |
| Notes payable –GM Financial: In April 2022, the Company secured a commercial line up to \$300,000 to be used to finance vehicle purchases. The original agreement expired in April 2023 but was renewed for a commercial line up to \$350,000 with prevailing GM Financial existing terms each year since. The current agreement expires in April 2027. One note was paid off when the corresponding vehicle was sold in May 2023, two notes were paid off when the corresponding vehicles were sold in February 2024, and three notes remain outstanding as of March 31, 2026. The notes are currently payable in aggregate monthly installments of \$2,560, including interest at rates ranging from 6.14% to 7.29% per annum, mature at various dates from October 2027 to May of 2028, and are secured by the related vehicles. | 51,706 | 58,392 |
| Total | <u>\$ 189,678</u> | <u>\$ 197,245</u> |
| Less current portion | <u>(31,572)</u> | <u>(31,058)</u> |
| Long-term debt, net of unamortized debt discount and current portion | <u>\$ 158,106</u> | <u>\$ 166,187</u> |

Future maturities of long-term debt are as follows:

| 12 Months Ending March 31, | |
|-----------------------------------|-------------------|
| 2027 | \$ 31,572 |
| 2028 | 25,863 |
| 2029 | 5,523 |
| 2030 | 4,040 |
| 2031 | 4,194 |
| Thereafter | 118,486 |
| Total | <u>\$ 189,678</u> |

6. Equity and Debt Financings

At-the-Market Offering

On December 12, 2025, the Company entered into an At-The-Market Issuance Sales Agreement (the “Sales Agreement”) pursuant to which we are eligible to sell shares of common stock through in an “at-the-market” offering pursuant to Rule 415 under the Securities Act (the “ATM Offering”). We commenced sales under the Sales Agreement in January 2026 and have sold an aggregate of 1,656,559 shares for aggregate net proceeds of approximately \$1.2 million as of March 31, 2026, after deducting offering expenses payable by the Company. The Company intends to use the net proceeds from the ATM Offering for working capital and other general corporate purposes.

The offer and sale of the securities in the ATM Offering was made pursuant to an effective shelf registration statement on Form S-3 (File No. 333-272956), which the Company filed with the SEC on June 27, 2023 and was declared effective on July 10, 2023 (the “Shelf Registration Statement”).

October 2025 Private Placement

On October 16, 2025, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with two institutional investors pursuant to which the Company agreed to sell in a private placement (the “October 2025 Private Placement”) an aggregate of (i) 613,077 shares of common stock, and (ii) a pre-funded warrant (the “October 2025 Pre-Funded Warrant”) to purchase up to 144,498 shares of common stock. The offering price per share was \$1.65 and the offering price per pre-funded warrant share was \$1.649.

The Company received net proceeds of approximately \$1.1 million from the October 2025 Private Placement after deducting offering expenses payable by the Company. The Company used the net proceeds from the offering to pay severance obligations to certain executive officers that transitioned concurrent with the completion of the October 2025 Private Placement, and for working capital and other general corporate purposes.

The October 2025 Pre-Funded Warrant is exercisable immediately upon issuance for cash or on a cashless basis at the discretion of the holder. The exercise price of the October 2025 Pre-Funded Warrant is \$0.001 per share. The number of pre-funded warrant shares that may be issuable is subject to adjustment for stock splits, recapitalizations, and reorganizations. The holder of the October 2025 Pre-Funded Warrant does not have any voting rights, but does have the right to participate in any dividends or distributions made by the Company. As of March 31, 2026, none of the October 2025 Pre-Funded Warrants have been exercised.

The offer and sale of the securities in the October 2025 Private Placement was made pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), provided by Section 4(a)(2) of the Securities Act and Rule 506 promulgated thereunder.

January 2025 Public Offering

In January 2025, the Company sold in a public offering (the “January 2025 Public Offering”) (i) 474,193 shares of common stock, (ii) pre-funded warrants (the “January 2025 Pre-Funded Warrants”) to purchase 574,193 shares of common stock, which were exercised immediately upon closing, and (iii) warrants to purchase 1,048,386 shares of common stock at an exercise price of \$2.36 per share (the “January 2025 Warrants”). The offering price per share was \$2.48 and the offering price per pre-funded warrant share was \$2.479.

The Company received net proceeds of approximately \$1.8 million from the January 2025 Public Offering after deducting offering expenses payable by the Company. The Company used the net proceeds from the offering to pay certain obligations under the Series A Warrants (as defined below), and for working capital and other general corporate purposes.

The January 2025 Pre-Funded Warrants are exercisable immediately upon issuance for cash or on a cashless basis at the discretion of the holder. The exercise price of the January 2025 Pre-Funded Warrants is \$0.001 per share. The number of pre-funded warrant shares that may be issuable is subject to adjustment for stock splits, recapitalizations, and reorganizations. The holders of the January 2025 Pre-Funded Warrants do not have any voting rights, but do have the right to participate in any dividends or distributions made by the Company.

The fair value of the January 2025 Warrants was determined at the date of issuance using the Black-Scholes option-pricing model based on the following estimates and assumptions: a per share price of common stock on date of grant of \$2.22; expected dividend yield of 0%; expected volatility of 158.64%; risk-free interest rate of 4.41%; and expected life of five years. The warrants were valued at \$2.064 per share, with a total value of \$2,163,869.

The offer and sale of the securities in the January 2025 Public Offering was made pursuant to the Shelf Registration Statement. The offer and sale of the January 2025 Warrants was made pursuant to a registration statement on Form S-1 (File No. 333-284354), which the Company filed with the SEC on January 17, 2025 and was declared effective on February 11, 2025.

On August 14, 2025, the Company entered into inducement offer letter agreements with certain holders of the January 2025 Warrants, which reduced the exercise price of the January 2025 Warrants from \$2.36 per share to \$1.31 per share in exchange for the prompt exercise by such holders of the warrants for cash (the “Warrant Inducement”). The difference between the fair value of the January 2025 warrants immediately prior to and following modification was calculated using the Black-Scholes option-pricing model and treated as a transaction cost, and resulted in \$97,746 being netted against the proceeds received from the exercise of the January 2025 Warrants. As a result of the Warrant Inducement, January 2025 Warrants covering an aggregate of 599,193 shares of common stock were exercised, resulting in net proceeds to the Company of approximately \$0.8 million. On August 22, 2025, the Company’s board of directors took action to permanently reduce the exercise price of the January 2025 Warrants from \$2.36 per share to \$1.31 per share (the “Exercise Price Reduction” and, together with the Warrant Inducement, the “Warrant Adjustments”). As of March 31, 2026, January 2025 Warrants covering an aggregate of 449,193 shares of common stock remained outstanding.

Reverse Stock Split Cash True-Up Payment

On October 8, 2024, the Company effected a 1-for-100 reverse stock split of its issued and outstanding shares of common stock (the “Reverse Stock Split”).

As a result of the lowest daily volume weighted average price of the common stock during the five trading days before and after the Reverse Stock Split being below the minimum threshold set forth in the Series A Warrants, a Reverse Stock Split cash true-up payment provision in the Series A Warrants was triggered (the “Cash True-up Payment”). The Cash True-Up Payment was capped at \$5.0 million in the aggregate, but the payment was initially suspended in accordance with the terms of the Series A Warrants. See the section titled “—August 2024 Public Offering” for additional information.

During the year ended December 31, 2024, \$14,052 of the Cash True-up Payment was relieved in connection with the exercise of certain Series A Warrants, leaving a remaining liability of \$4,985,948 as of December 31, 2024.

The Company used \$500,000 of the net proceeds from the January 2025 Public Offering to satisfy a portion of the Cash True-up Payment, leaving a remaining liability of \$4,485,948.

On August 14, 2025, in connection with the Warrant Inducement, the Company entered into inducement offer letter agreements with certain holders of the Series A Warrants, which reduced the exercise price of the Series A Warrants from \$5.206 per share to \$1.31 per share in exchange for the prompt exercise by such holders of the warrants for cash. The Warrant Inducement had the effect of eliminating the Cash True-up Payment obligation pursuant to the terms of the Series A Warrants. As a result, the Cash True-up Payment liability of \$4,485,948 was no longer payable, and this amount was recorded as a credit to Other income / (expense) on the Statement of Operations. As of March 31, 2026, the Cash True-up Payment liability balance was \$0.

August 2024 Public Offering

On August 8, 2024, the Company issued and sold in a public offering (the “August 2024 Public Offering”) (i) 33,402,000 common units (pre-Reverse Stock Split), each consisting of one share of common stock, two Series A Warrants and one Series B Warrant (collectively, the “Common Units”), and (ii) 16,598,000 pre-funded units (pre-Reverse Stock Split), each consisting of one pre-funded warrant (the “August 2024 Pre-Funded Warrant”), two Series A Warrants, and one Series B Warrant (collectively, the “Pre-Funded Units”). The Common Units were sold at a price of \$0.20 per unit and the Pre-Funded Units were sold at a price of \$0.199 per unit (pre-Reverse Stock Split).

In addition, the Company granted the underwriter a 45-day option to purchase additional shares of common stock and/or August 2024 Pre-Funded Warrants and/or Series A Warrants and/or Series B Warrants, representing up to 15% of the number of the respective securities sold in the August 2024 Public Offering, solely to cover over-allotments, if any. The underwriter partially exercised its over-allotment option with respect to 15,000,000 Series A Warrants (pre-Reverse Stock Split) and 7,500,000 Series B Warrants (pre-Reverse Stock Split).

The Pre-Funded Warrants were immediately exercisable at an exercise price of \$0.001 per share (pre-Reverse Stock Split). As of March 31, 2026, all Pre-Funded Warrants had been exercised.

The Company received net proceeds of approximately \$8.7 million from the August 2024 Public Offering after deducting offering expenses payable by the Company. The Company used the net proceeds from the offering to satisfy certain contractual obligations, and for working capital and other general corporate purposes.

Each Series A Warrant became exercisable on September 30, 2024, and will expire five years from such date. Each Series A Warrant was initially exercisable at an exercise price of \$24.00 per share of common stock (post-Reverse Stock Split). The exercise price of the Series A Warrants was subsequently reduced to \$5.206 (post-Reverse Stock Split) consistent with the terms of the Series A Warrants.

On August 14, 2025, in connection with the Warrant Inducement, the exercise price of the Series A Warrants was further reduced to \$1.31 per share. The difference between the fair value of the warrants immediately prior to and following modification was calculated using the Black-Scholes option-pricing model and treated as a transaction cost, and resulted in \$1,423,166 being netted against the proceeds received from the Series A Warrants. As a result of the Warrant Inducement, an aggregate of 95,112,212 Series A Warrants were exercised, resulting in the issuance of an aggregate of 4,384,749 shares of common stock, resulting in net proceeds to the Company of \$4,918,695.

On August 22, 2025, in connection with the Exercise Price Reduction, the exercise price of all of the outstanding Series A Warrants was reduced from \$5.206 per share to \$1.31 per share. As of March 31, 2026, Series A Warrants to purchase an aggregate of 901,943 shares of common stock remain outstanding.

Each Series B Warrant was exercisable immediately upon issuance at an exercise price of \$0.10 per share (post-Reverse Stock Split). In July 2025, 85,252 shares of common stock were issued upon exercise of Series B Warrants, resulting in net proceeds to the Company of \$8,525. As of March 31, 2026, Series B Warrants to purchase an aggregate of 2,132 shares of common stock remain outstanding.

The offer and sale of securities in the August 2024 Public Offering was made pursuant to an effective registration statement on Form S-1 (File No. 333-280996), which the Company initially filed with the SEC on July 25, 2024 and was declared effective on August 6, 2025.

7. Commitments and Contingencies

Operating Leases

The Company leases its warehouses and office space under long-term lease arrangements. All of the Company's leases are accounted for as operating leases. For longer-term lease arrangements that are recognized on the balance sheets, the ROU asset and lease liability are initially measured at the commencement date based upon the present values of the lease payments. The Company does not recognize a ROU asset and lease liability for short term leases, which have terms of 12 months or less. See "Note 2, Summary of Significant Accounting Policies—Leases" for additional information.

In May 2025, the Company entered into a long-term, non-cancelable operating lease agreement for warehouse space next door to the existing office and warehouse space in Redmond, Oregon, resulting in the Company recognizing an additional ROU asset and corresponding lease liability of \$198,216, representing the present value of the lease payments discounted using an IBR of 13.49%. The lease expires in April 2028 and provides for one three-year option to renew.

In January and February 2022, the Company entered into two long-term, non-cancelable operating lease agreements for office and warehouse space resulting in the Company recognizing an additional ROU asset and corresponding lease liability of \$2,348,509, representing the present value of the lease payments discounted using an IBR of 8.07% and 8.86%, respectively. One lease was terminated in September 2024, and the remaining lease expires in December 2026.

In January 2021, the Company entered into a long-term, non-cancelable operating lease agreement for office and warehouse space resulting in the Company recognizing an additional ROU asset and lease liability of \$1,268,089, representing the present value of the lease payments discounted using an IBR of 7.47%. The lease expires in January 2028 and contains one three-year option to renew.

The Company had three additional leases relating to office and warehouse space that were terminated in January 2023, September 2024, and February 2025, respectively. The related ROU assets and lease liabilities were removed from the Balance Sheets at the time of termination.

The Company's operating leases generally provide for fixed annual increases and require the Company to pay real estate taxes, insurance, and repairs.

The following is a summary of total lease costs for the three months ending March 31, 2026 and 2025:

| | Three Months Ended March 31, | |
|------------------------|-------------------------------------|------------------|
| | 2026 | 2025 |
| Operating lease cost | \$ 93,804 | \$ 80,479 |
| Short-term lease costs | 597 | 1,194 |
| Sublease income | — | (7,169) |
| Total lease costs | <u>\$ 94,401</u> | <u>\$ 74,504</u> |

The weighted-average remaining lease term was 1.82 and 2.06 years as of March 31, 2026 and December 31, 2025, respectively. The weighted-average IBR was 9.02% and 8.99% as of March 31, 2026 and December 31, 2025, respectively. Operating cash flows from the operating leases totaled \$80,811 and \$67,126 for the three months ended March 31, 2026 and 2025, respectively.

The total lease liability as of March 31, 2026 and December 31, 2025 was \$628,913 and \$709,724, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of March 31, 2026, for years ending March 31:

| | Total |
|-------------------------------------|-------------------|
| 2027 | \$ 375,629 |
| 2028 | 297,706 |
| 2029 | 6,945 |
| Thereafter | — |
| Total future minimum lease payments | <u>680,280</u> |
| Less imputed interest | <u>(51,367)</u> |
| Total | <u>\$ 628,913</u> |
| Current lease liability | \$ 332,410 |
| Noncurrent lease liability | 296,503 |
| Total | <u>\$ 628,913</u> |

Subleases

The Company subleased office and warehouse space under one of its existing operating leases on similar terms as the Company's lease agreements. The most recent sublease terminated in February 2025. Because the Company was generally not relieved of its primary obligations under the original lease, it accounted for the subleases as a lessor. Sublease rental income was recorded based on the contractual rental payments and totaled \$0 and \$7,169 during the three months ended March 31, 2026 and 2025, respectively. There was no deferred sublease income or sublease deposit as of March 31, 2026 or December 31, 2025. The company had no subleases as of March 31, 2026.

Litigation

The Company may be involved from time to time in litigation or claims arising in the ordinary course of its business. While the ultimate liability, if any, arising from these claims cannot be determined with certainty, the Company believes that the resolution of any such matters are not reasonably likely have a material adverse effect on the Company's financial condition, operating results or cash flows.

As of March 31, 2026 and December 31, 2025, the Company was not a party to any legal proceedings or other disputes or claims which, if determined adversely, would, individually or taken together, have a material adverse effect on the Company's business, financial condition, operating results, liquidity, or future prospects.

Nasdaq Listing Requirement

On January 29, 2026, the Company received a determination from The Nasdaq Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market ("Nasdaq") that the bid price of the common stock had closed below the \$1.00 minimum required by Nasdaq Listing Rule 5550(a)(2) for the prior 30 consecutive business days (the "Minimum Bid Price Requirement") and that the Staff had determined to delist its securities from the Nasdaq Capital Market subject to a compliance period. Nasdaq provided the Company with a 180-calendar day compliance period, or until July 28, 2026, to regain compliance with the listing rule. The Company is currently evaluating options to regain compliance and intends to timely regain compliance with the Minimum Bid Price Requirement. Under Nasdaq rules, the Company is currently eligible to conduct a reverse stock split of its common stock to regain compliance if necessary.

8. Stockholders' Equity

The Company is authorized to issue an aggregate of 220,000,000 shares of capital stock, par value \$0.001 per share, consisting of 200,000,000 shares of common stock and 20,000,000 shares of preferred stock. As of March 31, 2026 and December 31, 2025, 11,438,298 and 9,781,739 shares, respectively, of common stock were issued and outstanding. No shares of preferred stock have been issued.

During the three months ended March 31, 2026, the Company issued an aggregate of 1,656,559 shares of common stock under the Sales Agreement resulting in net proceeds of approximately \$1.2 million.

In January 2025, the Company issued an aggregate of 1,048,386 shares of common stock pursuant to the January 2025 Public Offering.

Warrants

In the January 2025 Public Offering, the Company issued pre-funded warrants, which were immediately exercised for 574,193 shares of common stock at \$2.48 per share, and 1,048,386 January 2025 Warrants at an exercise price of \$2.36 per share. In August 2025, as part of the Warrant Inducement, the Company issued 599,193 shares of common stock upon exercise of the January 2025 Warrants for a price of \$1.31 per share. As of March 31, 2026, 449,193 of the January 2025 Warrants remain outstanding.

In 2024, 8,125,000 Series B Warrants exercisable for 496,232 shares at \$0.10 per share were exercised using the cashless conversion option which resulted in the issuance of 215,678 shares of common stock (based on a \$5.206 reset price). Another 46,300,000 Series B Warrants were exercised on a cash basis which resulted in the issuance of 1,078,689 shares of common stock (based on a \$5.206 reset price). In July 2025, 3,000,000 warrants were exercised on a cash basis, which resulted in the issuance of 85,252 shares. In 2024, 323,203 Series A Warrants were exercised on a cash basis which resulted in the issuance of 14,900 of common stock. In August 2025, as part of the Warrant Inducement, the exercise price of the Series A Warrants was reduced to \$1.31 per share, and 4,384,749 shares were issued upon exercise of 95,112,212 warrants. As of March 31, 2026, there were 19,564,585 Series A Warrants exercisable for 901,943 shares and 75,000 Series B Warrants exercisable for 2,132 shares outstanding.

Below is a summary of warrants issued and outstanding as of March 31, 2026:

| Description of Warrant | Number of Warrants | Issuable Shares | Exercise Price per Share | Weighted Average Remaining Life (Years) |
|------------------------|--------------------|------------------|--------------------------|-----------------------------------------|
| Series B Warrants | 75,000 | 2,132 | \$ 0.10 | N/A ⁽¹⁾ |
| January 2025 Warrants | 449,193 | 449,193 | \$ 1.31 ⁽²⁾ | 3.76 |
| Series A | 19,564,585 | 901,943 | \$ 1.31 ⁽³⁾ | 3.49 |
| 2021 Warrants | 514,290 | 5,149 | \$ 332.00 | 5.64 |
| 2022 Repriced Warrants | 88,803 | 891 | \$ 450.00 | 1.00 |
| 2022 Warrants | 59,202 | 599 | \$ 910.00 | 1.00 |
| | <u>20,751,073</u> | <u>1,359,907</u> | | |

(1) Series B Warrants do not have an expiration date.

(2) Reflects January 2025 Warrants. In connection with the Warrant Inducement, the exercise price was reduced from \$2.36 to \$1.31 per share.

(3) The Series A Warrants were part of the Warrant Inducement, and their exercise price was reduced from \$5.206 to \$1.31 per share.

Warrant Inducement and Repricing

On August 14, 2025, the Company entered into an inducement offer letter agreements with certain holders of the Series A Warrants and the January 2025 Warrants, which reduced the exercise price of the Series A Warrants from \$5.206 to \$1.31 per share, and the January 2025 Warrants from 2.36 to \$1.31 per share. The difference between the fair value of the warrants immediately prior to and following modification was treated as a transaction cost, which was netted against proceeds received. The difference in fair value for the Series A Warrants was \$1,423,166, and the difference in fair value for the January 2025 Warrants was \$97,746. Both were calculated using the Black-Scholes option-pricing model and were based on the following assumptions:

| Warrant | Stock Price | Remaining Life (Years) | Volatility | Risk-Free Rate | Dividend |
|--------------|-------------|------------------------|------------|----------------|----------|
| Series A | \$2.02 | 4.12 | 129.9% | 3.78% | — |
| January 2025 | \$2.02 | 4.39 | 129.9% | 3.77% | — |

Equity Plans

As of December 31, 2024, the Company adopted two stock-based compensation plans, the 2021 Incentive Award Plan (the “2021 Plan”) and the 2021 Employee Stock Purchase Plan (the “2021 ESPP”).

2021 Incentive Award Plan

The purpose of the 2021 Plan is to enhance the Company’s ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities. Various stock-based awards may be granted under the 2021 Plan to eligible employees, consultants, and non-employee directors, including options and RSUs.

The number of shares issued under the 2021 Plan is subject to an initial limit and is adjusted annually pursuant to an evergreen provision. The aggregate share limit will be subject to an annual increase on the first day of each calendar year ending on and including January 1, 2031, by a number of shares equal to the lesser of (i) a number equal to 5% of the aggregate number of shares of the Company's common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the Company's board or committee. On January 1, 2026, an aggregate of 489,086 shares were added to the plan reserve pursuant to the evergreen provision based on the number of shares outstanding as of December 31, 2025.

The type of award, number of shares subject to the award, exercise price (if any), vesting provisions (if any), and other terms of the awards will be determined at date of grant; however, the exercise price of options shall not be less than 100% of the fair value on the grant date and the term of options shall not exceed ten years.

As of March 31, 2026, an aggregate of 1,361,848 shares were eligible to be issued under the 2021 Plan, of which 215,079 shares underlying options and 560,649 shares underlying RSUs had been granted. Regardless of the number of shares authorized for issuance under the 2021 Plan, no more than 1,000,000 shares may be issued pursuant to the exercise of incentive stock options granted under the plan.

During the three months ended March 31, 2026, the Company did not grant any options or RSUs, and none were forfeited or canceled.

The stock-based compensation expenses incurred during the three months ended March 31, 2026 and 2025 were \$53,190 and \$50,721, respectively, which relate to the vesting of previously-granted options.

2021 Employee Stock Purchase Plan

The purpose of the 2021 ESPP is to assist eligible employees of the Company in acquiring stock ownership in the Company, help them provide for their future security, and encourage them to remain in the employment of the Company.

The number of shares issued under the 2021 ESPP is subject to an initial limit and is adjusted annually pursuant to an evergreen provision. The aggregate share limit will be subject to an annual increase on the first day of each calendar year ending on and including January 1, 2031, by a number of shares equal to the lesser of (i) a number equal to 1% of the aggregate number of shares of the Company's common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the Company's board or committee. On January 1, 2026, an aggregate of 97,817 shares were added to the plan reserve pursuant to the evergreen provision based on the number of shares outstanding as of December 31, 2025.

The 2021 ESPP consists of a Section 423 Component and Non-Section 423 Component. The Section 423 Component is intended to qualify as an employee stock purchase plan and also authorizes the grant of options. Options granted under the Non-Section 423 Component shall be granted pursuant to separate offerings. The Company may make one or more offerings under the 2021 ESPP. The duration and timing of each offering period may be established or changed by the board, but in no event may an offering period exceed 27 months and in no event may the purchase period for the option exceed the duration of the offering period under which it is established. On each exercise date for an offering period, each participant shall automatically be deemed to have exercised the option to purchase the largest number of whole shares which can be purchased under the offering. Option awards are generally granted with an exercise price equal to 85% of the lesser of the fair market value of a share on (a) the applicable grant date and (b) the applicable exercise date, or such other price as designated by the administrator.

As of March 31, 2026, an aggregate of 621,868 shares were eligible to be issued under the 2021 ESPP. No shares have been issued under the 2021 ESPP.

The Company uses the "simplified method" to estimate expected term. Under the simplified method, an option's expected term is calculated as the time until expiration.

No options were granted or canceled during the three months ended March 31, 2026, and no RSUs were granted or vested during the same period. As of March 31, 2026, there were 214,604 options outstanding with a weighted average exercise price of \$20.39 each, with 214,357 options exercisable at the same date, with a weighted average exercise price of \$19.95 each. As of March 31, 2026, there were 40,000 RSUs granted but unvested, with a weighted average grant-date fair value of \$1.50 each.

Common Stock Reserved for Future Issuance

The following is a summary of shares of common stock reserved for future issuance as of March 31, 2026:

| | |
|------------------------------------------------------------|------------------|
| Exercise of 2021 and 2022 Warrants | 6,639 |
| Exercise of Stock Options – 2021 Plan | 214,358 |
| Exercise of Series A Warrants | 901,943 |
| Exercise of Series B Warrants | 2,132 |
| Exercise of January 2025 Warrants | 449,193 |
| Exercise of Pre-Funded Warrants | 144,498 |
| Settlement of RSUs | 55,000 |
| Total shares of common stock reserved for future issuances | <u>1,773,763</u> |

9. Segment Reporting

The Company focuses on the design, assembly, manufacturing, and sale of LiFePO₄ batteries and supporting accessories for RV, marine, and industrial applications. The Company sells to wholesalers, distributors, and OEMs, as well as directly to consumers.

The Company has identified one reportable segment: Energy Storage. This segment generates revenue in North America, and the Company manages its product sales and associated expenses on a total basis. The accounting policies for this segment align with those outlined in the summary of significant accounting policies.

The Chief Executive Officer is the Chief Operating Decision Maker (CODM). The CODM assesses the performance of this segment and allocates resources based on an evaluation of net income or loss, which is reflected on the statements of operations. Net income or loss is also utilized to monitor the difference between budgeted and actual results, offering insights into financial performance and guiding any necessary corrective actions. Additionally, the CODM relies on net income or loss for competitive analysis by comparing the Company's financial performance with competitors in the Energy Storage space. The measure of segment assets is total Company assets, which is reflected on the balance sheets.

The Company does not engage in any intra-entity sales or transfers.

10. Income Taxes

The Company has incurred losses and consequently recorded no provision beyond the minimum or base tax rate for state or federal income taxes for the three months ended March 31, 2026 and 2025. The Company maintains a full valuation allowance on all deferred tax assets, as it has concluded that it is more likely than not that these assets will not be realized. As of March 31, 2026 and December 31, 2025, there were no material unrecognized tax benefits included in the balance sheets that would, if recognized, affect the effective tax rate. For the three months ended March 31, 2026 and 2025, the Company accrued \$0 and \$38 for income taxes, respectively.

11. Subsequent Events

The Company has evaluated subsequent events through the date of the filing of this Quarterly Report and determined that there have been no events that have occurred that would require adjustments to, or disclosures in, the financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited interim financial statements and related notes for the three months ended March 31, 2026 and 2025 included elsewhere in this Quarterly Report, as well as our audited financial statements and related notes for the fiscal years ended December 31, 2025 and 2024, included in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 17, 2026 (the “Annual Report”). Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties that may adversely impact our operations and financial results. These risks and uncertainties are discussed in this Quarterly Report, including in Part II, Item 1A, “Risk Factors” of this Quarterly Report and “Cautionary Note Regarding Forward-Looking Statements and Industry Data,” as well as in Part I, Item 1A, “Risk Factors” of the Annual Report. Percentage amounts included in this section have not in all cases been calculated on the basis of rounded figures, but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary from those obtained by performing the same calculations using the figures in our financial statements included elsewhere in this Quarterly Report. Certain other amounts that appear in this section may not sum due to rounding.

OVERVIEW

Expion360 focuses on the design, assembly, manufacturing, and sale of lithium iron phosphate (“LiFePO₄”) batteries and supporting accessories for recreational vehicles (“RVs”), marine applications, and industrial energy storage products. Our high-powered lithium battery solutions incorporate innovative concepts and have been designed to include some of the most dense and minimal-footprint batteries in the RV and marine industries. We deploy intellectual property strategies to support product development, enhance safety and performance, and strengthen relationships across our target markets. This includes design, development, and collaboration, using our IP to bring safety, quality, and service to our customers. Our customers consist of dealers, wholesalers, private-label customers, and original equipment manufacturers (“OEMs”) who then sell our products to end consumers and drive brand awareness nationally.

Our primary target markets include the RV, marine, industrial, and commercial energy storage industries. Within the industrial sector, we participate in applications such as electric material handling and forklift equipment, where lithium battery adoption continues to increase as an alternative to traditional lead-acid systems. We believe the broader transition from lead-acid to lithium batteries presents growth opportunities across these markets.

In addition to our current focus areas, we are evaluating opportunities to expand further into industrial and mission-critical commercial applications that require integrated battery energy storage solutions. These may include mobile and stationary systems supporting remote operations, security infrastructure, and other environments that require a high degree of reliability. While we continue to assess these industrial and adjacent markets, our current commercial activities remain concentrated in our established RV, marine, and industrial segments.

We launched our e360 product line in December 2020, initially targeting the RV and marine industries. The line, through its sales growth, has shown to be a preferred conversion solution for lead-acid batteries.

Our products provide numerous advantages for various industries that are looking to migrate to lithium-based energy storage. They incorporate detailed design and engineering, strong case materials, optimized internal structural layouts, and are supported by responsive customer service.

We currently operate Expion360 as one reportable business segment, Energy Storage (ES).

COMPETITIVE STRENGTHS

We believe the following strengths differentiate Expion360 and create long-term competitive advantages:

Superior Capacity to Lead-Acid Competitors

Lead-acid batteries have historically been the standard in RV and marine transportation vehicles, but these industries are experiencing a rapid conversion from lead-acid to lithium batteries as the primary method of power sourcing. Our lithium-ion batteries are designed to offer superior capacity to traditional lead-acid batteries, with an expected lifespan of approximately 12 years under standard operating conditions—three to four times that of certain lead-acid batteries—and ten times the number of charge cycles. Furthermore, our typical battery may provide three times the power of the typical, lead-acid battery despite being half the weight (comparing, for example, a typical lead-acid battery like the Renogy Deep Cycle AGM, which is rated at 100Ah, to our own LFP 100Ah battery and assuming slow discharge at a 1C rate).

In addition, we offer a 4.5 Ah 26650 lithium-ion phosphate battery cell, which allows us to increase energy density by over 32% compared to traditional 3.4 Ah 26650 cells.

Expansion into New Markets

Our proprietary e360 SmartTalk mobile app is included in many of our battery models and allows the seamless integration and management of e360 Bluetooth-enabled LiFePO4 batteries. The technology enables users to wirelessly monitor and manage e360 batteries, providing a comprehensive view of both individual battery conditions and performance as well as information about a power bank consisting of multiple e360 batteries. Our 48 Volt GC2 LiFePO4 battery was our first model to incorporate e360 SmartTalk for electric golf carts and other light electric vehicle applications.

In 2024, we introduced our next generation 12V GC2 and Group 27 series LiFePO4 batteries incorporating higher amp-hour cell options (4.0Ah and 4.5Ah) and the latest technology, including our proprietary Vertical Heat Conduction™ internal heating, Bluetooth®, and controller area network (“CANBus”) communication. We also launched the Edge battery in 2024, which offers a slim design designed to provide installation flexibility. The Edge is offered in both 12V and 48V configurations.

In February 2026, we announced plans to release three next-generation lithium-ion battery models expected to be commercially available in the second half of 2026. The new models include upgraded Group 27 (12.8V 140Ah), GC2H (12.8V 180Ah), and EX1 (12.8V 420Ah) batteries, each designed to increase capacity relative to prior generations. These platforms incorporate our VHC™ internal heating technology, SmartTalk™ Bluetooth connectivity, and CANBus communication, and are engineered to meet UL 1973 safety standards. The redesigned batteries are also intended to support manufacturing efficiencies and margin improvement initiatives.

Also in February 2026, we entered into a strategic partnership with Dealer Accessory Supply (“DAS”) related to the launch of the DASGen Hybrid Energy Storage System, representing our entry into the industrial energy storage market. DASGen is designed to function as an energy buffer between diesel generators and jobsite electrical loads and is intended to support reduced generator runtime, subject to site conditions and usage. Under the partnership, DAS serves as the final system assembler, while we supply the battery technology and lead sales and marketing efforts. The system utilizes our lithium iron phosphate battery platform and is integrated with industrial power electronics. Initial field deployments have been completed, with performance dependent on site-specific operating conditions.

Strong National Retail Customers and Distribution Channels

We maintain sales relationships with major RV and marine retailers and plan to use our strong reputation in the lithium battery space to create an even stronger distribution channel. We have decades of experience in the energy and RV industries and cultivate relationships with numerous retailers in the space, including Camping World, a leading national RV retailer; and Keystone Automotive, a leading national marketer and distributor of automotive and RV specialty products.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial performance are significantly dependent on the following factors:

Consumer Demand

Our sales are primarily generated from dealers, wholesalers, private-label customers, and OEMs serving the RV, marine, and industrial markets. Because our sales are generally made on a purchase order basis and are not supported by long-term revenue commitments, the demand for our products from these customers depends on consumer demand, and our results of operations are sensitive to changes in customer purchasing patterns.

We have recently added several new distributors and OEM customers in RV and marine markets. These relationships contributed to incremental order volume during 2025 and are expected to support order volume and revenue opportunities during the latter part of 2026, although the timing and magnitude of future orders will continue to remain subject to customer demand and overall market conditions.

Manufacturing and Supply Chain

Our batteries are manufactured by multiple third-party manufacturers located in Asia, which also produce our battery cells. While we do not have long-term purchase agreements with these manufacturers and generally transact on a purchase order basis, we maintain strong relationships with our manufacturers and cell suppliers, which have historically enabled us to increase our purchase volumes and qualify for volume-based discounts. The strength of these relationships, together with ongoing supplier negotiations and purchasing strategies, have supported our efforts to manage supply-related costs associated with inflation, currency fluctuations, and U.S. government tariffs imposed on our imports, as well as to mitigate potential shipment delays. We aim to maintain an appropriate level of inventory to satisfy our expected supply requirements. While we believe we could locate suitable alternative third-party manufacturers to fulfill our requirements if needed, transitioning suppliers could require time and result in additional costs.

Our third-party manufacturers source the raw materials and battery components required for the production of our batteries directly from third-party suppliers that meet our approval and quality standards. Accordingly, pricing for certain raw materials and components is influenced by market conditions and supplier negotiations. We estimate that raw material costs account for over half of our cost of goods sold. Lithium, which is extracted from mined ore, is a key raw material used to produce our battery cells and fluctuations in lithium pricing can affect our battery cell costs. From time to time, changes in raw material availability may influence pricing dynamics or sourcing strategies. Certain of our battery cell manufacturers have factories outside of Asia and have secured sourcing contracts from lithium suppliers in South America and Australia. In addition, we have a secondary source for lithium iron phosphate cells from a supplier in Europe, providing additional geographic diversification and sourcing flexibility.

Industry initiatives to expand lithium production capacity and lithium cell recycling may affect long-term supply dynamics. For example, there is an industry push to provide more efficient ways to extract lithium from mined ore. Another development of the past few years is lithium cell recycling, which recaptures raw lithium from the cell for reuse in future cells. However, notwithstanding efforts to improve the sustainability and efficiency of lithium mining, the price of lithium remains subject to market volatility. We continue to monitor developments that may affect our supply chain.

Management expects that products sourced from our Asian third-party manufacturers may be subject to additional tariffs in 2026. U.S. trade policy has been subject to significant legal and regulatory developments, and tariffs or other trade measures may continue to be imposed, modified, suspended, or challenged under various statutory authorities. We intend to mitigate the potential impact on margins through a combination of supplier negotiations, selective customer price adjustments, ongoing cost optimization initiatives, and the development of lower-cost product configurations designed to improve manufacturing efficiency and overall unit economics as sales volumes increase. The effectiveness of these measures will depend on market conditions, sales volume, product mix, and future tariff developments.

For additional information regarding supply chain risks, see the information in Part I, Item 1A of the Annual Report titled “*Risk Factors—Our results of operations could be adversely affected by changes in the cost and availability of raw materials and we are dependent on third-party manufacturers and suppliers*” and “*—Increases in costs, disruption of supply or shortage of any of our battery components, such as electronic and mechanical parts, or raw materials used in the production of such parts could harm our business.*”

Product and Customer Mix

As of March 31, 2026, we sell 14 models of LiFePO₄ batteries, the Aura 600, and various individual or bundled accessories for battery systems. Our products are sold to dealers, wholesalers, private-label customers, and OEMs at differing prices and with varying cost structures. The average selling price and costs of goods sold for a particular product will vary with changes in the sales channel mix, volume of products sold, and the prices of such products sold relative to other products. While we work with our suppliers to limit price and supply cost increases, our products may see price increases resulting from a rise in supply costs due to currency fluctuations, inflation, and tariffs, which may affect pricing and gross margins. Accessory and OEM sales typically have lower average selling prices and resulting margins relative to other distribution channels. As a result, shifts in customer mix could decrease our margins and negatively affect our growth or require us to increase the prices of our products. However, the benefits of increased sales volumes and broader customer penetration typically have offset, and may continue to offset, the impact of lower-margin product and customer mix. The relative margins of products sold also impact our results of operations. As we introduce new products, we may see a change in product and sales channel mix, which could result in period-to-period fluctuations in our overall gross margin.

Competition

We compete with both traditional lead-acid and lithium-ion battery manufacturers that primarily either import their products and/or components or manufacture their products and/or components under a private label. As we develop new products and expand into new markets, we may experience competition with a broader range of companies. These companies may have more resources than us and be able to allocate more resources to their current and future products. Our competitors may source products or components at lower costs than us, which may require us to evaluate our own costs, lower our product prices, or increase our sales volume to maintain our expected profitability levels.

Research and Development

We continue to invest in research and development to enhance the performance, reliability, and integration capabilities of our LiFePO₄ battery systems. Our research and development efforts focus on battery management systems, thermal management, product durability, system integration, and application-specific configurations for the RV, marine, industrial, and specialty vehicle markets.

As electrification trends evolve across mobile and stationary applications, customer requirements continue to develop, including demand for improved energy density, communication protocols, remote monitoring capabilities, and system-level integration. Our development initiatives are intended to address these evolving requirements and support competitiveness within our core markets.

We also evaluate emerging technologies and broader industry developments that may influence future product design, including advancements in cell chemistry, system architecture, and energy management software. Artificial intelligence (“AI”) and data-driven analytics are increasingly being incorporated into energy management, predictive maintenance, and supply chain optimization across the battery industry. While AI is not currently a primary driver of our product offerings, we monitor developments in this area and assess potential applications that may enhance system diagnostics, performance monitoring, and operational efficiency over time.

Our research and development spending may fluctuate depending on product development cycles, customer requirements, and broader market conditions.

Certifications

We have completed the final requirements to obtain UL Safety Certifications on our new 12V Group 27 100Ah and 132Ah batteries, and on our 12V GC2 battery. Now that these certifications have been completed, all of the batteries currently produced by us will have a UL Safety Certification, emphasizing our commitment to quality, safety and service for our customers.

KEY LINE ITEMS

Net Sales

Our revenue is generated from the sale of products consisting primarily of batteries and accessories. We recognize revenue when control of goods or services is transferred to our customers in an amount that reflects the consideration it is expected to be entitled to in exchange for those goods or services. Our sales are primarily within the United States.

Cost of Sales

Our primary cost of sales as a percentage of sales is related to our direct product and landing costs. Per full absorption cost accounting, overhead related to our cost of sales is added, consisting primarily of warehouse rent and utilities. The costs can increase or decrease based on costs of product and assembly parts (purchased at market pricing), customer supply requirements, and the amount of labor required to assemble a product, along with the allocation of fixed overhead.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses consist primarily of salaries and benefits, legal and professional fees, and sales and marketing costs. Other significant costs include research and development, software and information technology, insurance, and facility and related costs.

Other (Income) Expense

Our other (income) and expense typically consist of interest income, interest expense, and gain or loss on sale of property and equipment.

Provision for Income Taxes

We are subject to corporate federal and state 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 basis. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We have adopted the provisions in ASC 740, Income Taxes, related to accounting for uncertain tax positions. It requires that the Company recognize the impact of a tax position in the financial statements if the position is more likely than not to be sustained upon examination and on the technical merits of the position. Management has concluded that there were no material unrecognized tax benefits as of March 31, 2026 or December 31, 2025.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. We had no accrual for interest or penalties on our balance sheets at March 31, 2026 or December 31, 2025 and did not recognize interest and/or penalties in the statement of operations for the three months ended March 31, 2026 and 2025, since there are no material unrecognized tax benefits. Management believes no material change to the amount of unrecognized tax benefits will occur within the next 12 months.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of sales:

For the three months ended:

| | March 31, 2026 | | March 31, 2025 | |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
| | \$ | % of Net sales | \$ | % of Net sales |
| Net sales | \$ 1,565,847 | 100.0% | \$ 2,049,331 | 100.0% |
| Cost of sales | 1,169,771 | 74.7 | 1,547,764 | 75.5 |
| Gross profit | 396,076 | 25.3 | 501,567 | 24.5 |
| Selling, general, and administrative expenses | 2,166,985 | 138.4 | 1,649,435 | 80.5 |
| Loss from operations | (1,770,909) | (113.1) | (1,147,868) | (56.0) |
| Other (income) / expense – net | (8,767) | (0.6) | 4,092 | 0.2 |
| Loss before income taxes | (1,762,142) | (112.5) | (1,151,960) | (56.2) |
| Net loss | (1,762,168) | (112.5) | (1,151,998) | (56.2) |

Net Sales

Net sales for the three months ended March 31, 2026 decreased by \$0.5 million, or 24%, compared to the three months ended March 31, 2025. Net sales were \$1.6 million for the three months ended March 31, 2026 and \$2.0 million for the three months ended March 31, 2025. The decrease was primarily due to discontinuing resale of certain low-margin accessories in order to increase our profit margins. Additionally, certain OEM customers entered the period carrying elevated battery inventory levels built up through year-end, which tempered order volume in the quarter. We anticipate demand from these customers to normalize in the second quarter of 2026 and beyond as their inventory levels return to standard operating levels.

Cost of Sales

Total cost of sales for the three months ended March 31, 2026 decreased by \$0.4 million, or 24%, compared to the three months ended March 31, 2025. Cost of sales as a percent of sales decreased by 0.8 percentage points compared to the prior year period, from 75.5% to 74.7%. Cost of sales was \$1.2 million for the three months ended March 31, 2026 and \$1.5 million for the three months ended March 31, 2025. The decrease in cost of sales was primarily related to the decrease in net sales, while the decrease in cost of sales as a percentage of net sales was primarily related to changing our product mix to exclude low-margin items and maintaining healthy pricing models across our core battery product lines.

Gross Profit

Our gross profit for the three months ended March 31, 2026 decreased by \$0.1 million, or 21%, compared to the three months ended March 31, 2025. Gross profit was \$0.4 million for the three months ended March 31, 2026 and \$0.5 million for the three months ended March 31, 2025. Gross profit as a percentage of sales increased by 0.8 percentage points compared to the prior year period. The decrease in gross profit for the three months ended March 31, 2026 was primarily attributable to the decrease in net sales, partially offset by the increase in gross profit as a percentage of sales.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses for the three months ended March 31, 2026 increased by \$0.5 million, or 31%, compared to the three months ended March 31, 2025. Selling, general, and administrative expenses were \$2.2 million for the three months ended March 31, 2026 and \$1.6 million for the three months ended March 31, 2025. The increase in selling, general, and administrative expense was primarily due to increases in legal and professional fees and salaries and benefits, which increased by approximately \$289,000 and \$142,000, respectively.

Presented in the table below is the composition of selling, general and administrative expenses:

| | Three Months Ended March 31, | |
|-------------------------------|-------------------------------------|---------------------|
| | 2026 | 2025 |
| Salaries and benefits | \$ 814,578 | \$ 672,664 |
| Legal and professional | 599,795 | 311,042 |
| Sales and marketing | 249,772 | 246,643 |
| Research and development | 142,960 | 113,740 |
| Software, fees, tech support | 80,505 | 70,472 |
| Insurance | 76,440 | 63,105 |
| Rents, maintenance, utilities | 63,714 | 56,679 |
| Travel expenses | 49,793 | 40,851 |
| Depreciation | 23,370 | 29,813 |
| Supplies | 12,018 | 8,222 |
| Other | 54,040 | 36,204 |
| Total | <u>\$ 2,166,985</u> | <u>\$ 1,649,435</u> |

Other (Income) / Expense

Other income for the three months ended March 31, 2026 was \$9,000 and other expense for the three months ended March 31, 2025 was \$4,000. Other income for the three months ended March 31, 2026 was primarily attributable to interest income, partially offset by interest expense. Other expense for the three months ended March 31, 2025 was made up almost entirely of interest expense, partially offset by a gain on sale of property and equipment.

During the three months ended March 31, 2026 and 2025, interest income totaled \$14,000 and \$0, respectively, from the cash invested in U.S. treasury securities, while interest expense totaled \$6,000 in both periods, related to our notes payable and short-term insurance financing.

Net Loss

Our net loss for the three months ended March 31, 2026 and 2025 was \$1.8 million and \$1.2 million, respectively. The increase in net loss was primarily the result of higher selling, general, and administrative expenses and lower net sales for the period ended March 31, 2026.

CASH FLOWS

The following table shows a summary of our cash flows for the periods presented:

| | Three Months Ended March 31, | |
|-------------------------------------------|-------------------------------------|-------------------|
| | 2026 | 2025 |
| Net cash used in operating activities | \$ (1,127,808) | \$ (1,228,934) |
| Net cash provided by investing activities | — | 2,750 |
| Net cash provided by financing activities | 1,215,250 | 1,771,226 |
| Net change in cash and cash equivalents | <u>\$ 87,442</u> | <u>\$ 545,042</u> |

Net Cash Used in Operating Activities

Our largest source of operating cash is cash collected from sales of our products. Our primary uses of cash for operating activities include inventory purchases and selling, general, and administrative expenses, including salaries and benefits, legal and professional fees, and sales and marketing expenses. In the last several years, we have generated negative cash flows from operating activities and have supplemented working capital requirements through net proceeds from the sales of common stock.

Net cash used in operating activities was \$1.1 million for the three months ended March 31, 2026, compared to \$1.2 million for the prior year period. The decrease in cash used was primarily attributable to the timing of our inventory purchases, timing of prepaid expenses, and timing of accounts receivable and included the following:

- For the three months ended March 31, 2026, our loss of \$1.8 million was reduced by non-cash transactions including stock-based compensation of \$53,000, depreciation of \$25,000, and an increase in allowance of doubtful accounts of \$8,000. Our loss was increased by non-cash adjustments in inventory valuation of approximately \$74,000. For the three months ended March 31, 2025, our loss of \$1.2 million was reduced by non-cash transactions including stock-based compensation of \$51,000 and depreciation of \$34,000. For the three months ended March 31, 2026, cash was provided by a decrease in inventory of \$0.5 million and a decrease in prepaid and in-transit inventory of \$0.1 million, as orders requiring prepayment or orders in transit prior to December 31, 2025 were received into inventory during the three months ended March 31, 2026.

- Cash used in decreasing our suspended liability for the three months ended March 31, 2025 was primarily due to the Company using \$500,000 of proceeds from the January 2025 offering to partially satisfy payments owed under the Series A Warrants, resulting in a corresponding reduction to the suspended liability, while there was no cash flow for this liability in the three months ended March 31, 2026.
- Cash provided by a decrease in accounts receivable was \$95,000 and \$20,000 in the three months ended March 31, 2026 and 2025, respectively. Cash provided by an increase in accounts payable was \$16,000 and \$29,000 for the three months ended March 31, 2026 and 2025, respectively. These changes are mainly due to timing of invoices and payments before and after the end of the period.

Net Cash Provided by Investing Activities

There was no cash provided by or used in investing activities for the three months ended March 31, 2026, compared to cash provided by investing activities of \$3,000 for the three months ended March 31, 2025. We did not purchase or dispose of any fixed assets in the three months ended March 31, 2026, and sold one vehicle in the three months ended March 31, 2025.

Net Cash Provided by Financing Activities

For the three months ended March 31, 2026, net proceeds from the issuance of common stock were \$1.2 million, slightly offset by principal payments on long-term debt of \$8,000. For the three months ended March 31, 2025, we received net proceeds of \$1.8 million from the issuance of common stock, offset by principal payments on long-term debt totaling \$8,000.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our operations have been financed primarily through net proceeds from the sale of securities. On December 12, 2025, we entered into an at-the-market issuance sales agreement. We commenced sales under the agreement in January 2026 and have sold an aggregate of 1,656,559 shares for net proceeds of approximately \$1.2 million during the three months ended March 31, 2026. As of March 31, 2026, our working capital was \$5.6 million compared to \$6.0 million as of December 31, 2025, and we had cash and cash equivalents of \$3.1 million and \$3.0 million as of March 31, 2026 and December 31, 2025, respectively. During the three months ended March 31, 2026, we received net proceeds of approximately \$1.2 million from the issuance of common stock.

We generally consider our short-term liquidity requirements to consist of those items that are expected to be incurred within the next 12 months and believe those requirements to consist primarily of funds necessary to pay operating expenses, interest, and principal payments on our debt.

As of March 31, 2026, we expect our short-term liquidity requirements to include scheduled principal debt payments of approximately \$32,000 and lease obligation payments of approximately \$332,000, including imputed interest.

We generally consider our long-term liquidity requirements to consist of those items that are expected to be incurred beyond the next 12 months. We continue to experience recurring operating losses and negative cash flows from operations, with \$1.1 million used in operating activities during the three months ended March 31, 2026. While management has implemented cost containment measures and is working to address its cash flow challenges, including by raising additional capital, expanding into new sales channels, managing inventory levels, identifying alternative supply chain resources, and managing operational expenses, material uncertainty remains. Without additional funding or a material increase in revenue generation, we may not be able to meet our obligations as they become due. These factors raise substantial doubt about our ability to continue as a going concern within 12 months after the date that the financial statements included in this Quarterly Report are issued. Our activities are subject to significant risks and uncertainties, including failing to secure additional funding before we achieve sustainable revenues and profit from operations. We expect to continue to incur additional losses for the foreseeable future, and we may need to raise additional debt or equity financing to expand our presence in the marketplace, develop new products, achieve operating efficiencies, and accomplish our long-term business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing and capital might be available. See also the risk factor entitled “*Our audited financial statements include a statement that there is a substantial doubt about our ability to continue as a going concern and a continuation of negative financial trends could result in our inability to continue as a going concern*” in Part I, Item 1A, “*Risk Factors*” of the Annual Report.

Financing Obligations

As of March 31, 2026, our long-term debt was approximately \$190,000, of which \$32,000 is due within the next 12 months. This balance includes \$138,000 outstanding under a COVID-19 Economic Injury Disaster Loan and \$52,000 outstanding under vehicle financing arrangements.

Vehicle Financing Arrangements

As of March 31, 2026, we had three notes payable to GM Financial for vehicles. In addition, a commercial line secured in April 2022 for \$300,000 was renewed in April 2023 and increased to \$350,000, and renewed again each April from 2024 through 2026 for the same amount of \$350,000. This commercial line may be used to finance vehicle purchases and expires in April 2027. The notes are payable in aggregate monthly installments of \$2,560, including interest at rates ranging from 6.14% to 7.29% per annum, mature at various dates from October 2027 to May 2028, and are secured by the related vehicles.

Contractual and Other Obligations

Our estimated future obligations include long-term operating lease liabilities. As of March 31, 2026, we had \$629,000 in operating lease liabilities.

CRITICAL ACCOUNTING ESTIMATES

The above discussion and analysis of our financial condition and results of operations is based upon our financial statements. The preparation of financial statements in conformity with the generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. These estimates involve judgments that are inherently uncertain and subject to change as future events and conditions evolve. We base our estimates on historical experience, known trends and events, and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions. On a recurring basis, we evaluate our judgments and estimates in light of changes in circumstances, facts, and experience. The effects of material revisions in an estimate, if any, will be reflected in the financial statements prospectively from the date of the change in the estimate.

A critical accounting estimate is one that involves a significant degree of judgment or complexity and where a different assumption could reasonably have a material impact on our financial condition or results of operations. The critical accounting estimates below are those that we consider to be the most important in portraying our financial condition and results of operations and also require the greatest number of judgments by management. There were no material changes to our methodologies or underlying assumptions for these estimates compared to prior periods.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less reasonably predictable costs of sales.

Although our products have long shelf lives when stored properly, inventory may become obsolete due to technological changes, product redesigns, or shifts in consumer demand. Management regularly evaluates inventory quantities on hand relative to forecasted demand, product life cycles, and market conditions, and records adjustments to the valuation of inventory using the allowance method when necessary.

Leases

We determine if an arrangement is a lease at inception. Operating lease right-of-use (“ROU”) assets represent our right to use an underlying asset during the lease term, and operating lease liabilities represent our obligation to make lease payments arising from the lease. Operating leases are included in ROU assets, current operating lease liabilities, and long-term operating lease liabilities on our balance sheets. We do not have any finance leases.

We recognize operating lease assets and lease liabilities in the balance sheet on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by an option to extend (or not to terminate) the lease that is reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

We discount unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, our incremental borrowing rate.

Critical accounting estimates involved in determining our ROU asset and lease liabilities include the estimated value of the underlying asset at lease inception, the reasonably certain lease term for renewable leases, and the discount rate to apply to future payments. Variations from any of these estimates could have a material effect on the carrying value of our ROU assets and lease liabilities as reported on the balance sheet.

See “*Note 7, Commitments and Contingencies*,” to our financial statements within the Annual Report for additional information, including more details of our accounting policy elections and disclosures and remaining minimum operating lease commitments.

Property and Equipment

Property and equipment are stated at cost less depreciation calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

| | |
|---------------------------------------|--------------|
| Vehicles and transportation equipment | 5 – 7 years |
| Manufacturing equipment | 3 – 10 years |
| Office furniture and equipment | 3 – 7 years |
| Warehouse equipment | 3 – 10 years |
| QA equipment | 3 – 10 years |
| Tooling and molds | 5 – 10 years |

Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives.

Useful life is estimated for each item at the time of purchase based on the typical useful life in our experience and best judgment, and remaining useful life of existing assets is evaluated regularly. If an estimated useful life were to be inaccurate, the related depreciation expense would be adjusted, if necessary, at the time of disposal or impairment. It is our experience that the estimated useful lives of our assets are generally accurate.

Warrants

Warrants are measured at fair value upon issuance and are not subsequently remeasured unless they are required to be reclassified. See “*Note 6, Equity and Debt Financings*” and “*Note 8, Stockholders’ Equity*” in our accompanying financial statements for information on the warrants. Changes in assumptions used to estimate fair value could occur from stock pricing volatility depending on our performance and our position in the industry and changes in market interest rates, which can result in materially different results.

Stock-Based Compensation

We use the Black-Scholes option-pricing model to determine the fair value of option grants. In estimating fair value, management is required to make certain assumptions and estimates, such as the expected life of stock options, volatility of our stock price, risk-free interest rates, future dividend yields and estimated forfeitures at the initial grant date. Restricted stock unit awards are valued based on the closing trading price of our common stock on the date of grant. Changes in assumptions used to estimate fair value could result in materially different results.

Income Taxes

Effective November 1, 2021, the Company converted from an LLC to a C corporation and, as a result, became subject to corporate federal and state income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will be in effect for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. We believe it is more likely than not that forecasted income, together with future reversals of existing taxable temporary differences, will be sufficient to recover our deferred tax assets. In the event that we determine all, or part of our net deferred tax assets are not realizable in the future, we will record an adjustment to the valuation allowance and a corresponding charge to earnings in the period such determination is made.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of US GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition and results of operations. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recorded in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

See “*Note 10, Income Taxes*” of our financial statements within the Annual Report for further information on our income taxes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by Item 305 of Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial and accounting officer, evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2026. The term "disclosure controls and procedures," means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours is designed to do. 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 cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our principal executive officer and our principal financial and accounting officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2026.

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 2026, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may become, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities. We are not currently party to any pending legal proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our financial condition, cash flows, or results of operations.

On January 29, 2026, we received a determination from the Staff that the bid price of the common stock had closed below the \$1.00 minimum required by Nasdaq Listing Rule 5550(a)(2) for the prior 30 consecutive business days (the “Minimum Bid Price Requirement”) and that the Staff had determined to delist our securities from The Nasdaq Capital Market subject to a compliance period. Nasdaq provided us with a 180-calendar day compliance period, or until July 28, 2026, to regain compliance with the listing rule. We are currently evaluating options to regain compliance and intend to timely regain compliance with the Minimum Bid Price Requirement. Under Nasdaq rules, we are currently eligible to conduct a reverse stock split of our common stock to regain compliance if necessary.

ITEM 1A. RISK FACTORS

We are not aware of any material changes to the risks and uncertainties described in Part I, Item 1A, “*Risk Factors*” of the Annual Report, which are incorporated herein by reference, except as set forth below. The risks described in the Annual Report are not the only ones we face. Additional risks we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, results of operations, liquidity, and prospects.

We face risks associated with pursuing strategic acquisitions and divestitures, and our failure to successfully integrate any acquired business or product could have a material adverse effect on our results of operations and financial position.

As part of our overall strategy, we may periodically consider strategic acquisitions to expand our brands into complementary product categories and markets, or to acquire new technologies, intellectual property, or other assets. Our ability to do so depends on our ability to identify and successfully pursue suitable acquisition opportunities. Such acquisitions involve numerous risks, challenges, and uncertainties, including the potential to:

- expose us to risks inherent in entering into a new market or geographic region;
- lose significant customers or key personnel of the acquired business;
- encounter difficulties managing and implementing acquired assets;
- encounter difficulties marketing to new consumers or managing geographically remote operations;
- divert management’s time and attention away from other aspects of our business operations; and
- incur costs relating to a potential acquisition that we fail to consummate, which we may not recover.

Additionally, we may not be able to successfully integrate the assets or operations of any acquired businesses into our operations, or to achieve the expected benefits of any acquisitions. Following an acquisition, we may also face cannibalization of existing product sales by our newly acquired products, unless we adequately integrate new products with our existing products, aggressively target different consumers for our newly acquired products and increase our overall market share. The failure to successfully integrate any acquired business or products in the future could have a material adverse effect on our results of operations and financial position.

Further, we may be required to issue equity securities to finance an acquisition, which would be dilutive to our stockholders, and the equity securities may have rights or preferences senior to those of our existing stockholders. If we incur indebtedness to finance an acquisition, it will result in debt service costs, and we may be subject to covenants restricting our operations or liens encumbering our assets.

We may in the future consider divesting all or portions of our businesses or product lines. Divestitures involve risks, including difficulties in the separation of operations, products and personnel, diverting management and employee time and attention away from other aspects of our business, separating personnel and financial and other systems, impairments, and adversely affecting relationships with existing suppliers and customers. In addition, divestitures may result in the retention of uncertain contingent liabilities related to the divested business and significant asset impairment charges, including those related to goodwill and other intangible assets, and the loss of revenue which could have a material adverse effect on our financial condition and results of operations.

The process of completing any acquisitions or divestitures may be time-consuming, involve significant costs and expenses, and may not yield a benefit if the transactions are not completed successfully. In situations where acquisitions or divestitures are not successfully implemented or completed, or the expected benefits of such acquisitions or divestitures are not otherwise realized, our business or financial results could be negatively impacted.

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

Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities during the three months ended March 31, 2026.

Issuer Repurchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plans

Our directors and officers may enter into trading plans or other arrangements with financial institutions to purchase or sell shares of our common stock, which plans or arrangements are intended to comply with the affirmative defense provisions of Rule 10b5-1 of the Exchange Act, or which may represent a non-Rule 10b5-1 trading arrangement as defined under Item 408(a) of Regulation S-K.

During the quarter ended March 31, 2026, no director or officer adopted, modified, or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

| Exhibit Number | Description | Incorporated by Reference | | |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|-------------|
| | | Form | Exhibit | Filing Date |
| 3.1 | Articles of Incorporation of the Company, effective as of November 4, 2021. | S-1 | 3.1 | 3/31/2022 |
| 3.2 | Certificate of Amendment of Articles of Incorporation, effective as of October 8, 2024 | 8-K | 3.1 | 10/7/2024 |
| 3.3 | Amended and Restated Bylaws of the Company, dated August 21, 2024 | 8-K | 3.1 | 8/27/2024 |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | - | - | - |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | - | - | - |
| 32.1# | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | - | - | - |
| 32.2# | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | - | - | - |
| 101.INS | XBRL Instance Document. | - | - | - |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | - | - | - |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | - | - | - |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | - | - | - |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | - | - | - |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | - | - | - |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101). | - | - | - |

The certification shall not be deemed “filed” by the registrant for purposes of Section 18 of the Exchange Act, and shall not be incorporated by reference into any of the registrant’s filings under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in any such filing.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Hammer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (the “Report”) of Expion360 Inc. (the “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 general 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 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.

Date: May 15, 2026

/s/ Joseph Hammer

Joseph Hammer

Chief Executive Officer and Chairman of the Board of Directors

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shawna Bowin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (the “Report”) of Expion360 Inc. (the “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 controls 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 general 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 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.

Date: May 15, 2026

/s/ Shawna Bowin

Shawna Bowin
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Expion360 Inc. (the "Company") for the quarterly period ended March 31, 2026 (the "Report"), as filed with the Securities and Exchange Commission, the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

Date: May 15, 2026

/s/ Joseph Hammer

Joseph Hammer
Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Expion360 Inc. (the "Company") for the quarterly period ended March 31, 2026 (the "Report"), as filed with the Securities and Exchange Commission, the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

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

Date: May 15, 2026

/s/ Shawna Bowin

Shawna Bowin
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.